成都高速公路股份有限公司
CHENGDU EXPRESSWAY CO., LTD.

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

Stock code: 1785



GLOBAL OFFERING

Sole Sponsor

CLSA A CITIC Securities Company

Joint Global Coordinators

CLSA A CITIC Securities Company

建银国际 CCB International

Joint Bookrunners and Joint Lead Managers

CLSA A CITIC Securities Company

建银国际 CCB International

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

交銀國際 BOCOM International

農銀國際 ABC INTERNATIONAL

海通國際 HAITONG

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**400,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**40,000,000 H Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**360,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**HK$2.20 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.0 per H Share**
Stock code	**:**	**1785**

Sole Sponsor

CLSA A CITIC Securities Company

Joint Global Coordinators

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CLSA A CITIC Securities Company　建银国际 CCB International　國泰君安國際 GUOTAI JUNAN INTERNATIONAL　交銀國際 BOCOM INTERNATIONAL　農銀國際 ABC INTERNATIONAL　海通國際 HAITONG

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VIII – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Sole Representative (for itself and on behalf of the Underwriter(s)) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price below that is stated in this prospectus (which is HK$2.20) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of reduction in the number of Offer Shares being offered in the Global Offering and/or the Offer Price will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.chengdugs.com. For further information, see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriter(s) under the Hong Kong Underwriting Agreement are subject to termination by the Sole Representative (for itself and on behalf of the Hong Kong Underwriter(s)) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the day that dealings in the H Shares commence on the Stock Exchange. Such grounds are set out in "Underwriting" in this prospectus. It is important that you refer to that section for further details.

We are incorporated, and our operations are primarily located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors", "Regulatory Environment", "Appendix III – Taxation and Foreign Exchange", "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered and sold outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

December 28, 2018

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.chengdugs.com** and the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews* > *Listed Company Information* > *Latest Listed Company Information*" section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Friday, December 28, 2018 until 12:00 noon on Monday, January 7, 2019 at the following locations:

1. any of the following branches of the receiving bank of the Hong Kong Public Offering:

   Bank of China (Hong Kong) Limited

District	**Branch Name**	**Address**
Hong Kong Island . .	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom, Kowloon
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories

2. any of the following offices of the Hong Kong Underwriters:

   CLSA Limited
   18/F, One Pacific Place
   88 Queensway
   Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Aristo Securities Limited
Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai, Hong Kong

3. the Depository Counter of Hong Kong Securities Clearing Company Limited at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of Bank of China (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Friday, December 28, 2018 until 12:00 noon on Monday, January 7, 2019, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in "How to Apply for the Hong Kong Offer Shares" in this prospectus.

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] ..... 11:30 a.m. on Monday, January 7, 2019

Application lists open[3] ..... 11:45 a.m. on Monday, January 7, 2019

Latest time to lodge **WHITE** and **YELLOW** Application Forms ..... 12:00 noon on Monday, January 7, 2019

Latest time to give electronic application instructions to HKSCC[4] ..... 12:00 noon on Monday, January 7, 2019

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) ..... 12:00 noon on Monday, January 7, 2019

Application lists close[3] ..... 12:00 noon on Monday, January 7, 2019

(1) Announcement of:

- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), and on our website at **www.chengdugs.com**[5] and the website of the Stock Exchange at **www.hkexnews.hk**[5] on or before ..... Monday, January 14, 2019

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results" in this prospectus from ..... Monday, January 14, 2019

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.chengdugs.com**[5] from ..... Monday, January 14, 2019

Result of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from ..... Monday, January 14, 2019

H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering to be despatched or deposited into CCASS on or before[6] ..... Monday, January 14, 2019

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering to be dispatched on or before[7][8] ..... Monday, January 14, 2019

Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on ..... Tuesday, January 15, 2019

Notes:

(1) All dates and times refer to Hong Kong local dates and time, except as otherwise stated. For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, please refer to "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. **If you have already submitted your application through the designated website at www.eipo.com.hk and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.**

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, January 7, 2019, the application lists will not open or close on that day. Please refer to "How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to "How to Apply for the Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) H Share certificates for the Hong Kong Offer Shares will only become valid certificates of title at 8:00 a.m. on Tuesday, January 15, 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so at their own risk.

(7) e-Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

(8) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, January 14, 2019. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations who are eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar, Computershare Hong Kong Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their H Share certificates as such H Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. For details of the arrangements, please refer to "How to Apply for the Hong Kong Offer Shares" in this prospectus.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched the bank account, in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions, in the form of refund cheques, by ordinary post at their own risk.

H Share certificates and/or refund cheques (if applicable) for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to Apply for the Hong Kong Offer Shares – 13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares – 14. Dispatch/Collection of H Share Certificate(s) and Refund Monies" in this prospectus.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Tuesday, January 15, 2019 Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. You should refer to "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

CONTENTS

IMPORTANT NOTE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriter(s), any of their respective directors or supervisors, agents, employees or advisers, or any other person or party involved in the Global Offering. Information contained on the website at www.chengdugs.com does not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary" in this prospectus.

OVERVIEW

We are principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan province. As of the Latest Practicable Date, our expressway network includes four expressways: Chengguan Expressway, Chengpeng Expressway, Chengdu Airport Expressway and Chengwenqiong Expressway. In addition, we also hold 40% of the equity interests in, Chengbei Exit Expressway. The expressways we operate and invest in are all strategically located and form an integral part of the expressway network around Chengdu, connecting various areas with rich industrial, cultural and tourism resources along the way.

- Chengguan Expressway is a major part of G4217 national expressway and a key section connecting Sichuan with Gansu, Qinghai and Tibet. It is also the main road to access Dujiangyan, Qingcheng Mountain, Jiuzhai Valley, Huanglong and other tourist attractions and connects most of the catalogued UNESCO World Heritage Sites located in Sichuan province.

- Chengpeng Expressway is a major part of the S105 provincial highway, which is a key component of the radial-shaped road network surrounding Chengdu and the main route connecting Chengdu to areas north of Sichuan province.

- Chengwenqiong Expressway is a major part of the S8 provincial expressway and is of economic and cultural significance to western Chengdu. As the only expressway in the region, it connects Wenjiang, Chongzhou, Dayi, Qionglai and other major satellite cities of Chengdu.

- Chengdu Airport Expressway is a major part of the S6 provincial expressway and the main expressway to Chengdu Shuangliu Airport from downtown Chengdu.

In addition to the expressways mentioned above, we hold 40% of the equity interests in Chengbei Exit Expressway:

- Chengbei Exit Expressway forms part of the G5 Beijing-Kunming national expressway and is an important expressway connecting downtown Chengdu with Chengmian Expressway (成綿高速) and Chengdu Ring Expressway (成都繞城高速).

Our daily operations focus on toll collection and the management and maintenance of the expressways we operate. According to the relevant approvals granted by the Sichuan Provincial Government, we obtained concession rights to operate, manage and develop all of our expressways and toll entitlements for a term ranging from 25 years to 30 years. We have the exclusive right to collect tolls from vehicles that use our expressways at rates set by relevant government authorities and we are responsible for the daily operation and maintenance of expressways. During the Track Record Period, we provided upgrade and expansion services to Chengguan Expressway, Chengwenqiong Expressway and Chengpeng Expressway through subcontracting the construction work to third party subcontractors, such as repaving part of Chengguan Expressway and Chengwenqiong Expressway and adding additional lanes on Chengpeng Expressway. 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 amortization and any impairment losses. We recognized construction revenue in respect of service concession arrangements from such upgrade and expansion services. We measure revenue generated from construction and upgrade services at the fair value of the consideration received or receivable. The construction revenue we generated was non-recurring in nature given it related solely to upgrade or expansion projects we undertook during the Track Record Period, instead of provision of construction services to third parties. The amount of construction revenue we recognized was the same as the cost of construction during the same period. For a more detailed description, see "Financial Information – Critical Accounting Policies and Estimates" and "Financial Information – Description of Major Line Items in our Consolidated Statements of Financial Position."

In 2015, 2016 and 2017 and the six months ended June 30, 2018, our total revenue was RMB785.1 million, RMB1,185.2 million, RMB1,784.3 million and RMB1,279.7 million, respectively, consisting of toll revenue and construction revenue in respect of our service concession arrangements. The table below sets forth a breakdown of our toll revenue and construction revenue for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
			(RMB'000)		
Toll Revenue[(1)]	778,363	787,558	840,378	391,823	435,375
Construction Revenue in respect of service concession arrangements[(2)]	6,727	397,643	943,920	167,045	844,329

Notes:

(1) Consisting of toll revenue generated from Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway.

(2) Consisting of construction revenue generated from Chengguan Expressway, Chengpeng Expressway, and Chengwenqiong Expressway. Construction revenue recognized was due to the accounting treatment of service concession arrangements and nil gross margin was generated during the Track Record Period.

The table below sets forth certain key operating data of our expressways as of the Latest Practicable Date:

	% of Ownership	Length (km)	Number of Lanes	Number of Toll Plazas	Commencement of Operation	Expiration Date
Chengguan Expressway	100%	40.44	6	7	July 2000	July 2030
Chengpeng Expressway[(1)]	99.33%	21.32	6/8	4	November 2004	October 2033
Chengwenqiong Expressway	100%	65.60	6/4	12	January 2005	January 2035
Chengdu Airport Expressway	55%	11.98	4	1	July 1999	December 2024

Notes:

(1) The remaining 0.67% equity interest in Chengpeng Expressway Company was held by Pengzhou Zhengtongdaoqiao, an Independent Third Party. For more details, please refer to the section headed "History and Corporate Structure – Corporate Development – Our Subsidiaries – Chengpeng Expressway Company." We completed the expansion project of Chengpeng Expressway on June 30, 2018, which expanded Chengpeng Expressway from a four-lane expressway to a six-lane expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and an eight-lane expressway for the road

section between Chengdu No. 2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway. For more details, see "Business – Road and Facility Maintenance, Repair and Upgrade – Our Business Operations – Our Expressways Expansion Project."

(2) The remaining 45% equity interest in Chengdu Airport Expressway Company was held by Chengyu Expressway Company and Sichuan Xinneng as to 25% and 20%, respectively.

In 2015, 2016, 2017 and the six months ended June 30, 2018, the total daily weighted-average traffic volume recorded on the expressways we operate was approximately 158,599, 170,475, 157,026 and 147,935 vehicles, respectively, among which passenger traffic accounted for over 80% of our total traffic volume. The table below sets forth a breakdown of the daily weighted-average traffic volume of our expressways by traffic type for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
Passenger traffic[(1)]	141,221	152,423	140,768	149,702	132,363
Freight traffic[(1)]	17,378	18,052	16,258	16,874	15,572
Total	158,599	170,475	157,026	166,576	147,935

Note:

(1) The traffic volume for Chengpeng Expressway and Chengwenqiong Expressway has taken into account traffic under the Batch Payment Model.

The tables below set forth breakdowns of our toll revenue and the amount of average daily toll collected by expressway and traffic type for the periods indicated, respectively. The fluctuations in our toll revenue during the Track Record Period primarily resulted from the aggregate effect of the organic growth of the traffic flow, changes in traffic mix, the adoption of the New Batch Payment Model and road closure caused by the expansion project of Chengpeng Expressway. Our toll revenue increased from 2015 by 1.2% to RMB787.6 million in 2016, mainly attributable to the increase in toll revenue generated from Chengguan Expressway driven by natural growth of traffic volume partially offset by a reduction of toll revenue from Chengdu Airport Expressway as a result of a fall in its toll rates. Our toll revenue increased from 2016 by 6.7% to RMB840.4 million in 2017, mainly attributable to the increase in toll revenue generated from Chengwenqiong Expressway following the adoption of the New Batch Payment Model and the increase in toll revenue of Chengguan Expressway as a result of natural traffic growth and traffic diversion from Chengpeng Expressway as a result of its partial road closure caused by its expansion project, partially offset by the decrease in toll revenue generated from Chengpeng Expressway as a result of the same partial road closure. Our toll revenue increased from the six months ended June 30, 2017 by 11.1% to RMB435.4 million in the six months ended June 30, 2018, mainly attributable to the adoption of the New Batch Payment Model on Chengwenqiong Expressway and the increase in toll revenue

generated from Chengguan Expressway driven by natural growth of traffic volume and additional traffic diversion from Chengpeng Expressway due to the partial road closure caused by its expansion project, and partially offset by the decrease in toll revenue generated from Chengpeng Expressway due to the same partial road closure. For details, please refer to the section headed "Financial Information – Period-to-Period Comparison of Results of Operations".

	For the year ended December 31,									For the six months ended June 30,					
	2015			2016			2017			2017			2018		
Toll Revenue	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total
								(RMB'000)							
Chengguan Expressway	223,642	41,495	265,137	251,567	42,745	294,312	258,556	52,326	310,882	120,111	20,303	140,414	128,921	33,899	162,820
Chengpeng Expressway[1]	N/A	N/A	107,196	N/A	N/A	106,433	N/A	N/A	66,537	N/A	N/A	51,373	9,458	4,210	13,668
Chengwenqiong Expressway[2]	N/A	N/A	261,086	N/A	N/A	259,437	N/A	N/A	320,333	N/A	N/A	130,505	146,520	42,586	189,106
Chengdu Airport Expressway[3]	144,944	–	144,944	127,376	–	127,376	142,626	–	142,626	69,531	–	69,531	69,781	–	69,781
Total			778,363			787,558			840,378			391,823			435,375

	For the year ended December 31,									For the six months ended June 30,					
	2015			2016			2017			2017			2018		
Average Daily Toll	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total
								(RMB'000)							
Chengguan Expressway	613	114	727	687	117	804	708	143	851	664	112	776	712	187	899
Chengpeng Expressway[1]	N/A	N/A	294	N/A	N/A	291	N/A	N/A	182	N/A	N/A	284	52	23	75
Chengwenqiong Expressway[2]	N/A	N/A	715	N/A	N/A	709	N/A	N/A	878	N/A	N/A	721	810	235	1,045
Chengdu Airport Expressway[3]	397	–	397	348	–	348	391	–	391	384	–	384	386	–	386

Notes:

(1) Under the Old Batch Payment Agreement, which was effective until June 30, 2017, toll revenue breakdown by traffic type is not available as we only charge a fixed annual fee. The decrease in average daily toll in 2017 and the first half of 2018 for Chengpeng Expressway was primarily due to the partial road closure caused by its expansion project in the second half of 2017, which was completed on June 30, 2018. Chengpeng Expressway reopened for operation on July 12, 2018.

(2) Under the Old Batch Payment Agreement, which was effective until June 30, 2017, toll revenue breakdown by traffic type is not available as we only charge a fixed annual fee. The increase in average daily toll in 2017 and the first half of 2018 for Chengwenqiong Expressway was primarily attributable to the adoption of the New Batch Payment Model and higher traffic volume led by improved road quality after its upgrade project completed in 2016.

(3) The traffic volume on Chengdu Airport Expressway may be affected by Tianfu International Airport (成都天府國際機場), which was under construction as of the Latest Practicable Date and phase one is expected to be completed and commence operations after 2020. See "Risk Factors – Risks Relating to Our Business – Any decline in traffic volume may adversely affect our revenue and earnings" and "Business – Our Business Operations – Our Expressways – Chengdu Airport Expressway" in the prospectus.

Other than our toll revenue detailed above, we also generated construction revenue in respect of our service concession arrangements during the Track Record Period. The fluctuations in our construction revenue in respect of our service concession arrangements during the Track Record Period primarily resulted from the upgrade and expansion projects we

undertook at Chengguan Expressway, Chengwenqiong Expressway and Chengpeng Expressway. Following the completion of the expansion project of Chengpeng Expressway on June 30, 2018, we ceased to recognize construction revenue from the Chengpeng expansion project. If we were to undertake any construction and upgrade project in the future, we will generate construction revenue from such project. We currently do not have any planned major construction and upgrade projects in the near future and as long as we do not undertake any construction and upgrade project, we expect that our revenue will only consist of toll revenue during such future period.

In 2015, 2016, 2017 and the six months ended June 30, 2018, our overall gross profit was RMB482.9 million, RMB458.8 million, RMB498.7 million and RMB262.7 million, respectively, which equals the gross profit of our toll collection operation.

OUR COMPETITIVE STRENGTHS

We believe that we are well-positioned in the expressway industry given our competitive advantages:

- Unique geographical advantages and strategic position of our expressways in Chengdu, Sichuan province, the economic hub in western China with rich tourism resources.

- An integral part of the expressway network around Chengdu with a stable traffic volume.

- Stable cash flow from toll income.

- Extensive operation experience and strong support from our Controlling Shareholders.

- Experienced management team.

For detailed discussions of these competitive strengths, see "Business – Our Competitive Strengths" in this prospectus.

BUSINESS STRATEGIES

Our goal is to strengthen our position as a leading expressway operator in Sichuan province and improve our overall profitability. The key components of our growth strategy include:

- Strategic acquisitions or investments in expressways and continuing to improve the quality and capacity of our existing expressways.

- Continuing to improve operating efficiency and enhance profitability.

- Exploring new business models and other revenue streams.

- Exploring new opportunities arising from favorable policies in Chengdu and Sichuan province.

For detailed discussions of these business strategies, please refer to "Business – Our Strategies" in this prospectus.

OVERVIEW OF EXPRESSWAY MARKET IN THE PRC

According to the Frost & Sullivan Report, China's highway and expressway network has been stably developing as part of the Chinese government's plan to improve infrastructure. From 2013 to 2017, the total highway length increased from 4.4 million kilometers to 4.8 million kilometers, with a CAGR of 2.2%. In the same period, the total expressway length increased from 100.4 thousand kilometers to 136.5 thousand kilometers, with a CAGR of 8.0%. During the 13th Five-Year Plan, the development of the expressway network in the PRC has become one of the most important agendas.

Sichuan province is an economic hub in western China, with unique geographical advantages. As the provincial capital of Sichuan province, Chengdu accounted for approximately 37.8% of the total nominal GDP of Sichuan province and ranked second among all the provincial capitals in China in terms of nominal GDP in 2017, according to the Frost & Sullivan Report. Aiming to build itself as an economic, technology, cultural and diplomatic center and transportation hub in western China, Chengdu's GDP has witnessed substantial growth in the past years. According to the Sichuan Provincial Development Plan, the mileage of expressways in Sichuan province will exceed 8,000 kilometers by 2020. We believe our results of operations and the expressway industry in Sichuan province in general will benefit from favorable government policies and the regional economic development of Sichuan province and Chengdu.

As of the Latest Practicable Date, there were 66 expressways in operation within Sichuan province. Expressways in the Chengdu metropolitan area that currently compete with our expressways include Chengqing Freeway (成青快速通道), Chengmian Expressway (成綿高速公路), Chengya Expressway (成雅高速公路), Chengwenqiong Highway (成溫邛快速通道) and Chengqingjin Freeway (成青金快速通道). In addition, Chengdu Economic Zone Ring Expressway (成都經濟區環線(三繞)高速), which is currently under construction, may potentially compete with Chengguan Expressway and Chengpeng Expressway in the future.

OUR BUSINESS MODEL

The following table sets forth our business model:

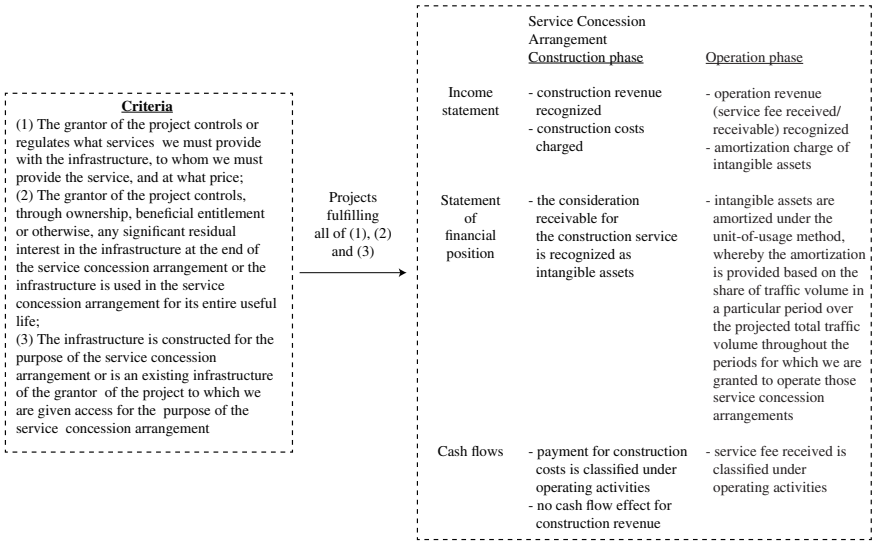
Operation:	Our major operation includes toll collection and traffic management. We have adopted various measures to monitor real-time traffic flow and allow for prompt response to any unexpected road conditions or emergencies.
Maintenance:	We carry out routine maintenance repair, cleaning and greening work on a daily basis through third-party contractors.
Management:	Our management team is actively involved in the daily operations of our expressways. We have detailed internal control and management policies in place and have adopted various measures to implement such policies.
Upgrade and expansion:	We provide upgrade and expansion services to our expressways through subcontracting the construction work to third party subcontractors.

We derive a substantial portion of our revenue from our expressway business. Toll rates for the expressways we operate or invest in are set by relevant government authorities. Adjustments of tolls require approval by the Sichuan Provincial Government, Sichuan Provincial Development and Reform Commission and Department of Transportation of Sichuan Province. We employ both the Standard Toll Collection Model, which is used on all of our expressways, and the Batch Payment Model, which is applied to passenger vehicles with Local Licenses under Chengpeng Expressway and to all vehicles with Local Licenses under Chengwenqiong Expressway, to collect tolls in our daily operations. For more information, see "Business – Our Business Operations – Toll Collection," "Business – Pricing," and "Financial Information – Significant Factors Affecting Our Results of Operations – Toll Rates" in this prospectus.

In addition, during the Track Record Period, we provided upgrade and expansion services to Chengguan Expressway, Chengwenqiong Expressway and Chengpeng Expressway through subcontracting the construction work to third party subcontractors. We measure revenue generated from construction and upgrade services at the fair value of the consideration received or receivable. The amount of construction revenue we recognized was the same as the cost of construction during the same period. For more information, see "Business – Our Business Operations – Road and Facility Maintenance, Repair and Upgrade" in this prospectus.

IMPACT OF THE ACCOUNTING TREATMENT FOR SERVICE CONCESSION ARRANGEMENTS

The accounting treatment of service concession arrangements involves judgment and affects the presentation of our results of operation. The following chart sets forth a summary of the accounting treatment of our service concession arrangements under IFRS.



For projects accounted for as service concession arrangements, we recognized non-cash revenue during the construction phase but did not receive toll payments during this phase. Rather, the actual cash flow would be received in the form of toll payments over the remaining concession period after the construction phase. Therefore, there is a mismatch between our revenue and the underlying cash flows for such projects. The non-cash revenue during the construction phase appears on our financial statements as "construction revenue in respect of service concession arrangements". Our revenue is affected by the estimated fair value of the construction work of those projects and the stage of completion. For example, our non-cash revenue in respect of the service concession arrangements of Chengpeng Expressway during the construction phase of the Chengpeng expansion project was recognized based on the estimated fair value of the construction work. The key assumptions we adopted in relation to the recognition of the service concession arrangements in respect of the Chengpeng Expressway expansion are: (i) the daily weighted-average traffic volume on Chengpeng Expressway is expected to increase after the completion of its expansion project, which would add two additional lanes on the section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and four additional lanes on the section between Chengdu No.2 Ring Expressway and the Chengdu Toll Plaza of Chengpeng Expressway, thereby improving the capacity of Chengpeng Expressway; (ii) the toll rates applicable to Chengpeng Expressway is expected to increase after the completion of the expansion project in light of our communication with in-charge government authorities; (iii) the social and economic development in areas nearby Chengpeng is expect to remain sustainable. For more information about the accounting treatment of service concession arrangements, see "Financial Information – Critical Accounting Policies and Estimates – Construction and Upgrade Services under Service Concession Arrangements – Service Concession Arrangements." in this prospectus.

CUSTOMERS AND SUPPLIERS

Given the nature of our expressway business, we did not have any single customer that contributed more than 5% to our toll revenue, or that was otherwise material to our business, during the Track Record Period. Accordingly, none of our major customers is also a major supplier.

We primarily rely on third-party suppliers for routine services such as road cleaning, greening, maintenance, repair, construction and refurbishment work. During the Track Record Period, our five largest suppliers mainly consisted of road maintenance service providers, construction service providers, and product and equipment suppliers. Purchases from our five largest suppliers for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018 accounted for 27.5%, 60.4%, 80.8% and 86.5% of our total purchase amount during those periods, respectively. Our largest supplier for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018 accounted for approximately 6.5%, 27.0%, 37.5% and 42.0% of our total purchase amount during those periods, respectively. We have maintained our business relationships with our five largest suppliers for approximately 3.4 years on average.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information. We have derived the consolidated financial information for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018 from our audited consolidated financial statements set forth in the Accountant's Report in Appendix I to this prospectus. This summary consolidated financial information should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements set forth in the Accountants' Report, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
							(unaudited)			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*	
Revenue	785,090	100.0	1,185,201	100.0	1,784,298	100.0	558,868	100.0	1,279,704	100.0
Toll revenue	778,363	99.1	787,558	66.4	840,378	47.1	391,823	70.1	435,375	34.0
Construction revenue in respect of service concession arrangements[1]	6,727	0.9	397,643	33.6	943,920	52.9	167,045	29.9	844,329	66.0
Cost of sales	(302,148)	(38.5)	(726,378)	(61.3)	(1,285,629)	(72.1)	(329,859)	(59.0)	(1,017,031)	(79.5)
Gross profit	482,942	61.5	458,823	38.7	498,669	27.9	229,009	41.0	262,673	20.5
Other income and gains[2]	144,488	18.4	106,534	9.0	29,591	1.7	12,812	2.3	14,790	1.2
Administrative expenses	(42,612)	(5.4)	(39,146)	(3.3)	(46,978)	(2.6)	(19,828)	(3.5)	(22,487)	(1.8)
Other expenses	(2,777)	(0.4)	(2,745)	(0.2)	(2,590)	(0.1)	(635)	(0.1)	(756)	(0.1)
Interest expenses[2]	(221,821)	(28.3)	(149,743)	(12.6)	(72,112)	(4.0)	(36,449)	(6.5)	(32,901)	(2.6)
Share of profits of an associate	–	–	7,074	0.6	21,798	1.2	12,669	2.3	13,834	1.1
Profit before tax	360,220	45.9	380,797	32.1	428,378	24.0	197,578	35.4	235,153	18.4
Income tax expense	(54,472)	(6.9)	(56,447)	(4.8)	(60,588)	(3.4)	(27,768)	(5.0)	(32,076)	(2.5)
Profit for the year/period	305,748	38.9	324,350	27.4	367,790	20.6	169,810	30.4	203,077	15.9
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year/period	305,748	38.9	324,350	27.4	367,790	20.6	169,810	30.4	203,077	15.9

Notes:

(1) Relating to the upgrade and expansion services we provided to Chengguan Expressway, Chengwenqiong Expressway and Chengpeng Expressway through subcontracting the construction work to third party subcontractors, including repaving part of the Chengguan Expressway and Chengwenqiong Expressway and adding additional lanes on the Chengpeng Expressway. The amount of construction revenue we recognized was the same as the cost of construction during the same period.

(2) In 2015 and 2016, being a subsidiary within the group of Chengdu Communications, we provided loans that we obtained from banks and other financial institutions to our Controlling Shareholder, Chengdu Communications, and another related party, Chengdu Traffic Hub Station Construction Management Co., Ltd. These related parties paid us the interests for such loans, the amount of which was the same as the interest payable to the banks by us. Such interest expenses directly attributable to our related parties were recorded as our interest expense. These related parties had repaid all outstanding loans to us by 2017 as part of our efforts to optimize our corporate governance. In 2015, 2016, 2017 and the six months ended June 30, 2018, we had interest income from loans to related parties of RMB123.1 million, RMB79.0 million, nil and nil, respectively. Accordingly, we had interest expense from loans to related parties of RMB123.1 million, RMB79.0 million, nil and nil, respectively during the same periods.

In 2017, Chengdu Municipal Government granted us a government subsidy of RMB847.7 million in relation to the expansion project of Chengpeng Expressway. We received RMB200.0 million in 2017 and RMB100.0 million in the six months ended June 30, 2018, which were accounted for as deferred income under other income and gains during the respective period. We received an additional RMB100.0 million in November 2018 and expect to receive another RMB200.0 million by June 30, 2019 and the remainder of the total grant by June 30, 2020.

Summary of Selected Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000			
Assets				
Total non-current assets[(1)]	2,558,955	2,885,515	3,728,313	4,639,807
Total current assets	3,593,552	1,581,672	1,185,765	1,239,537
Total assets	6,152,507	4,467,187	4,914,078	5,879,344
Liabilities				
Total current liabilities	1,551,123	974,988	1,175,497	1,671,818
Total non-current liabilities	2,921,232	1,437,737	1,471,473	1,737,341
Total liabilities	4,472,355	2,412,725	2,646,970	3,409,159
Net current assets/(liabilities)	2,042,429	606,684	10,268	(432,281)
Net Assets	1,680,152	2,054,462	2,267,108	2,470,185
Equity	1,680,152	2,054,462	2,267,108	2,470,185

Note:

(1) Including financial assets at fair value through profit or loss in the amount of RMB0.5 million for each of the period indicated, which represents 0.565% equity investment in Sichuan Intelligent Transportation System Management Co., Ltd.

Summary of Consolidated Statement of Cash Flow

	For the year ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
			RMB'000		
				(unaudited)	
Net cash flows from operating activities	470,239	552,356	353,212	164,282	(103,656)
Net cash flows (used in)/from investing activities	(655,148)	2,015,442	43,970	36,070	(18,420)
Net cash flows (used in)/from financing activities	1,112,304	(2,268,167)	(758,611)	(521,938)	148,372
Net increase/(decrease) in cash and cash equivalents	927,395	299,631	(361,429)	(321,586)	26,296
Cash and cash equivalents at beginning of the year	274,354	1,201,749	1,501,380	1,501,380	1,139,951
Cash and cash equivalents at the end of the year	1,201,749	1,501,380	1,139,951	1,179,794	1,166,247

As of June 30, 2018, we had net current liabilities of RMB432.3 million, primarily as a result of increased current liabilities attributable to an increase in trade payables to RMB1,317.6 million relating to the construction work of Chengpeng Expressway, partially offset by decreases in other payables and accruals and tax payables. For the six months ended June 30, 2018, we had net operating cash outflow of approximately RMB103.7 million, representing our profit before tax of RMB235.2 million, adjusted primarily for (1) additions to our service concession arrangements of RMB843.0 million in relation to the expansion of Chengpeng Expressway, (2) amortization of our service concession arrangements of RMB62.4 million, (3) interest expenses of RMB32.9 million, and (4) operating cash inflow from working capital items including an increase in trade payables of RMB463.9 million, primarily as a result of the expansion of Chengpeng Expressway and partially offset by an increase in other receivables of RMB20.4 million. See "Financial Information – Current Assets and Current Liabilities" and "Financial Information – Liquidity and Capital Resources" for more details.

Notwithstanding our net current liabilities and net operating cash outflow, our Directors, after due and careful inquiry, are of the view that we have adequate sources of finance and sufficient available working capital. First of all, with an expressway model, we have been able to generate steady cash flow from toll revenue as proven by our steady growth in profit before tax during the Track Record Period. Separately, Chengdu Municipal Government granted us a subsidy of RMB847.7 million, of which we had received RMB400.0 million as of the Latest Practicable Date. According to the grant schedule, we expect to receive the amount of

RMB200.0 million by June 30, 2019 and the remaining of the total grant by June 30, 2020. Such government subsidies will be recorded as other receivables, leading to increases in current assets. As a result of the above and the decrease in trade payables in connection with the payments made relating to the construction work of Chengpeng Expressway, our net current liabilities have decreased to RMB83.7 million as of October 31, 2018. In addition, given the completion of the Chengpeng Expressway construction, we expect to spend less on construction and purchase of materials in the short term which will allow us to have more available cash. Finally, as of October 31, 2018, we had available credit facilities of RMB1,358.7 million of which RMB1,128.7 million was for the expansion project of Chengpeng Expressway and RMB230.0 million was for the refinancing of an existing loan by Chengwenqiong Expressway, respectively, which should be sufficient to meet our working capital needs for at least the next 12 months from the date of this prospectus.

KEY FINANCIAL AND OPERATING METRICS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated.

	As of and for the year ended December 31,			As of and to the six months ended June 30,
	2015	2016	2017	2018
Current ratio[(1)]	231.7%	162.2%	100.9%	74.1%
Gearing ratio[(2)]	229.4%	78.4%	64.2%	66.3%
Return on equity[(3)]	18.2%	15.8%	16.2%	N.A.
Return on total assets[(4)]	5.0%	7.3%	7.5%	N.A.

Notes:

(1) Calculated as current assets divided by current liabilities as of the end of the period.

(2) Calculated as total bank and other borrowings, divided by total equity, multiplied by 100%.

(3) Calculated as net profit for the period divided by total equity, multiplied by 100%. For the six months ended June 30, 2018, the calculation of return on equity is not applicable since the calculation is on a full-year basis.

(4) Calculated as net profit for the period divided by total assets, multiplied by 100%. For the six months ended June 30, 2018, the calculation of return on total assets is not applicable since the calculation is on a full-year basis.

RISK FACTORS

Our business and the Global Offering involve certain risks, some of which are set out in "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in the Offer Shares. Some of the major risks we face include:

- Any decline in traffic volume may adversely affect our revenue and earnings.
- Our results of operations may be affected by competing roads and other forms of transportation, resulting in a decrease in the overall traffic volumes on our expressways.
- Our business expansion may require substantial capital investment and external financing and our ability to arrange for additional external financing can be limited.
- Changes in the relevant accounting standards on the service concession arrangement and changes in our judgments and assumptions in applying these accounting standards may have material impacts on the measurement and reporting of our service concession arrangements.
- We have net current liabilities and net operating cash outflow, which may expose us to certain liquidity risks, constrain our operational flexibility as well as adversely affect our financial conditions and ability to expand our business.
- There is a mismatch between our revenue and the underlying cash flows for our projects accounted for as service concession arrangements, which can adversely affect our financial performance and liquidity position.
- Cost overruns and delays of our expansion project may adversely affect our results of operations.
- Changes in interest rates in the PRC have affected and will continue to affect our financing costs and, ultimately, our results of operations.

CORPORATE STRUCTURE AND OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering, Chengdu Communications and Chengdu Expressway Company will hold approximately 18.7% and 56.3% of the then issued share capital of our Company, respectively, assuming that the Over-allotment Option is not exercised at all, or approximately 18.1% and 54.2% of the then issued share capital of our Company, respectively, assuming that the Over-allotment Option is fully exercised. Chengdu Expressway Company is the wholly-owned subsidiary of Chengdu Communications. As a result, whether the Over-allotment Option is exercised or not, Chengdu Communications and

Chengdu Expressway Company will be the Controlling Shareholders of our Company after the completion of the Global Offering. For details, please refer to "History and Corporate Structure," "Relationship with our Controlling Shareholders" and "Substantial Shareholders" in this prospectus.

CONNECTED TRANSACTIONS

We have entered and will enter into certain transactions which will constitute continuing connected transactions of our Company upon completion of the Global Offering. For details of our continuing connected transactions and the waivers from the strict compliance with the Listing Rules, please refer to "Connected Transactions" and "Waivers from Strict Compliance with the Listing Rules" in this prospectus.

USE OF PROCEEDS

The aggregate net proceeds that we expect to receive from the Global Offering, after deducting underwriting fees and estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$2.20 per Offer Share, will be approximately HK$794.4 million. We intend to use the net proceeds from the Global Offering as follows:

(a) approximately 70% (or approximately HK$556.1 million) will be used for acquiring or investing in other expressways;

(b) approximately 10% (or approximately HK$79.4 million) will be used to expand our business within the industry chain by establishing new business segments or acquiring other complementary business;

(c) approximately 10% (or approximately HK$79.4 million) will be used to improve the operational efficiency of our expressways by increasing the use of automated ticketing device for our MTC toll lanes and the use of frictionless payment technology as well as improving our surveillance and traffic management capabilities; and

(d) approximately 10% (or approximately HK$79.4 million) will be used for general corporate and working capital purposes.

For further details, see "Future Plans and Use of Proceeds" in this prospectus.

DIVIDENDS AND DIVIDEND POLICY

During the years ended December 31, 2015, 2016, and 2017, we declared and paid dividends in the amounts of approximately RMB156.0 million, RMB71.9 million, and RMB155.1 million, respectively. As resolved by the Board and our shareholders, we paid a dividend of approximately RMB222.0 million for the year ended December 31, 2017 to Chengdu Communications and Chengdu Expressway Company, our existing shareholders in October 2018. We resolved and plan to distribute approximately 60.0% to 70.0% of our distributable profits for the year ended December 31, 2018 as annual dividends to all our shareholders after Listing.

Upon Listing, we expect to distribute approximately 60.0% to 70.0% of our annual distributable profits as dividends in the future. However, our historical dividend distributions are not indicative of our future dividend policy or distribution. There is no assurance that we will be able to distribute dividends of such amount or any amount in every year or any year in the future. We will decrease our dividend payment ratio accordingly, if we have significant investment or acquisition plan for the same year. Our dividend policy in the future will be determined by our Board based on our operating results, cash flow, financial position, business prospects, statutory and regulatory restrictions relating to dividend distribution and other factors that the Board considers relevant. For details, please refer to the sub-section headed "Financial Information – Dividends and Dividend Policy" in this prospectus.

OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK$2.20 per H Share
Market capitalization of our H Shares upon completion of the Global Offering[(1)]	HK$880 million
Unaudited pro forma adjusted consolidated net tangible liabilities per Share[(2)(3)]	HK$(0.87)

Notes:

(1) The calculation of market capitalization is based on 400,000,000 H Shares expected to be in issue immediately upon completion of the Global Offering, assuming no exercise of the Over-allotment Option.

(2) The unaudited pro forma adjusted consolidated net tangible liabilities per Share is calculated on the basis that 400,000,000 H Shares are expected to be in issue immediately upon completion of the Global Offering, assuming no exercise of the Over-allotment Option.

(3) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible liabilities of our Group to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible liabilities of our Group has not taken into account a dividend of approximately RMB221,988,800 for the year ended December 31, 2017. The unaudited pro forma adjusted consolidated net tangible liabilities per Share would have been RMB(0.90) (equivalent to HK$(1.02)) per Share based on the Offer Price of HK$2.20 per Offer Share, if the dividend of approximately RMB221,988,800 for the year ended December 31, 2017 had been taken into account.

LISTING EXPENSES

Listing expenses consist primarily of underwriting commission and professional fees, and are estimated to be approximately RMB75.5 million (based on an Offer Price of HK$2.20 per H Share), Listing expenses of approximately RMB27.3 million were incurred on or before June 30, 2018. of which RMB3.7 million was charged to our consolidated profit or loss, while the remaining amount of RMB23.6 million was recorded as prepayment and will be subsequently charged to equity upon completion of the Global Offering. We estimate we will further incur underwriting commissions and other listing expenses of approximately RMB48.2 million after June 30, 2018, of which RMB8.0 million will be charged to our consolidated income statements, and RMB40.2 million is expected to be accounted for as a deduction from equity upon the completion of Global Offering.

RECENT DEVELOPMENTS

After the completion of the expansion project of Chengpeng Expressway on June 30, 2018, its previously closed section was re-opened on July 12, 2018 and we restored the Standard Toll Collection Model with increased toll rates for Chengpeng Expressway on the same day. During the period between July 12, 2018 and October 31, 2018, the daily weighted-average traffic volume on Chengpeng Expressway was 47,409. Meanwhile, the daily weighted-average traffic volume on Chengguan Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway in the four months ended October 31, 2018 increased to 44,620, 54,117 and 44,092, respectively, compared with the daily weighted-average traffic volume in the six months ended June 30, 2018, also representing an increase from the daily weighted-average traffic volume of 43,822, 47,400, and 43,260 in the four months ended October 31, 2017, respectively. For details, please see "Business – Our Expressways Expansion Project" in this prospectus.

Our Directors confirm that up to the date of this prospectus, there has been no material adverse change in our financial, trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since June 30, 2018, being the date of our latest audited consolidated financial information.

NON-COMPLIANCE

We have been involved in several non-compliance incidents. During the Track Record Period, we commenced construction works for the expansion project of our Chengpeng Expressway prior to obtaining the construction land planning permit (建設用地規劃許可證), construction project planning permit (建設工程規劃許可證), and construction permit for construction project (建築工程施工許可證). In addition, a former employee who served as our director and chairman from January 2009 to April 2016 and the vice chairman of Chengdu Communications from February 2010 to May 2016 was found criminally liable for accepting bribes during the Track Record Period. For details, please refer to "Business – Legal Compliance and Proceedings" in this prospectus.

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

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context so requires, any of them
"Articles of Association"	the articles of association of our Company, approved on June 28, 2017 and to take effect on the Listing Date, as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit and Risk Management Committee"	the audit and risk management committee of our Board
"Board"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chengbei Exit Expressway Company"	Chengdu Chengbei Exit Expressway Co., Ltd. (成都城北出口高速公路有限公司), a company established in the PRC with limited liability on September 6, 1996, which is an associate of our Company with 40% of its equity interest held by our Company
"Chengdu Airport Expressway Company"	Chengdu Airport Expressway Co., Ltd. (成都機場高速公路有限責任公司), a company established in the PRC with limited liability on December 24, 1997, which is a non-wholly owned subsidiary with 55% of its equity interest held by our Company
"Chengdu Communications"	Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company established in the PRC with limited liability on March 16, 2007, which is one of our Controlling Shareholders
"Chengdu Communications Group"	Chengdu Communications and its subsidiaries
"Chengdu Expressway Company"	Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司), a company established in the PRC with limited liability on June 25, 1996, which is one of our Controlling Shareholders
"Chengdu High-Tech Zone"	Chengdu High-Tech Industrial Development Zone (成都高科區)
"Chengguan Expressway Company"	Chengdu Chengguan Expressway Co., Ltd. (成都成灌高速公路有限責任公司), a company established in the PRC with limited liability on August 25, 1998 and the predecessor of our Company
"Chengpeng Expressway Company"	Chengdu Chengpeng Expressway Co., Ltd. (成都成彭高速公路有限責任公司), a company established in the PRC with limited liability on September 11, 2002, which is a non-wholly owned subsidiary with 99.33% of its equity interest held by our Company

"Chengwenqiong (Chengwen) Highway Company"	Chengdu Ronggang Chengwenqiong (Chengwen) Highway Co., Ltd. (成都蓉港成溫邛(成溫段)公路有限公司), the predecessor of Chengwenqiong Expressway Company
"Chengwenqiong Expressway Company"	Chengdu Chengwenqiong Expressway Co., Ltd. (成都成溫邛高速公路有限公司), a company established in the PRC with limited liability on October 26, 1998, which is a wholly-owned subsidiary of our Company
"Chengyu Expressway Company"	Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), a company established in the PRC with limited liability on August 19, 1997, the H shares and A shares of which are listed on the Stock Exchange (stock code: 00107) and the Shanghai Stock Exchange (stock code: 601107), respectively, and a substantial shareholder of Chengdu Airport Expressway Company
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company", "we" or "us"	Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司), a joint stock company with limited liability established under the laws of the PRC on December 21, 2016 in the PRC and its subsidiaries
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and in this prospectus, refers to Chengdu Communications and Chengdu Expressway Company

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares in our capital, with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi
"EIT Law"	PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) adopted by the National People's Congress on March 16, 2007, and became effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant of our Company and an Independent Third Party
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan for the section headed "Industry Overview" of this prospectus
"GDP"	gross domestic product (all references to GDP growth rates are to real as opposed to nominal growth rates of GDP)
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group" or "our Group"	our Company and its subsidiaries
"H Share(s)"	foreign shares in the ordinary share capital of our Company with nominal value of RMB1.0 each, for which an application has been made for listing and permission to deal in on the Stock Exchange, and which are to be subscribed for and traded in Hong Kong dollars
"H Share Registrar"	Computershare Hong Kong Investor Services Limited

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 40,000,000 H Shares being initially offered by us for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) for cash at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Underwriter(s)"	the underwriter(s) of the Hong Kong Public Offering listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 27, 2018 relating to the Hong Kong Public Offering and entered into among others, our Company, the Sole Sponsor, the Sole Representative, the Hong Kong Underwriters as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses" in this prospectus
"IFRS"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB)

"Independent Third Party(ies)"	an individual or a company who is not connected with (within the meaning of the Listing Rules) any Director, Supervisor, chief executive or Substantial Shareholder of our Company, its subsidiaries or any of their respective associates
"International Offer Shares"	the H Shares offered by our Company pursuant to the International Offering
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriter(s) with professional and institutional investors (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus and the Over-allotment Option) for cash at the Offer Price as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriter(s)"	the group of international underwriter(s) expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or about January 7, 2019 by, among others, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the International Underwriter(s) and us in respect of the International Offering, as further described in the section headed "Underwriting – The International Offering" in this prospectus
"Joint Bookrunners"	CLSA Limited, CCB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited, ABCI Capital Limited and Haitong International Securities Company Limited
"Joint Global Coordinators"	CLSA Limited and CCB International Capital Limited
"Joint Lead Managers"	CLSA Limited, CCB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited, ABCI Securities Company Limited and Haitong International Securities Company Limited

"Latest Practicable Date"	December 18, 2018, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
"Listing"	listing of our H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about January 15, 2019, on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies established under the laws of the PRC to be listed overseas, promulgated by the former State Council Securities Commission and other PRC government departments on August 27, 1994
"MOT"	Ministry of Transportation of the People's Republic of China
"Nomination Committee"	the nomination committee of our Board
"Non-competition Agreement"	the non-competition agreement dated June 29, 2017 and entered into between the Company and Chengdu Communications in respect of the non-competition undertakings, details of which are set out in "Relationship with our Controlling Shareholders" in this prospectus
"Offer Price"	the offer price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of HK$2.20, at which Hong Kong Offer Shares are to be subscribed

"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, collectively, and where relevant, together with any additional H Shares to be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriter(s), exercisable by the Sole Representative (on behalf of the International Underwriter(s)) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 60,000,000 additional H Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行)
"PRC", "China" or the "People's Republic of China"	the People's Republic of China, excluding, for purposes of this prospectus only (unless otherwise indicated), Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Company Law" or "Company Law"	the Company Law of the PRC (中華人民共和國公司法), which was passed at the Standing Committee of the National People's Congress on December 29, 1993 and newly amended on October 26, 2018 and became effective thereon, as amended, supplemented or otherwise modified from time to time
"PRC Government"	the government of the PRC, including government departments at all levels (including provincial, municipal and other regional or local governmental agencies)
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), which was passed at the Standing Committee of the National People's Congress on December 29, 1998 and amended and was implemented on August 31, 2014, as amended, supplemented or otherwise modified from time to time
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering

"Regulation S"	Regulation S under the Securities Act, as amended, supplemented or otherwise modified from time to time
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of our Board
"Reorganization"	the reorganization undergone by our Group in preparation for Listing as described in the section headed "History and Corporate Structure – Reorganization" in this prospectus
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會), responsible for the management of state assets
"SAT"	State Administration of Taxation (國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of our Company, with a nominal value of RMB1.0 each, including our Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of our Share(s)
"Sichuan Expressway Settlement Center"	Department of Transportation of Sichuan Expressway Surveillance and Settlement Center (四川省交通廳高速公路監控結算中心)
"Sole Representative"	CLSA Limited
"Sole Sponsor"	CLSA Capital Markets Limited

"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), which was issued by the State Council and became effective on August 4, 1994
"Stabilizing Manager"	CLSA Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Development Committee"	the strategy and development committee of our Board
"subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and in this prospectus, refers to Chengdu Communications and Chengdu Expressway Company
"Supervisor(s)"	the supervisor(s) of our Company
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Traffic Consultant" or "MA"	Master Alliance (China) Limited
"Track Record Period"	the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018
"Underwriter(s)"	the Hong Kong Underwriter(s) and the International Underwriter(s)
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"UNESCO"	United Nations Educational, Scientific and Cultural Organization

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of **White Form eIPO** service at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"%"	per cent.

In this prospectus, the English names of the PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translation and/or transliteration of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese names shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"13th Five-Year Plan"	a series of nationwide economic and social development initiatives and guidelines used by the PRC government to guide and implement economic and social development goals in China from 2016 to 2020
"Batch Payment Model"	a toll collection model only applicable to passenger vehicles with Local Licenses on Chengpeng Expressway and all vehicles with Local Licenses on Chengwenqiong Expressway which can pass through the toll plazas on these two expressways without toll payment. The relevant local governments, instead, pay us toll fees pursuant to the batch payment agreements entered with Chengpeng Expressway Company and Chengwenqiong Expressway Company, respectively
"closed system"	roads with controlled access (toll booths are located at all the entry and exit points)
"daily weighted-average traffic volume"	represents the summation of the product of daily traffic volume and mileage of each section, divided by the sum of the mileage. For Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway, the daily traffic volume includes the number of vehicles leaving the expressway's toll plazas, the number of vehicles entering the expressway but leaving from other expressways, and the number of vehicles passing through the expressway but not entering to or leaving from the expressway's toll plazas, but excluding vehicles entitled to toll-free treatment such as vehicles using the expressway during national holidays and, for Chengdu Airport Expressway, also excluding vehicles that purchased annual tickets. The traffic volume for Chengpeng Expressway and Chengwenqiong Expressway has taken into account traffic under the Batch Payment Model

"designed capacity"	maximum service volume (based on design speed and service level under the relevant technical standard) multiplied by number of lanes, divided by average passenger vehicle conversion factor, and further divided by peak hour factor
"ETC"	electronic toll collection
"expressway"	bi-directional, divided multi-lane roads with full access control for vehicles with a transport volume of more than 15,000 cars per day on average throughout the year
"frictionless payment"	a payment model whereby passengers use an application on their smartphone that allows for the automatic identification of their license plate when their vehicle approaches our toll gate and automatic collection of tolls
"GFA"	gross floor area
"highway"	according to the "Technical Standard of Highway Engineering" (JTG B01-2014) issued by the MOT, highways in the PRC comprise the following five categories of roads: 1. Expressway 2. Grade I 3. Grade II 4. Grade III 5. Grade IV
"km"	kilometer(s)
"LED"	light-emitting diode
"Local Licenses"	"川A" license plates registered with the Vehicle Management Office of Chengdu Traffic Management Bureau of Chengdu Public Security Bureau, and the existing "川O" license plates registered with the Vehicle Management Office of Sichuan Public Security Department which are out of use since year 2011

"MTC"	Manual toll collection
"Standard Toll Collection Model"	a toll collection model that requires payment at the time of pass-through and is applicable to all the vehicles on our expressway that are not eligible for the Batch Payment Model
"T+1"	One business day after the transaction date
"T+3"	Three business days after the transaction date

This prospectus contains certain statements that are, or may be deemed to be, "forward-looking statements." These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe(s)", "aim(s)", "estimate(s)", "plan(s)", "project(s)", "anticipate(s)", "expect(s)", "intend(s)", "may", "seek(s)", "can", "could", "ought to", "potential", "will" or "should" or similar expressions, or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. In particular, references to "estimate(s)" only refer to the situations whereby best estimation was adopted by the management. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our business, results of operations, financial position, liquidity, prospects, growth, strategies and the industries and markets in which we operate or may operate in the future.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and the industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and the industries in which we operate are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- adverse changes or developments in the industries in which we operate;
- our operations and business prospects;
- our ability to maintain and enhance our market position;
- the effects of domestic and overseas competition in the industries or markets in which we operate and its potential impact on our business;
- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations, especially those related to the PRC;
- general political and global economic conditions, especially those related to the PRC, and macro-economic measures taken by the PRC Government to manage economic growth;
- fluctuations in inflation, interest rates and exchange rates;

- changes in the availability of, or new requirements for financing;
- material changes in the costs of the equipment required for our operations;
- our ability to successfully implement any of our business strategies, plans, objectives and goals;
- our ability to expand and manage our business and to introduce new businesses;
- our ability to obtain or extend the terms of the licenses necessary for the operation of our business;
- changes to our expansion plans and estimated capital expenditure;
- our dividend policy;
- our success in accurately identifying future risks to our business and managing the risks of the aforementioned factors; and
- other factors discussed in "Summary", "Risk Factors", "Future Plans and Use of Proceeds", "Industry Overview", "Business" and certain statements in "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this prospectus reflect our management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. Investors should specifically consider the factors identified in this prospectus, which could cause actual results to differ, before making any investment decision. Except as required by the Listing Rules and applicable laws, we undertake no obligation to revise any forward-looking statements that appear in this prospectus to reflect any change in our expectations, or any events or circumstances, that may occur or arise after the date of this prospectus. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should carefully consider all the information set out in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. You should pay particular attention to the fact that we are incorporated in China and that all of our operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from that prevailing in other countries. Our business, financial position or results of operations could be materially and adversely affected by any of these material risks and uncertainties. The trading price of our H Shares could decline due to any of these material risks and uncertainties and you may lose all or part of your investment as a result.

RISKS RELATING TO OUR BUSINESS

Any decline in traffic volume may adversely affect our revenue and earnings.

Revenue from our expressways primarily depends on the number of motor vehicles on our expressways and the applicable toll rates. Traffic volume is directly and indirectly affected by a number of factors, including:

- toll rates;
- fuel prices;
- vehicle prices and the cost of owning and operating vehicles;
- mix between different vehicle classes using our expressways;
- capacity constraints on the number of vehicles and the mix of different vehicle classes that can efficiently use our expressways in any given period;
- occurrence of accidents;
- road closures or restricted access caused by upgrade, expansion and repair projects we undertake;
- changes in laws, regulations and policies;
- changes in population, vehicle ownership and the number of people of driving age;
- natural disasters, such as earthquakes, flooding and forest fires;
- weather conditions that can make driving difficult or dangerous, such as heavy rain or hails;

- the availability, quality and proximity of our expressways compared to alternative expressways that are substantially parallel with us and other competing modes of transportation, such as high-speed railways;

- the quality of maintenance of a connecting road;

- general technical standards applicable to national and provincial highways;

- socioeconomic development of the provinces, cities and townships along the expressways; and

- general economic growth conditions in the PRC.

The traffic volume on a given toll road is also influenced by the extent of its connectivity with other local and national route networks. We cannot assure you that future changes in the route system and network in Sichuan province will not adversely affect the traffic volume on our expressways. For example, a second airport in Chengdu, Tianfu International Airport (成都天府國際機場), is currently under construction and phase one is expected to be completed in 2020 while the Shuangliu Airport will continue to be in operation. We cannot assure you that there will not be a decrease in traffic volume on Chengdu Airport Expressway after the Tianfu International Airport commences operation. Future growth in traffic volume also depends on the continued economic growth and favorable development policies of China and, in particular, within Sichuan province. Any adverse changes in the economic conditions may adversely affect the traffic volume on our expressways.

In addition, during the Track Record Period, we implemented the Batch Payment Model for Chengpeng Expressway and Chengwenqiong Expressway for certain local vehicles, under which the relevant toll entitlement was settled by lump sum toll fees calculated pursuant to an agreed formula payable by the relevant local government authorities on a monthly or quarterly basis. For more details on the Batch Payment Model, see "Business – Our Business Operations – Toll Collection" in this prospectus. We expect to implement the Standard Toll Collection Model for all of our expressways in the future, whereby all vehicles are required to pay a toll when passing through our toll booth. In particular, we reinstated the Standard Toll Collection Model for Chengpeng Expressway on July 12, 2018, following the completion of its expansion. See "Business – Our Business Operations – Road and Facility Maintenance, Repair and Upgrade – Our Expressway Expansion Project" in this prospectus. We cannot assure you that there will not be a decrease in traffic volume on these two expressways as a result of the implementation of the Standard Toll Collection Model.

Our results of operations may be affected by competing roads and other forms of transportation, resulting in a decrease in the overall traffic volumes on our expressways.

Our results of operations may be affected by competition from the following sources:

- existing competing roads and bridges of a comparable quality (see "Business – Our Business Operations – Our Expressways" in this prospectus for details of competing roads for each of our expressways);

- the expanding high speed train network and the planning and development of subways and inter-city light rail systems; and

- new competing expressways which may or may not have lower toll rates.

Alternative forms of transportation may provide travelers with more comfortable and convenient transportation services. We cannot assure you that we will be able to maintain or improve the road conditions of our expressways in order to compete with existing and new forms of transportation. In the event there are changes to passenger and transportation patterns, resulting in a decrease in the overall traffic volumes on our expressways, our business, financial position and results of operations could be adversely affected.

Our business expansion may require substantial capital investment and external financing and our ability to arrange for additional external financing can be limited.

Our expressway business may require substantial capital investment, particularly for the upgrade and expansion of our expressways. We have in the past required, and will continue to require, additional financing to fund our capital expenditures, support the further growth of our business and/or refinance existing debt obligations. Our ability to arrange external financing and the cost of such financing are dependent on a number of factors, including the general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in us, success of our business, and political and economic conditions in the PRC generally. We cannot assure you that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favorable to us. As of October 31, 2018, our total bank and other borrowings were RMB1,668.5 million. As of October 31, 2018, our gearing ratio, which is our total bank and other borrowings divided by total equity, was 70.2%.

Further, there can be no assurance that the PRC Government will not introduce other initiatives that may further limit our access to capital. As a result, we may be increasingly reliant on cash generated by our existing expressway operations, as well as cash generated through any equity or other financing activities, and there can be no assurance that such cash flows will be sufficient to finance the future growth of our business, which may adversely affect our business, financial conditions, results of operations and prospects. In addition, our ownership to and/or usage rights of certain assets, including the concession rights of our expressways, are restricted pursuant to certain pledges and guarantee arrangements in favor of our lenders. If there is any default under the relevant loans or guarantees, the lenders may choose to take action to enforce their rights under the pledge or guarantee arrangements. Under such circumstances, we may lose control over the relevant assets that are the subject of the enforcement, which may adversely affect our business, financial position and results of operations.

Certain of our bank facilities contain a number of customary restrictive covenants such as requiring some subsidiaries to maintain certain financial ratio. Further, our future borrowings may also include restrictive covenants. Any failure on our part to meet payment obligations or to comply with any affirmative covenants, or any violation on our part of any negative covenants, may constitute an event of default on our borrowings and affect our ability in the future to procure external financing. Any such event of default may result in a material and adverse effect on our financial condition, results of operations, cash flow and prospects.

Changes in the relevant accounting standards on the service concession arrangement and changes in our judgments and assumptions in applying these accounting standards may have material impacts on the measurement and reporting of our service concession arrangements.

We apply IFRIC 12 and other relevant accounting standards for our service concession arrangement. These standards may be changed or amended from time to time in the future. Any changes in these accounting standards may result in changes in the recognition, measurement and/or classification of our revenue, expenses, assets and liabilities that could have a material impact on the measurement and reporting of our service concession arrangements. In addition, when applying these accounting standards, we are required to apply our judgment and make estimates and assumptions for our revenue, expenses, assets, liabilities as well as our cash flow projections of our concession operation project. These estimates and assumptions are not readily available from other sources and are based on our past experiences and other relevant factors. Should the actual results be different from these estimates and assumptions, we may adjust these estimates and assumptions accordingly, which may materially and adversely affect the measurement and reporting of our service concession arrangements.

We had net current liabilities and net operating cash outflow, which may expose us to certain liquidity risks, constrain our operational flexibility as well as adversely affect our financial conditions and ability to expand our business.

As of June 30 and October 31, 2018, we had net current liabilities of RMB432.3 million and RMB83.7 million, respectively. For a more detailed description, see "Financial Information – Current Assets and Current Liabilities" in this prospectus. In addition, during the six months ended June 30, 2018, we had net operating cash outflow of RMB103.7 million. If we determine that our cash requirements exceed our cash on hand, we may seek to issue debt or equity securities or obtain a credit facility. We cannot assure you that we would be able to obtain debt or equity financing in the current economic environment. In addition, any issuance of equity or equity-linked securities could dilute our shareholders, while any incurrence of indebtedness could increase our debt service obligations and cause us to be subject to restrictive operating and finance covenants. If we do not have sufficient working capital and are unable to generate sufficient revenues or raise additional funds, we may delay the completion of or significantly reduce the scope of our current business plan or substantially curtail our operations, any of which could materially and adversely affect our business, financial condition and results of operations.

There is a mismatch between our revenue and the underlying cash flows for our projects accounted for as service concession arrangements, which can adversely affect our financial performance and liquidity position.

We recognize revenue from service concession arrangement projects during both the construction and the operational phases of the projects. There is a mismatch between our revenue and the underlying cash flows for such projects, because we generally do not receive toll payments during the construction phase and only receive payments at a later stage during the operational phase. Thus, when we have projects in the construction phase, we may need to rely on our internal resources and external financing to supplement cash flow from operations so as to meet our payment obligations in full and on time. If we fail to secure sufficient external financing or generate sufficient cash from our operations to finance our projects, or if our finance costs increase materially, our business, financial condition, results of operation and prospects may be materially and adversely affected.

Cost overruns and delays of our expansion projects may adversely affect our results of operations.

Due to the nature of our business, we require considerable capital expenditures for our expansion projects. The construction period and capital required to complete any given project may be affected by different factors, including shortages of construction materials, equipment and labor, bad weather conditions, natural disasters, disputes with workers or contractors, accidents, changes in government policies and/or other unforeseen difficulties or circumstances. Such events may lead to a delay in the completion of our expansion projects, resulting in cost overruns and loss of income. Any of our future lane expansion projects may experience cost overruns or delays in completion and any such significant cost overruns or delays may adversely affect our results of operations.

Changes in interest rates in the PRC have affected and will continue to affect our financing costs and, ultimately, our results of operations.

All of our existing borrowings in the PRC have interest rates that are subject to adjustments according to the market movements in interest rates. It has not been our policy to hedge against movements in interest rates. Our interest rate risk mainly relates to our cash deposits and long-term bank loans and other borrowings. Changes in interest rates in the PRC have affected and will continue to affect our financing costs and, ultimately, our results of operations. Since 2012, the PRC Government has reduced the base interest rates on multiple occasions in order to boost the economy, lowering the one-year benchmark lending rate from 6.31% on June 8, 2012 to 4.35% on October 24, 2015. As of the Latest Practicable Date, the one-year benchmark lending rate was 4.35%. As most of the commercial banks in China and other financial institutions based in China link the interest rates on their loans to the benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase our financing costs, resulting in an adverse effect on our results of operation and business prospects.

Our income from expressway operations and investments depends on, among other factors, toll rates, which are set by relevant government authorities.

Toll rates charged by toll roads in China are set by various provincial or local government authorities. Any proposed toll rate increase requires approval by the relevant government authorities, taking into account various factors such as traffic flow, construction and operational costs of the expressways, prospective recovery periods of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to users.

As an operator of expressways, we may from time to time apply to the relevant governmental authorities for a toll rate increase and the widening of expressways in order to meet the desired rate of return on our investments. However, we cannot assure you that the governmental authorities will approve such application in a timely manner, or at all. Further, we cannot assure you that the governmental authorities will not at any time request a toll rate reduction. For example, in 2016, the Sichuan Provincial Development and Reform Commission and the Department of Transportation of Sichuan Province lowered the toll rates of Chengdu Airport Expressway by 28.6% for Type 1 passenger vehicles. If the governmental authorities do not approve a request by us to increase the toll rates in a timely manner, or at all, or request a toll rate reduction or exemption, our business and results of operations may be materially and adversely affected.

In addition, pursuant to the *Sichuan Province Management Regulation re Linking Expressway Toll Rates with Quality of Engineering and Services* (《四川省高速公路車輛通行費收費標準與工程和服務質量掛鈎管理辦法》) jointly promulgated by the Department of Transportation of Sichuan Province, Sichuan Provincial Development and Reform Commission and Finance Department of Sichuan Province, effective from April 1, 2016, toll rates of expressways located in Sichuan province will be subject to annual adjustments based on an

evaluation of an expressway's construction and services quality. For expressways that are currently in operation, if the service quality score of the expressway falls below 85 points or if major accidents have occurred on the expressway due to improper expressway management, the toll rates of such expressway will be lowered by 5% in the following year. For further information, see "Business – Pricing" in this prospectus. We cannot assure you that our toll rates will not be lowered in the future, which may have a material adverse effect on our revenue and results of operations.

Further, the "Classification of Vehicle on Toll Roads" (Transportation Industry Standard JT/T489-2003) (《收費公路車輛通行費車型分類》(交通行業標準JT/T489-2003)) issued by the MOT and effective on 1 October 2003, provides that passenger vehicles shall be classified by the number of passenger seats while trucks shall be classified by tonnage. Although vehicle classification standards have been adjusted by the competent authorities from time to time and such adjustments have not affected our toll income significantly, there can be no assurance that any future guidelines, notices or changes of the government policies relating to transportation and logistics will not adversely affect our business, results of operations, financial conditions and prospects. In addition, certain vehicles are exempted from toll payment pursuant to the Regulations on the Administration of Toll Roads (《收費公路管理條例》), the Notice of the State Council on the Approval and Forwarding of the Implementation of the Toll-Free Policy on Small Passenger Vehicles on Major Festivals and Holidays Promulgated by the Ministry of Transport and Other Departments (《國務院關於批轉交通運輸部等部門重大節假日免收小型客車通行費實施方案的通知》) (the "Holiday Toll-Free Policy") and the Urgent Notice on Further Improving Policies for Green Passage of Live Agricultural Products (《關於進一步完善鮮活農產品運輸綠色通道政策的緊急通知》). For details, see "Regulatory Environment – Main Laws and Regulations Relating to PRC Highway Industry" and "Business – Pricing" in this prospectus. There can be no assurance that the relevant government authorities will not implement toll discount or toll-free policies and any other policies in relation to tolls or toll rates in the future, which may adversely affect our business, results of operations, financial conditions and prospects.

Sichuan Expressway Settlement Center is responsible for collection of traffic volume data and toll allocation for our expressways under the inter-network toll collection system. Any error in the toll collection system may lead to inaccuracy in data collection and delay in settlement, which may adversely affect our operation and reputation.

Sichuan Expressway Settlement Center, an institution directly controlled by the Department of Transportation of Sichuan Province, is responsible for the collection of traffic volume data of all our expressways under the inter-network toll collection system and for providing the relevant traffic volume data and toll collection information to our group companies. The road path and mileage information of each vehicle (whether through MTC or ETC) will be recorded by and verified against the systems of the Sichuan Expressway Settlement Center. The Sichuan Expressway Settlement Center will then use such information to calculate and allocate the toll entitlements of each relevant expressway operator, and send us a reconciliation statement with such information and calculation of toll receivables for our confirmation. Our designated employees will verify the amount of tolls as set out in the

reconciliation statement with our internal record and the record of the designated bank account for toll receipts. For more information, see "Business – Our Business Operations – Toll Collection" in this prospectus. In the past, there were incidents of discrepancies of certain amounts identified between the Sichuan Expressway Settlement Center and us. As we strive to take measures to address and to reduce the occurrence of such discrepancies, we cannot assure you that such discrepancies or any other issues relating to inter-network collection system will not occur in the future, which could materially and adversely affect our toll revenue and financial condition.

Changes in the national and local policies may adversely affect our business, results of operations and financial position.

China is undergoing rapid economic development, and government regulations and policies are regularly promulgated in light of such development. Changes in government policies, both national and local, may adversely affect our revenue and increase, either directly or indirectly, our costs in operating and maintaining our expressways. In addition, the duration of our Batch Payment Model for toll collection and the toll rates thereunder are subject to the discretion of local governments. As tolls collected under the Batch Payment Model constitute a significant portion of our total toll revenue, changes in the relevant government authorities' position on the Batch Payment Model could have a material impact on our results of operations. Moreover, the national and local government's policies with respect to traffic control and toll waiver during national holidays could also adversely affect our results of operations or financial position.

We may fail to renew or extend the duration of our right to operate our expressways with the relevant government authorities, which could have a material adverse effect on our financial position, results of operations and prospects.

The right to and the duration under which to operate our expressways and collect tolls depend on the approval from the Sichuan provincial government. Pursuant to the Regulation on the Administration of Toll Roads (《收費公路管理條例》) promulgated by the State Council, which came into effect in November 2004, the duration to operate expressways is decided by relevant government authorities pursuant to the principle of full recovery of investment costs and reasonable investment return, but shall not be longer than 30 years for central and western provinces designated by the PRC Government. In July 2015, a revised consultation draft of the "Regulations on the Administration of Toll Roads" (《收費公路管理條例》 (修正案徵求意見稿)) was issued to seek public opinions. It allows for the operating period for certain toll roads with large-scale investment and long investment cycle to be extended beyond 30 years upon approval. However, the consultation draft has not come into effect as of the Latest Practicable Date. For more information, see "Regulatory Environment – Regulatory Environment – Main Laws and Regulations Relating to PRC Highway Industry" in this prospectus.

The remaining operating period of our expressways ranges from six years to 16 years. While we strive to renew or extend the operating periods of our expressways, we cannot assure you that we are able to obtain the necessary approval from relevant government authorities. Failure to extend the duration of our right to operate the expressways may materially and adversely affect our business, results of operations and financial condition. In addition, while we have no reason to believe our right to operate our expressways will be revoked prior to its expiration date without our consent, we cannot assure you that such an event will not occur. Any adverse change to such arrangements with local governments could have a material adverse effect on our financial position, results of operations and prospects.

Our business is geographically concentrated and our business and results of operations depend on the level of economic activity and prosperity of the PRC, particularly of Sichuan province.

Our business and performance are affected by the general economic conditions of the PRC, particularly of Sichuan province, which in turn are impacted by various general economic and social conditions beyond our control, including GDP growth rate, government policies, levels of inflation, employment rates and interest rates. Any downturn or expectation of a slowdown in economic activities, slow GDP growth in the PRC and changes in social conditions of the PRC could affect the general demand for transportation in the PRC.

Our principal business is the construction, maintenance and development of expressways located in and around Chengdu, Sichuan province. The expressways we operate or have investments in are all located in Chengdu, Sichuan province. For further information, see "Business – Our Business Operations" in this prospectus. Accordingly, our business, financial position and results of operations have been and will continue to be affected by the level of economic activity in Chengdu and, to a lesser extent, other regions in Sichuan province. As we intend to continue our operations of our existing expressways in the future and acquire or invest in other high-quality expressways in the Sichuan province, our business will continue to be geographically concentrated in Sichuan province.

Chengdu and Sichuan province have undergone sustained economic development in the past few years. In particular, Chengdu's GDP ranked second in 2017 among all provincial capitals in China. While these developments have greatly benefited us and have allowed us to grow at a rapid pace, there is no assurance that the level of economic activity in Chengdu and Sichuan province will continue to grow at the pace that it has achieved in the past, or at all, or that the macro-or local economic environment or the policies of the PRC Government or local provincial government on expressways will not change. If Sichuan province or the PRC experiences any adverse economic, social, political or regulatory conditions or unfavorable developments due to events beyond our control, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Our expressway operations may be subject to operational risks, which could adversely affect our financial position, results of operations and prospects.

The operation of expressways generally involves a low level of operational risk as long as an effective system of internal controls over the collection of tolls is properly established and appropriate periodic maintenance works are carried out. Our expressway operations may nonetheless be materially adversely affected or interrupted by unforeseeable events and various factors, such as insufficient management and internal control, major traffic accidents, other unforeseen circumstances and road closure or restricted access caused by construction projects we undertake.

When accidents occur, the amount of traffic on our expressways may be reduced resulting in a decrease in our revenues and profits. In addition, if our expressways develop an adverse reputation for being unsafe or congested as a result of these accidents, drivers may seek alternative routes, which will in turn decrease the traffic flow on our expressways. Expressway upgrade, expansion and repair projects we undertake may also cause the traffic volume on our expressways to decrease. For example, the decrease in daily weighted-average traffic volume in 2017 on Chengpeng Expressway was primarily due to the partial closure of Chengpeng Expressway as a result of its upgrade project, which was completed on June 30, 2018. See "– Road and Facility Maintenance, Repair and Upgrade – Our Expressways Expansion Project" in this prospectus. If our expressway operations are interrupted in whole or in part as a result of such events, the traffic flow and, therefore, our results of operations and financial position may be materially and adversely affected.

In addition, our results of operations are subject to risks of toll evasion. All of our expressways are closed system expressways with computerized toll validation. We closely monitor the collection of MTC tolls to minimize toll evasion. Vehicles may pass our automated toll gates only after paying tolls. Our automated toll collection system will record every abnormal lifting of the toll gate, which we will then investigate. We also have high-definition surveillance cameras installed at the toll plazas, toll lanes, and inside the toll booths, which enables us to timely monitor traffic and react efficiently to emergencies and adverse weather conditions. We cannot assure you, however, that such controls and systems will remain adequate in the future and that toll receipts and consequently, our financial position, results of operations and prospects, would not be adversely affected.

We are exposed to risks in delayed payment of toll revenue collected under our Batch Payment Model, which may negatively affect our financial position, profitability and cash flow.

The toll revenue generated from our Batch Payment Model was RMB257.1 million, RMB257.5 million, RMB287.2 million and RMB158.9 million for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively. The trade receivables for toll revenue generated from our Batch Payment Model was RMB375.8 million, RMB3.6 million, RMB25.7 million and RMB31.4 million, as of December 31, 2015, 2016, 2017 and June 30, 2018, respectively. During the Track Record Period, we experienced delays

in payments from local governments who are parties to the Batch Payment Agreements. Should the local governments fail to timely settle such payment in full or at all in the future for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected, which in turn may also result in an impairment loss provision. We cannot assure you that we will be able to timely and fully recover our account receivables for the toll revenue generated from our Batch Payment or at all. In the event settlements for the account receivables for toll revenue generated from our Batch Payment Model are not made on a timely manner, our financial position, profitability and cash flow may be adversely affected. Starting from July 12, 2018, the Standard Toll Collection Model has been restored for Chengpeng Expressway. For more details, see "Business – Our Business Operations – Toll Collection – Batch Payment Model" in this prospectus.

We may be subject to credit risk with respect to our trade receivables.

Credit risks exist with respect to our trade receivables. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had trade receivables of RMB388.0 million, RMB15.0 million, RMB32.4 million, and RMB39.5 million respectively, consisting of trade receivables under batch payment arrangements and inter-network toll collection and ETC receivables. The turnover days of our trade receivables were approximately 182 days, 7 days, 14 days and 16 days for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. For details, see "Financial Information – Description of Major Line Items in our Consolidated Statements of Financial Position" in this prospectus.

During the Track Record Period, we experienced delays in payments from local governments who are parties to the Batch Payment Agreements. We cannot assure you that we will be able to timely and fully recover our account receivables for the toll revenue under the Batch Payment Arrangements or through inter-network toll collection. In that case, our results of operations and financial position may be materially and adversely affected.

We may not be able to expand our business effectively through acquisitions and investments and there can be no assurance that all or any of our proposed acquisitions and investments will be consummated on commercially acceptable terms, or at all.

Our future development depends, among other things, on our ability to achieve growth and expansion through acquisitions as well as internal growth. Our ability to achieve and benefit from such acquisitions and investments depends on a number of factors, some of which are beyond our control. These factors include, but are not limited to, our ability to identify assets or businesses for acquisitions or investments that suit our development strategies, execute the acquisitions or complete the investments within the timeframe or estimated budget, integrate any business acquired and train and retain qualified personnel to manage and operate the acquired or invested business. New acquisitions and investments may also be subject to all of the business risks to which our existing expressway operations are subject. For details relating to our acquisition strategies, see "Future Plans and Use of Proceeds" in this prospectus.

Acquisitions and strategic investments involve numerous risks, both prior to and after the completion of such acquisitions or investments. Risks prior to completion include the potential failure to obtain approval from in-charge government authorities for acquiring the service concession right of the expressway we intend to acquire, other regulatory restrictions, the incurrence of debt, the diversion of our management's attention from other business matters, delays in board approval and the possibility that conditions to complete an acquisition or investment may not be satisfied by us or the seller. Post-acquisition difficulties may include, among others, the assimilation of operations, corporate culture and personnel of the acquired business, diversion of our management's attention from other business concerns, the incurrence of additional debt, the impairment or amortization of expenses related to goodwill and other intangible assets and the potential loss of key employees of the acquired business.

Further, there is no assurance that all or any of the proposed acquisitions or investments will be consummated on terms favorable to us, or within a desired timeframe. Even if we are able to successfully acquire or invest in suitable projects, there is no assurance that we will achieve our expected returns on such acquisitions or investments. If we fail to acquire suitable projects or achieve our expected returns on such acquisitions or investments, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Acquisitions also pose the risk that we may be exposed to successor liability relating to actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the acquired companies or investment target companies and/or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition or investment could adversely affect our reputation and reduce the benefits of the acquisition or investment and may have a material adverse effect on our business, financial condition, results of operations and prospects.

We plan to expand our business within the industry chain but lack relevant experience, which may limit the success of such efforts.

Approximately 10% (or approximately HK$79.4 million) of the net proceeds that we expect to receive from the Global Offering will be used to expand our business within the industry chain by establishing new business segments or acquiring other complementary business. Our key consideration for selecting such strategic investment and acquisitions targets are their monetization models and the extent to which such investment or acquisition can help us expand our revenue streams. Specifically, we plan to invest in or acquire businesses with extensive experience in toll collection management, and expressway maintenance, which will create a synergistic effect with our existing business. However, as we do not have experience in providing such services, we may not realize the investment returns that we expect from engaging in such activities. In addition, such efforts may also lead to the diversion of our management's attention from other business matters, thereby adversely affecting our financial conditions and results of operations.

We may be adversely affected by material issues that impact our relationships or business ventures with our shareholders at the subsidiary level.

We carry out some of our business operations through non-wholly owned subsidiaries or associated companies. In particular, we hold 55% equity interest in Chengdu Airport Expressway Company and 40% equity interest in Chengbei Exit Expressway Company. The remaining equity interest in Chengdu Airport Expressway Company is held as to 25% by Chengyu Expressway Company and 20% by Sichuan Xinneng, whereas the remaining equity interest of Chengbei Exit Expressway Company is held by Chengyu Expressway Company. Chengyu Expressway Company is an expressway company listed on the Stock Exchange. Such arrangements involve a number of risks, including:

- our other shareholders in those companies may have economic or business interests or goals or philosophies that are inconsistent with ours;

- we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our subsidiaries or associated companies if there is a disagreement between us and our partners in those companies; or

- our partners may take action contrary to our requests or contrary to our policies or objectives.

Any of these and other factors may have a material adverse effect on our business.

Our investment in Chengbei Exit Expressway Company may not guarantee a share of its profits, which may have an adverse impact on our business and financial position.

We hold 40% of the equity interests in Chengbei Exit Expressway Company. The remaining equity interest of Chengbei Exit Expressway Company is held by Chengyu Expressway Company, an expressway company listed on the Stock Exchange. Since we acquired the equity interest in Chengbei Exit Expressway Company, we had a share of profits of Chengbei Exit Expressway Company in the amount of RMB7.1 million, RMB21.8 million and RMB13.8 million for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018. However, as a non-controlling shareholder of Chengbei Exit Expressway Company, we cannot control the operations of Chengbei Exit Expressway and cannot guarantee that Chengbei Exit Expressway Company will continue to be profitable or we will continue to receive from Chengbei Exit Expressway Company our share of its profits.

Any breach of contractual obligations by third-party contractors for the daily maintenance of our expressways or construction of our lane expansion projects may materially and adversely affect our results of operations and financial position.

We engage third-party contractors to provide various services, including certain road maintenance, repair projects and lane expansion projects. We generally select third-party contractors through an elaborate tender process, taking into account their pricing, reputation, quality, reliability, technological advantages and product and service offerings. The hiring process requires multiple layers of approval procedures. The timely and satisfactory performance of these third-party contractors directly affects the quality and progress of our road maintenance, repair projects and lane expansion projects. While we routinely review and assess our contractors' performance and re-evaluate their qualifications before contract renewals, we cannot assure you that the services rendered by these third-party contractors will be satisfactory or that their services will be completed on time. In addition, we cannot assure you that our monitoring of the work and performance of our third-party contractors will be sufficient to control their service quality or compliant with the relevant safety or environmental standards. If the performance of our third-party contractor proves unsatisfactory, or if any of them violate their contractual obligations, we may need to replace such contractor or take other remedial actions, which could result in additional costs and materially and adversely affect the progress of our projects. Further, the contractors' financial conditions may deteriorate during the contract term, which may also impact their ability to carry out the projects and have a material adverse effect on the timely completion of our projects and our results of operations.

In addition, there can be no assurance that the services provided by our third-party contractors will be continuously available on commercially acceptable terms, or at all. In the event their services are interrupted or terminated for whatever reason and we fail to engage appropriate replacements on commercially acceptable terms in a timely manner, or at all, our maintenance, repair and upgrade of our expressways may be delayed. The occurrence of any or all of the situations above may have a material adverse effect on our business, financial conditions, results of operations and prospects.

Fluctuations in the cost of construction materials and our contractors' labor costs could materially and adversely affect our business and financial performance.

We typically engage third-party contractors to carry out our expressway construction, expansion and repair projects. Such third-party contractors are usually responsible for procuring construction materials, including steel and cement, the prices of which can be volatile. Any material increase in the cost of construction or raw materials may lead to a higher fee quote by such contractors. In addition, with the overall improvement of living standards in China as well as the PRC Government's recent policies aimed at increasing wages of migrant workers, we expect continued increases in the labor costs of our third-party contractors in the near future. Given that toll rates of the expressways we operate and invest in are set by the relevant government authorities and may not be adjusted without the approval from these government authorities, we may not be able to pass on the increased costs to our customers. Our potential inability to pass cost increases to our customers may lower our profit margins and adversely affect our results of operations and financial position.

We are required to obtain certain qualifications or licenses to undertake our business operations and any revocation, cancellation or non-renewal of these qualifications or licenses could have a material and adverse impact on our business.

We are required to obtain certain qualifications and licenses issued by relevant government agencies to conduct our businesses, including, in particular, the concession right of our expressways. We must comply with certain restrictions and conditions imposed by various levels of government to maintain our qualifications and licenses. See "Regulatory Environment" in this prospectus for more information on the PRC laws and regulations regarding qualifications and licenses applicable to us. If we fail to comply with any of the conditions required for obtaining and maintaining our qualifications and licenses, our qualifications and licenses could be cancelled or revoked, and the renewal of our licenses may be delayed, which could directly and adversely impact our business operations.

Our expressway operations may be materially and adversely affected by catastrophic events, particularly in Chengdu or Sichuan province.

Our expressway operations may be materially and adversely affected by catastrophic events such as severe weather conditions, natural disasters and epidemics. For instance, the earthquake in Wenchuan, Sichuan province in May 2008 caused a significant decrease in the traffic volume of all our expressways that month. Following this, the toll incomes of Chengguan Expressway, Chengpeng Expressway and Chengwenqiong Expressway and Chengdu Airport Expressway were also affected by temporary toll free policies imposed by the local government authorities. Specifically, tolls were exempted on Chengguan Expressway, Chengpeng Expressway, Chengdu Airport Expressway and Chengwenqiong Expressway for a period of six months, 49 days, 24 days and 23 days, respectively. In addition, Jiuzhai Valley in Sichuan province experienced another earthquake in August 2017, which caused the traffic flow on Chengguan Expressway to decrease by approximately 7.5% in August 2017, as compared to August 2016. Such catastrophic events and severe weather conditions may cause lane closures, impact our road conditions, and negatively affect the operations of our expressways. If the condition or operation of our expressways were to be seriously affected as a result of such events, our results of operations and financial position may be adversely affected.

We may not have adequate insurance coverage to cover our potential liability or losses and as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. In addition, in line with the industry practice in the PRC, we do not maintain insurance in respect of litigation risks, business interruption risks, property insurances such as all-risks property insurance and machinery breakdown insurance, liability insurance policies such as life insurance, public liability insurance, special equipment liability insurance or third party liability insurance. For details, see "Business – Social Security Schemes and Insurance" in this prospectus. Any occurrence of these events

may result in interruptions of our operations and subject us to significant losses or liabilities. In addition, there are certain losses for which insurance is not available on commercially reasonable terms, such as losses suffered due to earthquake, war, civil unrest and certain other force majeure events. We do not maintain insurance to cover such losses as consistent with the general business and industry practices. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

If we fail to attract and retain key management and qualified employees, our operational activities and business may be adversely affected.

We attribute our success to the leadership and contributions of our management team. Our continued success is therefore dependent, to a large extent, on our ability to retain the services of these key management personnel. The loss of their services without timely and suitable replacement will adversely affect our operations and, hence, our revenue and profits.

Competition for qualified personnel in general is intense in the expressway industry and the pool of qualified candidates is very limited. We cannot assure you that we will be able to maintain an adequately skilled labor force necessary for us to execute our projects or to perform other corporate activities, nor can we assure you that staff costs will not increase as a result of shortages in the supply of skilled personnel. Moreover, if we expand our business into other parts of Sichuan province or the PRC, we will need to employ, train and retain employees on a larger geographical scale. If we fail to attract and retain personnel with suitable managerial or other expertise or maintain an adequate labor force on a continuous and sustained basis, our financial position and results of operations would be materially and adversely affected.

We may be subject to misappropriation or misconduct by our employees or third-parties and may have to invest in tighter control mechanisms.

We usually receive and handle large amounts of cash in our daily operations as a vast majority of the toll booths on our expressways are designated for MTC. While we have in place internal controls and seek to increase the use of automated toll collection, our business remains subject to the risk of toll misappropriation by our employees and we cannot assure you that instances of fraud, theft or other misconduct involving employees, passengers or other third parties will not take place.

During the Track Record Period, our former employee Chen Jie ("Mr. Chen") was found criminally liable for accepting bribes. Mr. Chen served as our director and chairman from January 2009 to April 2016, and the vice chairman of Chengdu Communications from February 2010 to May 2016. Mr. Chen was officially investigated in August 2016 and found criminally liable in September 2017. The Company has not been implicated or involved in any breaches of laws and disciplines in relation to the incident. According to the Judgment (as defined in this prospectus), neither the Company, the Directors or other senior management members of the

Company was a party to the case, nor had it been involved in any form of wrongdoing or subject to any form of penalty or sanction. For more details, see "Business – Legal Compliance and Proceedings – Incident Relating to Our Former Employee" in this prospectus. Since this incident was brought to our attention in April 2016, we have implemented various anti-corruption precautionary measures in order to mitigate the risks of such incidents, including engaging an internal control consultant, reviewing and improving our internal control measures and protocols, and strengthening the education of our employees in respect of compliance matters. For more details on our efforts in this regard, see "Business – Legal Compliance and Proceedings – Internal Control Findings and Rectification Measures" in this prospectus.

Any misconduct committed against our interests could subject us to financial losses, harm our reputation and may have a material adverse effect on our business, results of operations and financial condition. In addition, we have in the past discovered, and may in the future discover, areas of our internal controls which require improvement. Any failure to implement required new or improved controls, or any difficulties encountered in their implementation, could harm our results of operations or cause us to fail to meet our reporting obligations. See "Business – Legal Compliance and Proceedings – Internal Control Findings and Rectification Measures" in this prospectus.

We recorded a significant amount of intangible assets during the Track Record Period, and we may incur significant impairment losses if the recoverability of these intangible assets is substantially compromised.

According to the relevant approvals granted by the Sichuan Provincial Government, we obtained concession rights to operate, manage and develop all of our expressways and toll entitlements for a term ranging from 25 years to 30 years in exchange for the construction services we provided under the service concession arrangements. The remaining operating period of our expressways ranges from six years to 16 years. The construction cost for upgrade and expansion of our expressways incurred by us were capitalized as our intangible assets. As of December 31 2015, 2016, 2017 and June 30, 2018, our service concession arrangements were RMB2,343.4 million, RMB2,633.1 million, RMB3,460.6 million and RMB4,242.5 million, respectively, representing 38.1%, 58.9%, 70.4% and 72.2% of our total assets. The relevant amortization of service concession arrangements were approximately RMB97.2 million, RMB108.0 million, RMB116.4 million and RMB62.4 million, in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively. No impairment loss was recognized for the concession intangible assets during the Track Record Period.

Our service concession arrangements are amortized over the respective estimated useful lives and an impairment assessment is only required if there are any events or changes in circumstances which would indicate that the carrying amount of the assets exceed their recoverable amounts. If there are any events or changes in circumstances indicating that their carrying amounts may not be fully recoverable, we shall estimate the recoverable amounts of our service concession arrangements. If our service concession arrangements are carried at more than their recoverable amounts, we will recognize impairment losses for them. Any

significant impairment losses to be recognized as a result may have a material and adverse effect on our business, results of operations, financial conditions and prospects. For more details, see "Financial Information – Critical Accounting Policies and Estimates" in this prospectus.

Based on our assessment of circumstances that may cause the carrying amount of Chengpeng Expressway's cash-generating unit ("CGU") to exceed its recoverable amount, such as the significant amount of capital expenditure incurred for its expansion project and uncertainties with regard to future traffic volume following the restoration of the Standard Toll Collection Model with increased toll rates, we identified impairment indicators relating to the intangible assets of the service concession arrangements of Chengpeng Expressway in accordance with IAS 36. Accordingly we performed impairment tests of Chengpeng Expressway's CGU, which is comprised of the service concession arrangements of Chengpeng Expressway and related property, plant and equipment, as of December 31, 2017 and June 30, 2018. See "Financial Information – Description of Major Line Items in Our Consolidated Statements of Financial Positions – Service Concession Arrangements" for details of the sensitivity analysis and key parameters used.

The interest income we generated from related parties during the Track Record Period is non-recurring by nature.

In 2015 and 2016, we leveraged our premium assets and sound operations to obtain loans from banks and other financial institutions and provided loans to two related parties, i.e., our Controlling Shareholder, Chengdu Communications, and Chengdu Traffic Hub Station Construction Management Co., Ltd. The amount of interest income we received from the loans to these related parties was RMB123.1 million and RMB79.0 million in 2015 and 2016, respectively, which was the same as the interest payable to the banks by us. These loans were repaid in full in 2016. We have not received any interest income from our related parties nor incurred any interest expense directly attributable to related parties since 2017. The non-recurring nature of such loans has led to changes in certain items in our historical financial statements, such as "interest income from loans to related parties" and "other income and gains", which may affect the comparability of our results of operations.

Our business is subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations. Our revenue is directly related to fluctuations in traffic volume and the application of temporary toll exemption policies. As our expressways lead to many tourist attractions and popular destinations, our toll revenue were typically higher during summers, when the weather is suitable for outings and the traffic volume on our expressways tends to be the highest. Our toll revenue around Chinese New Year holidays tends to be the lowest of the year due to cold weather, lower volume of commercial and industrial activities around the time and the Holiday Toll-Free Policy. As a result of these factors, our revenues may vary from quarter to quarter and our quarterly results may not be comparable to the corresponding periods of prior years, and you may not be able to predict our annual results of

operations based on a quarter-to-quarter comparison of our results of operations. The quarterly fluctuations in our revenues and results of operations could result in volatility and cause the price of our shares to fall. As our revenues grow, the impact of these seasonal fluctuations may become more pronounced.

We are subject to extensive government approvals and compliance requirements for the construction projects we undertake and in relation to the land and buildings that we own. Some of the properties we currently use for our operations are not in compliance with applicable laws and regulations in the PRC.

For the construction projects we undertake, we are required to obtain various permits, certificates and other approvals from the relevant authorities, including but not limited to land use right certificates, construction land planning permits, construction project planning permits, construction permits, construction project, approvals for passing environmental impact assessments, environmental protection acceptance checks, approvals for passing fire control design assessments, approvals for passing fire control acceptance checks, registrations for passing acceptance inspections upon construction completion, as well as building ownership certificates. If we encounter difficulties in obtaining any required permits, certificates and approvals for the construction and development of our projects, our results of operations may be materially and adversely affected.

In particular, some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC. See "Business – Properties" and "Business – Legal Compliance and Proceedings" in this prospectus for further details.

As advised by our PRC Legal Adviser, according to the relevant PRC laws and regulations generally, (i) with respect to failure to obtain the construction land planning permit, we are subject to the risk that the relevant governments may revoke the land use rights for the land in question, (ii) with respect to failure to obtain the construction project planning permit, we are subject to the risk of being required to adopt certain remedial measures, including demolishing the relevant buildings, within a given time limit and being fined 5% to 10% of the construction costs and (iii) with respect to failure to obtain construction commencement permit, we are subject to the risk of being required to stop the construction and fined 1% to 2% of the contract price of the construction project.

In the event that we lose the rights to any of our land and buildings, our use of such land and buildings may become limited, or we may incur additional costs, in which case there will be disruptions to our business, financial condition and results of operations. If any of the above risks materializes, our business, financial condition and results of operations may be materially and adversely affected.

We may be involved in legal and other proceedings arising from our operations from time to time and may face significant liabilities as a result.

We may be involved in disputes with various parties during the ordinary course of our business, including the local governments, our suppliers, customers and contractors, as well as in connection with our acquisitions and investments. These disputes may lead to legal or other proceedings and may result in substantial costs for us, diversion of corporate resources and our management's attention, and may result in delays in the completion of our projects, regardless of the merits of the opposing parties' claims. We may also be involved in legal claims with respect to the outsourced activities and we may be required to incur costs and devote resources to defend ourselves against such claims. In addition, any material labor disputes between our employees and us may significantly disrupt our operations and future expansion plans. We may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions leading to penalties. In such cases, our results of operations and financial position could be materially and adversely affected.

The discontinuation of any preferential tax treatment or other incentives currently available to us in the PRC could materially and adversely affect our business, financial condition and results of operations.

For the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, our Company, Chengwenqiong Expressway Company, Chengdu Airport Expressway Company, and Chengbei Exit Expressway Company, an associate of our Company were entitled to a preferential income tax rate of 15% (as opposed to a 25% statutory income tax rate). Chengpeng Expressway Company also enjoyed the 15% preferential tax rate in 2015 and 2016. For the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, the aggregated tax effect of our preferential tax treatment was RMB36.0 million, RMB38.1 million, RMB41.7 million and RMB24.7 million, respectively.

Pursuant to the PRC Circular on Issues Concerning Tax Policies for In-depth Implementation of Western China Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58) (the "Circular"), the preferential tax treatment is set to expire in December 2020. We cannot assure you that we will still be able to qualify for such preferential tax treatment after it expires or that such preferential treatment will not be revoked prior to its expiration. For further details on the government grants and preferential tax treatment, see Note 9 to the Accountant's Report in Appendix I to this prospectus. Should we fail to extend such preferential tax treatment or if such preferential tax treatment were to be revoked retroactively, we will be subject to the statutory 25% enterprise income tax rate and may be subject to higher tax liabilities as a result, which could adversely affect our results of operations.

Environmental and safety protection policies and regulations may cause our expressway operating expenses to increase and adversely affect our level of income and profitability.

The construction, expansion and operation of expressways can cause damage to local vegetation in the vicinity, soil and water to varying degrees, producing dust and noise pollution, damaging the ecological environment and creating safety hazards. While our main business is not in a highly polluting or hazardous industry, environmental protection or safety protection measures and policies may cause an increase in our operating costs and restrict traffic volume on our expressways, thereby creating an adverse impact on our level of income and profitability. The traffic on our expressways may produce exhaust gas, dust and noise pollution, and our road maintenance, expansion or construction work may affect the surrounding vegetation, soil and water. While the expressway industry is not currently classified as a high-polluting industry, the PRC Government is gradually implementing more and increasingly stringent environmental laws and regulations. As a result, we may be required by the relevant authorities to comply with these new regulations and to increase our investment in environmental protection, which may have an adverse effect on our business, financial conditions, results of operations and prospects.

The enforcement of the PRC Labor Contract Law and increases in labor costs in the PRC may adversely affect our business and our profitability.

The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which came into effect on January 1, 2008 and amended on December 28, 2012, together with its implementation rules, impose more stringent requirements on employers with regard to the entry into written employment contracts, and dismissal of employees. The PRC Labor Contract Law and its implementation rules also establish requirements relating to, among others, minimum wages, severance payments and non-fixed term employment contracts, time limits for probation periods as well as duration and the number of times that an employee can be placed on fixed term employment contracts. The PRC Labor Contract Law and its implementation rules also provide that employers are required to pay social insurance on behalf of employees and that employees are entitled to unilaterally terminate the labor contracts if this requirement is not satisfied.

In addition, under the PRC Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which came into effect on January 1, 2008, and its implementation measures, which became effective on September 18, 2008, employees who have served more than one year for an employer are entitled to annual leave ranging from five to fifteen days, depending on their length of service. Employees who waive such annual leave at the request of employers shall be compensated at a rate of three times their normal salaries for each waived annual leave day. Such laws and regulations may increase our labor costs. In addition, certain companies operating in the PRC have experienced labor unrest in 2010 as a result of workers' dissatisfaction with working conditions and remuneration. We cannot assure you that these labor strikes will not affect general labor market conditions or result in changes to relevant labor laws and regulations in the PRC, which in turn could adversely affect our business. Any increase in our labor costs and future disputes with our employees could have a material and adverse effect on our business, financial conditions, results of operations and prospects.

The actual traffic flow and toll income of our expressways in the future may be different from the projected traffic flow and toll income as determined by MA and be subject to change.

MA has been engaged as the independent traffic consultant to conduct an independent traffic and revenue study for our expressways. For details, please refer to "Appendix IV – Traffic Consultant's Report" in this prospectus. The traffic flow projections of our expressways by MA were prepared using such analytical methods and models as were considered appropriate by MA. The projections were based on the historical data of the traffic flow of our expressways and, among other things, certain assumptions regarding sociological, demographical and economic trends in Sichuan province. The assumptions also required a subjective determination of certain factors relating to the PRC which may or may not be realized. There can be no assurance that the assumptions used in developing such projections, which include but are not limited to the estimated capacity of our expressways, GDP growth rate in Sichuan province and Chengdu and other socioeconomic factors, will prove to be accurate. There can be no assurance that actual traffic flow will be in line with the projected traffic flow. Any significant shortfall in the actual traffic flow may materially and adversely affect our business, financial conditions, results of operations and prospects.

RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA

Adverse changes in political and economic policies of the PRC Government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position.

Since all of our business operations are conducted in China, our business, financial position, results of operations and prospects are affected significantly by economic, political and legal developments in China. Because our business is sensitive to personal discretionary spending levels, our business and results of operations will tend to decline during general economic downturns.

The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, level of development, growth rate, control of foreign exchange, access to financing and the allocation of resources. While the Chinese economy has grown significantly in the past three decades, such growth has been uneven, both geographically and across various sectors of the economy, and the rate of growth has been slowing in recent years. Further, the Chinese economy has been transitioning from a planned economy to a more market-oriented economy and a substantial portion of the productive assets in China is still owned by the PRC Government. The PRC Government exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. However, government subsidies and preferential tax treatments are subject to governmental discretion

and may be suspended or terminated unexpectedly, which may adversely affect our results of operations. In addition, other economic measures, as well as future actions and policies of the PRC Government, could also materially affect our liquidity and access to capital and our ability to operate our business.

China's economy is susceptible to the macroeconomic policies of the PRC Government.

The PRC Government has exercised and continues to exercise significant influence over China's economy. From time to time, the PRC Government adjusts its monetary and economic policies, which may affect the markets in which we operate. Any action by the PRC Government concerning the economy could have a material adverse effect on our business, financial position and results of operations.

The PRC Government has, in recent years, undertaken a number of policy initiatives in the financial sector. For example, the PRC Government lowered the deposit-reserve ratio eight times between November 2011 and June 2015. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits (including margin deposits such as acceptances, letters of credit and letters of guarantee) made by their customers.

Any future increases in the bank reserve requirement ratio may negatively impact the amount of funds available for loan to businesses, including to us, by commercial banks in the PRC. We cannot assure you that the PRC Government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC Government may limit our flexibility and ability to utilize bank loans or other forms of financing and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial position and results of operations may be materially and adversely affected.

The PRC Government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payment to holders of our H Shares.

Most of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is not freely convertible into foreign currencies. We may be required to convert a portion of our cash into other currencies in order to meet our foreign currency needs, including cash payments on dividends declared on our H Shares. Under existing PRC foreign exchange regulations, following the completion of this Global Offering, we will be able to pay dividends in foreign currencies through current account transactions without prior approval from China's State Administration of Foreign Exchange ("SAFE") by complying with specific procedural requirements.

However, if the PRC Government were to impose, at its discretion, restrictions on access to foreign currencies for current account transactions, we might not be able to pay dividends to holders of our H Shares in foreign currencies. On the other hand, foreign exchange transactions under a capital account in China continue to require the approval of SAFE and not be freely convertible. These limitations could affect our ability to obtain foreign currencies through equity financing or other capital activities.

Further, we expect the net proceeds from the Global Offering to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these net proceeds into Renminbi onshore. If the net proceeds cannot be converted into Renminbi onshore in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on Renminbi-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, results of operations and financial position.

The legal system of the PRC is not fully developed, and there are inherent uncertainties that may affect the protection afforded to our business and our shareholders.

We conduct all our business through our subsidiaries and associated companies in China. Our operations in China are governed by PRC laws and regulations. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on governmental policies and internal governmental rules (some of which are not published on a timely basis or at all) that may have a retroactive effect.

Any litigation in China may be protracted and result in substantial costs and diversion of our resources and management's attention. It may be more difficult to evaluate the outcome of Chinese administrative and court proceedings and the level of legal protection we enjoy in China compared to more developed legal systems because PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms. Such uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us.

Holders of our H Shares may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors, Supervisors or senior management and in taking action on the basis of violations of the Listing Rules. The interpretation and implementation of PRC laws and regulations could limit the protections available to you.

Our Company is incorporated under the laws of the PRC and all of our assets and our subsidiaries are located in China. All of our Directors, Supervisors and senior management also reside within China. As a result, it may not be possible to effect service of process outside of China on most of our Directors, Supervisors and senior management. Moreover, China does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in China or Hong Kong, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible in relation to any matter that is not subject to a binding arbitration provision. On July 14, 2006, the Supreme People's Court of China and the Government of the Hong Kong Special Administrative Region signed an *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters* (《關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排》). Under this arrangement, where any designated People's Court of China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of China or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remain uncertain.

Payment of dividends is subject to restrictions under PRC laws.

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRS, whichever is lower, plus undistributed profit at the beginning of the period and less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that we have not recorded any profits. Any distributable profits that are not distributed in a given year are retained and made available for distribution in subsequent years. Moreover, our operating subsidiaries and associated companies may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries or associated companies. Failure by our operating subsidiaries or associated companies to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Gains on sales of our H Shares and dividends on our H Shares may be subject to PRC income taxes.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of our Company ("non-PRC resident individual holders") are subject to PRC individual income tax on dividends received from us. The tax on dividends must be withheld at source. Pursuant to the *Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045* (關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) dated June 28, 2011 issued by the SAT, the tax rate applicable to dividends paid to non-PRC resident individual holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. See "Appendix III – Taxation and Foreign Exchange" of this prospectus. In addition, under the *Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon sale or other disposition of H Shares. However, pursuant to the *Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares* (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the PRC Ministry of Finance ("**MOF**") and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. To our knowledge, as of the Latest Practicable Date, in practice the PRC tax authorities had not sought to collect individual income tax on such gains. However, if such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the PRC Enterprise Income Tax Law of the PRC ("EIT Law") and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between China and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Notice on Issues Concerning Withholding the Corporate Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders which are Overseas Non-Residents Enterprises (國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to approval by the PRC tax authorities. There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, including whether and how enterprise income

tax on gains derived upon sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC enterprise holders' investments in H Shares may be materially and adversely affected.

Fluctuations in exchange rates, in particular of the Renminbi, may have an adverse effect on our business, financial position and results of operations.

The value of the Renminbi against the U.S. dollar, Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, the political situation as well as economic policies and conditions in the PRC. On July 21, 2005, the PRC Government changed its decade-old policy of pegging its currency to the U.S. dollar. Under that policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximate 21% appreciation of the Renminbi against the U.S. dollar between 2005 and 2008. From July 2008 to June 2010, the Renminbi traded within a narrow range against the U.S. dollar. In June 2010, the PRC Government indicated that it would make the foreign exchange rate of the RMB more flexible, which increases the possibility of sharp fluctuations of the RMB's value in the near future and the unpredictability associated with the RMB's exchange rate. On April 16, 2012, the PRC Government widened the daily trading band to 1%. On March 17, 2014, the PRC Government further widened the daily trading band to 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand. On August 11, 2015, the PBOC announced that it would request market-makers in the foreign exchange market to provide proposed quotes of the midpoint rates of the daily trading band of the Renminbi against the U.S. dollar based on supply and demand analysis and market conditions of the exchange rates of other currencies.

The PBOC has also introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps, the relaxation on Renminbi trading by non-financial institutions and the introduction of market makers, comprising both domestic and foreign banks, for the trading of Renminbi. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar. There remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in more significant appreciation of the Renminbi against foreign currencies.

All of our revenue and operating expenses are denominated in Renminbi. In addition, the proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our foreign currency denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currencies. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs and as such, we cannot assure you that we will be able to reduce our foreign currency risk exposure relating to our foreign currency-dominated assets.

Further, we are also currently required to obtain SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial position, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares.

Prior to the Global Offering, there was no public market for our H Shares. The initial Offer Price for our H Shares to the public was the result of negotiations between us and the Sole Representative, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering.

The trading volume and market price of our H Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our H Shares pursuant to the Global Offering.

The price and trading volume of our H Shares may be highly volatile as a result of various factors. Some of these factors are beyond our control, including:

- actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- price movements on other PRC and international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and

- the release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us, the Controlling Shareholders or other Shareholders.

In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our H Shares.

Future sales or perceived sales or conversion of substantial amounts of our Shares in the public market, including any future offering of H Shares or conversion of our unlisted Shares into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in a dilution of your shareholding.

The market price of our H Shares could decline as a result of future sales or issuances of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or perceived sales may also adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a favorable time and price. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for a period of up to six months after the Listing Date. For further information, see "Underwriting – Underwriting Arrangements and Expenses" in this prospectus. We cannot assure you that they will not dispose of their Shares they may own now or in the future.

Our Domestic Shares immediately after the Global Offering will amount to 1,200 million Shares, representing approximately 75% of our total issued share capital assuming the Over-allotment Option is not exercised (or approximately 1,200 million Shares, representing approximately 72.3% of our total issued share capital assuming the Over-allotment Option is exercised in full). The H Shares issued under the Global Offering will amount to 400 million H Shares, representing approximately 25% of our total issued share capital assuming the Over-allotment Option is not exercised (or 460 million H Shares, representing approximately 27.7% of our total issued share capital assuming the Over-allotment Option is exercised in full).

In addition, subject to the approval of the State Council securities regulatory authority, all of our Domestic Shares may be converted into H Shares, and such converted Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the listing and trading of the converted Shares on an overseas stock exchange. However, PRC Company Law provides that, in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the Listing. Therefore, on obtaining the requisite approval, shares currently held on our

domestic share register may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

You will incur immediate and significant dilution and may experience further dilution if we issue additional H Shares in the future.

The Offer Price for our H Shares is higher than the net tangible liabilities book value per Share initially issued to our Shareholders prior to the Global Offering. Consequently, purchasers of our H Shares in the Global Offering will experience an immediate dilution in the pro forma consolidated net tangible liabilities book value of RMB(0.76) (HK$(0.87)) per H Share based on the Offer Price of HK$2.20, and our Shareholders prior to the Global Offering will experience a decrease in the pro forma consolidated net tangible liabilities book value per H Share of their H Shares.

The market price of our H Shares when trading begins could be lower than the Offer Price.

The Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be on the fifth Business Day after the close of the Hong Kong Public Offer. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

We cannot assure you that the H Shares will remain listed on the Stock Exchange.

Although it is currently intended that the H Shares will remain listed on the Stock Exchange, there is no guarantee of the continued listing of the H Shares. Among other factors, we may not continue to satisfy the listing requirements of the Stock Exchange. Holders of H Shares would not be able to sell their H Shares through trading on the Stock Exchange if the H Shares were no longer listed on the Stock Exchange.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will remain having substantial control over our Company. Subject to the Articles of Association, the Companies Ordinance and the PRC Company Law, our Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders. The interest of our Controlling Shareholders may differ from the interests of other Shareholders and they are free

to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Forward-looking information in this prospectus may prove inaccurate.

This document contains certain forward-looking statements and information relating to us that are based on our management's belief and assumptions. The words "anticipate", "believe", "expect", "going forward" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. You are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed herein might not occur in the way we expect, or at all. In all cases, you should consider carefully how much weight or importance you should attach to, or place on, such facts or statistics.

Certain statistics are derived from publications not independently verified by us, the Sole Representative or our or their respective advisors.

Certain facts and statistics in this prospectus relating to China, China's economy and the PRC transportation sector have been derived from various official government publications and other publicly available publications. However, we cannot assure you of the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

Investors should read the entire prospectus carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus.

There may be coverage in the media regarding the Global Offering and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it.

Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this prospectus and the Application Forms to make investment decisions about us.

We cannot assure you if and when we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. The distribution of dividends will be formulated by our Board at their discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends paid will depend on various factors, including, but not limited to, our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRSs (whichever is lower), our Articles of Association, the Company Law and any other applicable PRC laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, we cannot assure you whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. For more details on our dividend policy, see "Financial Information – Dividends and Dividend Policy" in this prospectus.

MANAGEMENT PRESENCE

According to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since our core business and operations, principal clients and assets are primarily located in the PRC, the Company's executive Directors are based in the PRC as the Board believes it is more effective and efficient for the Company's executive Directors to be based in a location where our substantial operations are located. We therefore do not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong, for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Currently, all of our executive Directors and senior management members reside in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We have made arrangements to maintain effective communication between the Stock Exchange and us as follows:

(i) both of our authorized representatives, Mr. Luo Dan (羅丹), the executive Director and Mr. Zhang Guangwen (張光文), one of our joint company secretaries (the "**Authorized Representatives**"), will act at all times as our principal channel of communication with the Stock Exchange and ensure our Company complies with the Listing Rules at all times. Although Mr. Luo Dan and Mr. Zhang Guangwen reside in the PRC, they possess valid travel documents and are able to renew such travel documents when they expire. They can apply for visas to visit Hong Kong within a reasonably short period of time. Our Authorized Representatives are and will be readily contactable by phone, facsimile and/or e-mail to deal promptly with any enquiries from the Stock Exchange. Accordingly, our Authorized Representatives will be able to meet with the relevant members of the Stock Exchange on short notice;

(ii) our Company will ensure that both of our Authorized Representatives have necessary means for contacting all Directors (including our independent non-executive Directors) and members of the senior management of our Company promptly at all times and when the Stock Exchange wishes to contact them on any matter;

(iii) each Director has provided his/her mobile phone number, office phone number, e-mail address and fax number to the Authorized Representatives and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorized Representatives or maintain an open line of communication via his or her mobile phone;

(iv) we have appointed an independent non-executive Director, Mr. Shu Wa Tung, Laurence (舒華東), who ordinarily resides in Hong Kong. Mr Shu is able to contact all other Directors, who are not ordinarily resident in Hong Kong by telephone, facsimile and/or e-mail at any time;

(v) each Director who does not ordinarily reside in Hong Kong possesses valid travel documents and/or can apply for visas to visit Hong Kong within reasonably short period of time. Accordingly, each Director will be able to visit Hong Kong to meet with the relevant members of the Stock Exchange within a reasonable period of time;

(vi) Ms. Kwong Yin Ping, Yvonne (鄺燕萍), one of our joint company secretaries, who is a Hong Kong resident, will, among other things, act as our alternative channel of communication with the Stock Exchange and be able to answer enquiries from the Stock Exchange; and

(vii) we have appointed Alliance Capital Partners Limited as our compliance adviser (the "**Compliance Adviser**") in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. The Compliance Adviser will, among other things, advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after listing of our H shares, and in addition to our Authorized Representatives, act as our additional channel of communication with the Stock Exchange and be available to answer enquiries from the Stock Exchange at least for the period commencing from the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. We will ensure that there are adequate and efficient means of communication among us, our Authorized Representatives, our Directors, our other officers, and the Compliance Adviser at all times during the term of the appointment of the Compliance Adviser.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint an individual as our company secretary who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets forth the following academic and professional qualifications considered to be acceptable by the Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the laws of Hong Kong)).

Note 2 to Rule 3.28 of the Listing Rules sets forth the following factors that the Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Codes on Takeovers and Mergers and Share Buy-backs;

(c) relevant training taken and/or to be taken in addition to the 15 hours minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Zhang Guangwen (張光文) and Ms. Kwong Yin Ping, Yvonne (鄺燕萍) (member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom) as our joint company secretaries. Ms. Kwong has more than 38 years of extensive experience in providing company secretarial services for numerous private and listed companies. They will jointly discharge the duties and responsibilities as our company secretaries. For detailed information about Mr. Zhang and Ms. Kwong, please refer to "Directors, Supervisors and Senior Management" in this prospectus.

As Mr. Zhang does not possess the specified qualifications required by Rule 3.28 of the Listing Rules, and may not possess the relevant experience as required by the Stock Exchange, we have applied to the Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules.

Although Mr. Zhang does not possess the specified qualifications required by Rule 3.28 of the Listing Rules, our Company believes that considering Mr. Zhang's past experience in accounting, finance, operation, management and the work of a secretary to our Board of Directors, Mr. Zhang is able to perform the duties as a company secretary of our Company. In addition, Mr. Zhang has a thorough understanding of the operations of our internal business and finance. Therefore, we believe that the appointment of Mr. Zhang as a joint company secretary is in our and our Shareholders' best interests and beneficial to our corporate governance. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting with the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements for the waiver:

- Mr. Zhang will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by our Company's legal adviser as to the laws of Hong Kong on an invitation basis, and seminars organized by the Stock Exchange for PRC issuers from time to time, in addition to the 15 hours minimum requirement under Rule 3.29 of the Hong Kong Listing Rules;

- we have appointed Ms. Kwong, who meets the requirements under Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Zhang in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Zhang to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as a company secretary, including but not limited to communicating regularly with Mr. Zhang on matters relating to corporate governance, the Listing Rules, as well as the applicable Hong Kong laws and regulations which are relevant to us. Ms. Kwong will also inform Mr. Zhang on a timely basis the amendments or supplement to the Listing Rules and any new or amended law, regulations or codes applicable to the Company after the Listing; and

- Mr. Zhang will also be assisted by our compliance adviser appointed pursuant to Rule 3A.19 of the Listing Rules, which will act as the Company's additional channel of communications with the Stock Exchange, and legal adviser as to the laws of Hong Kong on matters in relation to our Company's continuing compliance obligations under the Listing Rules and the applicable laws and regulations.

Before expiry of the initial three-year period, the qualifications of Mr. Zhang will be re-evaluated to determine whether the requirements as stipulated in Rule 3.28 of the Listing Rules can be satisfied and to decide whether further assistance by Ms. Kwong to Mr. Zhang would be necessary. In the event that Mr. Zhang Guangwen has obtained relevant experience under Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary for our Company.

CONNECTED TRANSACTIONS

We have entered into, and expect to continue, a transaction that will constitute a partially-exempt continuing connected transaction of our Company under the Listing Rules upon Listing as described in the section "Connected Transactions" of this prospectus. We expect this partially-exempt connected transaction to be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the applicable requirement under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company.

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the applicable requirements under Chapter 14A of the Listing Rules once the H Shares are listed on the Stock Exchange in respect of such partially-exempt continuing connected transaction. For further details, please refer to the paragraph headed "Partially-exempt Continuing Connected Transaction" in "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

The CSRC has approved our Global Offering and for the submission of the application to list the H Shares on the Stock Exchange on September 30, 2018. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 40,000,000 Offer Shares and the International Offering of initially 360,000,000 Offer Shares (subject, in each case, to reallocation on the basis as set out in "Structure of the Global Offering" in this prospectus).

The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriter(s) on a conditional basis. The International Offering is managed by the Sole Representative and is expected to be underwritten by the International Underwriter(s). The International Underwriting Agreement is expected to be entered into on or about Monday, January 7, 2019. Further details of the Underwriter(s) and the underwriting arrangements are set out in "Underwriting" in this prospectus.

Our H Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any

subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus, and the procedures for applying for the H Shares are set out in the section "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF OUR H SHARES

Each person acquiring our H Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her/its acquisition of our H Shares to, confirm that he/she/it is aware of the restrictions on offers and sales of our H Shares described in this prospectus.

No action has been taken to permit a public offering of our H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, H Shares was not under public offering or sale, directly or indirectly, in China or the U.S.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option). The Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council.

Dealings in our H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, January 15, 2019. Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our H Shares on the Stock Exchange is refused before the expiration

of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of the Shareholders, and we agree with each of the Shareholders, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;

(ii) agrees with us, each of the Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of the Directors, Supervisors, managers and officers, agree with each of the Shareholders, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(iii) agrees with us and each of the Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his behalf with each of the Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in our H Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s), any of their respective directors, officers, employees, advisers, agents or representatives nor any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, our H Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering" in this prospectus.

H SHARE REGISTER AND STAMP DUTY

All the H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our H Share register of members maintained in Hong Kong. We will maintain our principal register of members at our head office in China.

Dealings in our H Shares registered on our H Share register of members in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by us, dividends payable in Hong Kong dollars in respect of the H Shares will be paid to the Shareholders listed on our H Share register in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between Renminbi and Hong Kong dollars and Hong Kong dollars were made at the rates of RMB0.88111 to HK$1.00, being the exchange rate set by PBOC on December 18, 2018.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Xiao Jun (肖軍)	Room 14, Unit 1, Building 2, 1 Jianguo Xiang, Wuhou District, Chengdu, PRC	Chinese
Tang Fawei (唐發維)	Room 1004, Unit 2, Building 7, 66 Tianshun Road, High-Tech Zone, Chengdu, PRC	Chinese
Zhang Dongmin (張冬敏)	10-1 Duozi Xiang, Qingyang District, Chengdu, PRC	Chinese
Wang Xiao (王曉)	Room 35, Unit 1, Building 4, 8 Guangfuqiao North Street, Wuhou District, Chengdu, PRC	Chinese
Yang Bin (楊斌)	Room 8, Unit 1, Building 10, 8 Xinguang Street, High-Tech Zone, Chengdu, PRC	Chinese
Luo Dan (羅丹)	Room 8, Unit 1, Building 1, 35 Shutong Street, Jinniu District, Chengdu, PRC	Chinese
Independent non-executive Directors		
Shu Wa Tung, Laurence (舒華東)	Flat B, 18/F, Block 3, Ocean View, Ma On Shan, New Territories, Hong Kong	Chinese (Hong Kong)
Ye Yong (葉勇)	Building 1, Students' dormitory, 111-59 North First Section, Second Ring Road, Jinniu District, Chengdu, PRC	Chinese
Li Yuanfu (李遠富)	No. 9, Unit 2, Building 14, 111-40 North First Section, Second Ring Road, Chengdu, PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Jiang Yan (蔣燕)	No. 1201, Unit 4, 55 Duhui Road, Hi-Tech Industrial Development Zone, Chengdu City, PRC	Chinese
Wu Haiyan (吳海燕)	Room 13, Unit 1, Building 3, 1 Nanyixiang, Jinqin Road, Jinniu District, Chengdu, PRC	Chinese
Pan Xin (潘欣)	999-50104 Xi'an Road, Xipu Town, Pidu District, Chengdu, PRC	Chinese
Xu Jingxian (許靜嫻)	Room 601, 6/F, Unit 1, 1 Jinfeng Road, Qingyang District, Chengdu, PRC	Chinese
Zhang Jian (張建)	217 Wenjing Street, Chongyang Town, Chongzhou City, Sichuan, PRC	Chinese

See "Directors, Supervisors and Senior Management" in this prospectus for further details on our Directors and Supervisors.

OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**CLSA Capital Markets Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Sole Representative	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Global Coordinators	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **CCB International Capital Limited** 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
Joint Bookrunners	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **CCB International Capital Limited** 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong **Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong **BOCOM International Securities Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Lead Managers

CLSA Limited
18/F, One Pacific Place
88 Queensway Hong Kong

CCB International Capital Limited
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50 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Co-Manager	**Aristo Securities Limited** Room 101, 1st Floor On Hong Commercial Building 145 Hennessy Road Wanchai, Hong Kong
Legal advisers to our Company	*As to Hong Kong and U.S. Laws* **Kirkland & Ellis** 26th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC Law* **King & Wood Mallesons** 18th Floor, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing, 100020, PRC
Legal advisers to the underwriter(s)	*As to Hong Kong and U.S. Laws* **Clifford Chance** 27/F, Jardine House 1 Connaught Place Central Hong Kong *As to PRC Law* **Guantao Law Firm** 18th Floor, Block B, Xinsheng Plaza, 5 Financial Street Xicheng District Beijing, 100032, PRC

Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Traffic consultant	**Master Alliance (China) Limited** Flat 907, 9/F Silvercord Tower 2 30 Canton Road Tsim Sha Tsui Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B Greenland Hui Center No. 500 Yunjin Road, Xuhui District Shanghai, PRC
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

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Head Office in the PRC	Chengdu Toll Station of Chengguan Expressway, West High-tech Zone, Chengdu, Sichuan, PRC
Principal Place of Business in Hong Kong	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong
Company's Website	**www.chengdugs.com** *(information contained on this website does not form part of this prospectus)*
Joint Company Secretaries	**Mr. Zhang Guangwen** Room 603, Unit 5, Building 4, 9 Tianlang Road, Gaoxin District, Chengdu, PRC **Ms. Kwong Yin Ping, Yvonne** 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong
Authorized Representatives	**Mr. Luo Dan** Room 8, Unit 1, Building 1, 35 Shutong Street, Jinniu District, Chengdu, PRC **Mr. Zhang Guangwen** Room 603, Unit 5, Building 4, 9 Tianlang Road, Gaoxin District, Chengdu, PRC
Audit and Risk Management Committee	Mr. Shu Wa Tung, Laurence *(Chairman)* Mr. Ye Yong Mr. Yang Bin
Nomination Committee	Mr. Xiao Jun *(Chairman)* Mr. Li Yuanfu Mr. Ye Yong

Remuneration and Evaluation Committee	Mr. Ye Yong *(Chairman)* Mr. Luo Dan Mr. Li Yuanfu
Strategy and Development Committee	Mr. Tang Fawei *(Chairman)* Ms. Wang Xiao Mr. Shu Wa Tung, Laurence
Compliance Adviser	**Alliance Capital Partners Limited** Room 1502-1503A, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Banks	**China CITIC Bank, Sichuan Chengdu Xindu Branch** No. 116, 559 Ma Chao East Road Xindu District, Chengdu Sichuan, PRC **Industrial and Commercial Bank, Sichuan Chengdu Jinniu Branch** No. 1, 258 Sha Wan Road Jinniu District, Chengdu Sichuan, PRC

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sponsor or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer (excluding Frost & Sullivan) nor is any representation given as to its accuracy or completeness. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the expressway industry in China and Sichuan province. The report prepared by Frost & Sullivan for us is referred to in the prospectus as the Frost & Sullivan Report. A total fee of RMB580,000 was paid to Frost & Sullivan for the preparation of the report, which we believe reflects market rates for reports of this type.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

The Frost & Sullivan Report was undertaken through both primary and secondary research obtained from various sources using intelligence collection methodologies. Primary research involved discussing the status of the industry with certain leading industry participants across the industry value chain and conducting interviews with relevant parties to obtain objective and factual data and prospective predictions. Secondary research involved reviewing information integration of data and publication from publicly available sources, including official data and announcements from government agencies, and company reports, independent research reports and data based on Frost & Sullivan's own data base.

BASIS AND ASSUMPTIONS

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environment in China is likely to remain stable in the forecast period, and (ii) industry key drivers are likely to drive the growth of the expressway industry in China and Sichuan province in the forecast period.

On this basis, our Directors are satisfied that the forecasts and industry data disclosed in this section are not misleading. Our Directors confirm that, after making reasonable enquiries, there is no material adverse change in the market information since the issue date of the abovementioned sources which may qualify, contradict or have adverse impact on the information in this section.

THE MACRO ECONOMY OF CHINA, SICHUAN PROVINCE AND CHENGDU

The PRC

Over the past few years, China's macro economy has maintained a rapid growth. By the end of 2017, China's nominal GDP ranked the second in the world, growing from RMB59.5 trillion in 2013 to RMB82.7 trillion in 2017, at a CAGR of 8.6%, according to the National Bureau of Statistics.

Key Economic Data and Population, (China), 2013-2017

Index	Unit	2013	2014	2015	2016	2017	CAGR 13-17
Nominal GDP	RMB Trillion	59.5	64.4	68.9	74.4	82.7	8.6%
Population	Million	1,360.7	1,367.9	1,374.7	1,382.7	1,390.1	0.5%
Urban Population	Million	731.1	749.2	771.2	793	813.5	2.7%
Urbanization Rate	%	53.7%	54.8%	56.1%	57.3%	58.5%	2.2%
Disposable Income	RMB	26,955	29,381	31,195	33,616	36,396	7.8%

Source: National Bureau of Statistics

China has the world's largest population. By the end of 2017, China's total population reached 1,390.1 million. China's rapid economic growth has fueled the unprecedented urbanization of its population since the 1990s. Together with the continuous growth in economy and urbanization, the average income level of Chinese households has also increased continuously in recent years. In 2017, the annual per capita disposable income of urban households increased to RMB36,396 from RMB26,955 in 2013.

Sichuan Province and Chengdu

Nominal GDP of Sichuan Province and Chengdu

Sichuan province's nominal GDP ranked the sixth in China and the first in southwestern China in 2017. Benefitting from the "Western China Development Strategy" implemented by the State Council, Sichuan province's economy has grown at a fast pace. The GDP of Sichuan province increased from RMB2.6 trillion in 2013 to RMB3.7 trillion in 2017, representing a CAGR of 9.2%.

Chengdu has also witnessed remarkable economic development in the past few years. Its GDP increased from RMB0.9 trillion in 2013 to RMB1.4 trillion in 2017, representing a CAGR of 11.7%. By the end of 2017, Chengdu's nominal GDP ranked the second among all provincial capitals in China.

Nominal GDP of Sichuan Province and Chengdu, 2013-2017

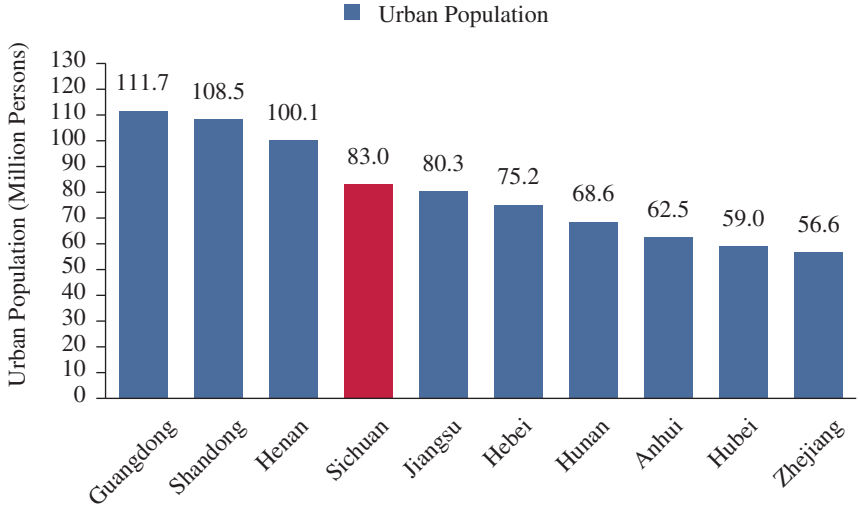
Index	Unit	2013	2014	2015	2016	2017	CAGR 13-17
Nominal GDP of Sichuan province	RMB Trillion . . .	2.6	2.9	3.0	3.3	3.7	9.2%
Nominal GDP of Chengdu	RMB Trillion . . .	0.9	1.0	1.1	1.2	1.4	11.7%

Source: Statistical Bureau of Sichuan Province and Chengdu

Urban Population and Per Capita Disposable Income of Urban Households of Sichuan Province and Chengdu

Along with economic and industrial development in Sichuan province, the urban population of Sichuan province increased from 81.1 million in 2013 to 83.0 million in 2017, ranked the fourth in terms of urban population among all the provinces in China.

Ranking of Top 10 Provinces by Population, 2017



Source: National Bureau of Statistics

Driven by the development of the service industry in Sichuan province, more and more inland migration is anticipated to settle down in this area. In addition, the Two Child Policy in China may also contribute to the increase of urban population of Sichuan province. The growth of the per capita disposable income of urban households of Sichuan province shows a similar pattern to the growth of Sichuan province's regional nominal GDP. According to the Frost & Sullivan Report, during 2013 to 2017, the per capita disposable income of urban households of Sichuan province increased from RMB22,368 to RMB30,727, with a CAGR of 8.3%.

Urban Population of Sichuan Province and Chengdu, 2013-2017

Index	Unit	2013	2014	2015	2016	2017	CAGR 13-17
Urban Population of Sichuan province	Million	81.1	81.4	82.0	82.6	83.0	0.6%
Disposable Income of Urban Household of Sichuan province	RMB	22,368	24,381	26,205	28,335	30,727	8.3%
Urban Population of Chengdu	Million	14.3	14.4	14.7	15.9	16.0	2.8%
Disposable Income of Urban Household of Chengdu	RMB	29,968	32,665	33,476	35,902	38,918	6.8%

Source: Statistical Bureau of Sichuan Province and Chengdu

Along with the fast pace of economic and industrial development in Chengdu, the urban population of Chengdu reached 16.0 million in 2017, representing 19.3% of Sichuan province's total urban population. Chengdu has the largest urban population among all the provincial capitals in China. Chengdu's annual per capita disposable income of urban residents also increased substantially from 2013 to 2017, reaching RMB38,918 in 2017, which ranked the ninth among all the 28 provincial capitals in China and the first among all the four Southwestern provincial capitals in China.

The Tourism Industry in Sichuan Province and Chengdu

Sichuan province is a major tourism destination in China with abundant tourism and scenery resources. Driven by the improvement of people's living standard and Sichuan's international fame, the number of visitors to Sichuan province have increased remarkably in recent years, from 489.1 million in 2013 to 673.4 million in 2017, respectively, representing a CAGR of 8.3%.

With rich tourism resources, Chengdu has made significant investment in its tourism industry during the past years, aiming to become a national and international tourism destination. Both the number of domestic and foreign visitors to Chengdu showed a notable growth from 155.2 million in 2013 to 213.0 million in 2017, respectively, representing a CAGR of 8.2%. The tourism industry of Chengdu reached a revenue of RMB303.0 billion in 2017, representing a CAGR of 22.9% from the RMB132.7 billion in 2013.

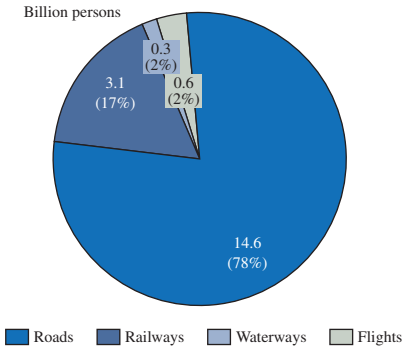
THE EXPRESSWAY INDUSTRY IN CHINA, SICHUAN PROVINCE AND CHENGDU

Overview of Expressways in China

In 2017, the total amount of passenger traffic in China reached 18.6 billion and the total highway passenger traffic in China reached 14.6 billion. In the same year, the total number of freight traffic in China reached 47.2 billion tonnes and total high way freight traffic reached approximately 36.8 billion tonnes. Highway transportation is the dominant type of transportation in both the passenger traffic and freight traffic in China, accounting for 78.0% of the total amount of passenger traffic and approximately 78.0% of the total amount of freight traffic in China, respectively.

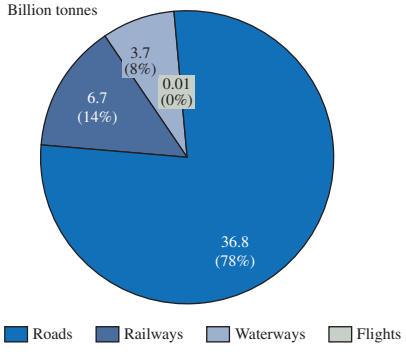
Breakdown of Passenger and Freight Traffic by Transportation Type (China), 2017

Passenger Traffic Breakdown
Composition of Passenger Transportation in China, 2017



Total Passenger Traffic in 2017 = 18.6 billion persons

Freight Traffic Breakdown
Composition of Freight Transportation in China, 2017



Total Freight Traffic in 2017 = 47.2 billion tonnes

Source: MOT

China's highway and expressway network has been stably developing as part of the Chinese government's plan to improve infrastructure. From 2013 to 2017, the total highway length increased from 4.4 million kilometers to 4.8 million kilometers, with a CAGR of 2.2%. From 2013 to 2017, the total expressway length increased from 100.4 thousand kilometers to 136.5 thousand kilometers, with a CAGR of 8.0%.

Total Highway and Expressway Length, (China), 2013 – 2017

Index	Unit	2013	2014	2015	2016	2017	CAGR 13-17
Highway Length	Million Kilometers . . .	4.4	4.5	4.6	4.7	4.8	2.2%
Expressway Length	Thousand Kilometers . . .	100.4	111.9	123.5	131.0	136.5	8.0%

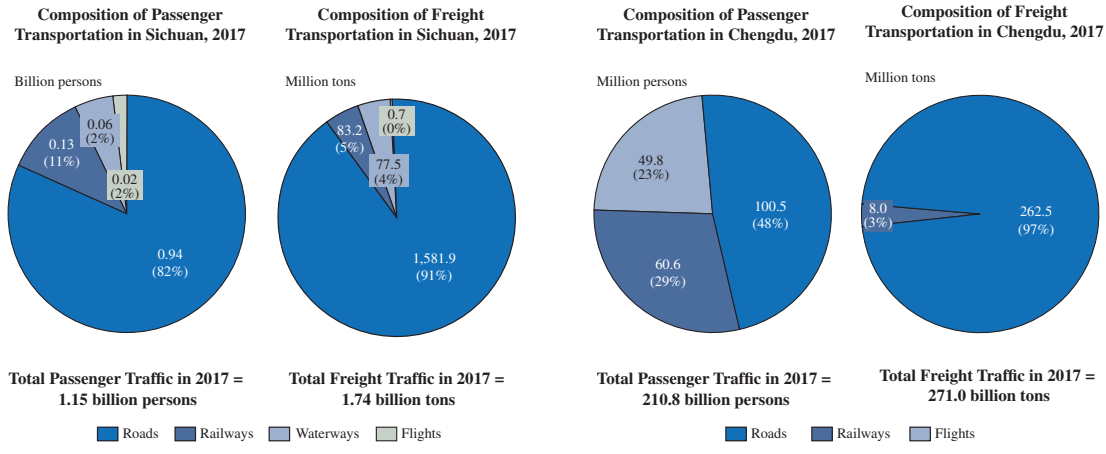
Source: National Bureau of Statistics, MOT

Overview of Expressway Industry in Sichuan Province and Chengdu

In 2017, the total amount of passenger traffic in Sichuan province reached 1.15 billion, among which total highway passenger traffic in Sichuan province was 0.94 billion. In the same year, the total amount of freight traffic in Sichuan province achieved 1.74 billion tonnes, among which total highway freight traffic was 1.58 billion tonnes. In 2017, highway transportation accounted for approximately 82.0% and 91.0% of the total amount of passenger traffic and freight traffic in Sichuan province, respectively.

Highway transportation is also the most frequently used transportation mode for both passenger traffic and freight traffic in Chengdu. In 2017, the total amount of passenger traffic in Chengdu reached 210.8 million persons, of which highway accounted for 48.0%. Highway transportation also accounted for 97.0% of total freight traffic in Chengdu in 2017.

Breakdown of Passenger and Freight Traffic of Chengdu by Transportation Type in 2017



Source: Statistics Bureau of Sichuan Province

The Sichuan Provincial Government has been making continuous effort in developing its highway and expressway network in order to further boost the economic development of Sichuan province. For instance, local government has issued numerous supportive policies to promote the development of the expressway industry in recent years.

From 2013 to 2017, the total highway length in Sichuan province increased from 301.8 thousand kilometers to 328.1 thousand kilometers, of which the total expressway length in Sichuan province increased from 5.0 thousand kilometers to 6.8 thousand kilometers, representing a CAGR of 8.0%.

Total Highway and Expressway Length, (Sichuan Province), 2013-2017

Index	Unit	2013	2014	2015	2016	2017	CAGR 13-17
Highway Length	Thousand Kilometers . . .	301.8	309.7	315.6	324.1	328.1	2.1%
Expressway Length	Thousand Kilometers . . .	5.0	5.5	6.0	6.5	6.8	8.0%

Source: Statistics Bureau of Sichuan Province

From 2013 to 2017, the total highway length of Chengdu increased from 25.2 thousand kilometers to 26.3 thousand kilometers, representing a CAGR of 1.1%. From 2013 to 2017, the total expressway length in Chengdu increased from 728 kilometers to 959 kilometers, representing a CAGR of 7.2%. Despite the rapid growth of the expressway industry in Sichuan province, there is still ample room for growth in future in comparison with other provinces.

Total Highway and Expressway Length, (Chengdu), 2013-2017

Index	Unit	2013	2014	2015	2016	2017	CAGR 13-17
Highway Length	Thousand Kilometers . . .	25.2	25.5	25.7	26.0	26.3	1.1%
Expressway Length	Kilometers	728	833	924	925	959	7.2%

Source: Statistics Bureau of Sichuan Province and Chengdu

As of the Latest Practicable date, there were 66 expressways in operation within Sichuan province. Expressways in the Chengdu metropolitan area that are under construction included Chengdu Tianfu Airport Expressway (成都天府國際機場高速), Chengdu Economic Zone Ring Expressway (成都經濟區環線(三繞)高速) and Chengyi Expressway (成宜高速), and expressways under planning included Chengziyu Expressway (成資渝高速), Chengya Expressway (Parallel Line) (成雅複線) and Cheng'a Expressway (成阿高速). The table below sets forth some key information about these expressways.

Name	**Route**	**Length** *(km)*	**Capacity** *(No. of lanes)*	**Design Speed** *(km/hour)*
	Expressways under construction			
Chengdu Tianfu Airport Expressway (成都天府國際機場高速)	Chengdu – Jianyang	88.73	6/8	120
Chengdu Economic Zone Ring Expressway (成都經濟區環線(三繞)高速)	Jianyang – Pujiang	127.4	6	100
	Dujiangyan – Deyang	109		120
	Deyang – Jianyang	105		120
	Pujiang – Dujiangyan	101		120
Chengyi Expressway (成宜高速)	Jianyang – Yibin	157	6	120
	Expressways under planning			
Chengziyu Expressway (成資渝高速)	Jianyang – Anyue County	110	4/6	100
Chengya Expressway (Parallel Line) (成雅複線)	Tianfu New Area – Yingjing County	N/A[(1)]	6	100
Cheng'a Expressway (成阿高速)	Pengzhou – Wenchuan	82	4	80

Source: Official Websites of Relevant Government Authorities

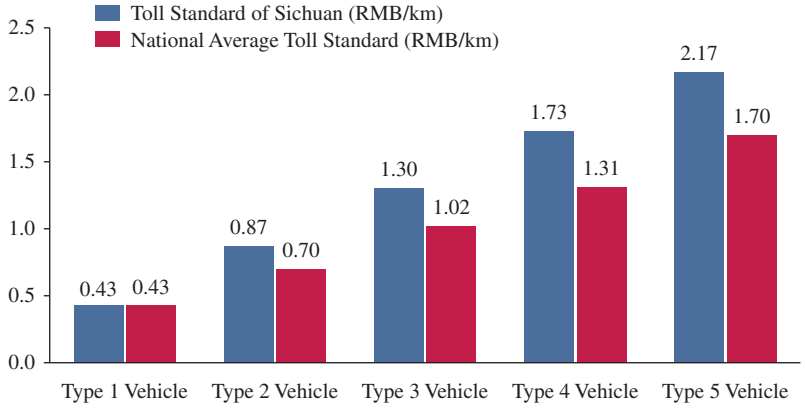
Note:

(1) No publicly-available information from relevant government authorities as of the date of this prospectus.

Toll Rates

The toll rates of expressways in Sichuan province are controlled by the Sichuan Provincial Government. Any change in toll rates require the approval by Sichuan province or Chengdu Development and Reform Commission. Sichuan province's expressway toll standards can be classified into five levels according to the types of vehicles. The average expressway toll is around 0.43 RMB/km for type 1 vehicle, 0.87 RMB/km for type 2 vehicle, 1.30 RMB/km for type 3 vehicle, 1.73 RMB/km for type 4 vehicle and 2.17 RMB/km for type 5 vehicle. Except for the expressway toll standard for type 1 vehicle, the toll standards in Sichuan province are higher than the national average toll standard in China, according to Frost & Sullivan.

Expressway Toll Standard Comparison (Sichuan Province), 2017



Note: Type 5 vehicle only refer to the toll standard of trucks with over 15 tons load capacity.

Source: Frost & Sullivan

Planning and Development of Expressways in China, Sichuan Province and Chengdu

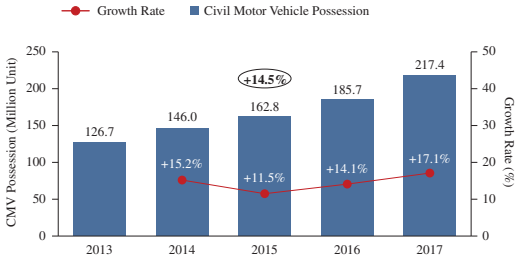
High quality inter-city expressways play an important role in economic development. In recent years, the PRC Government has focused on improving expressway networks, in particular the expressway networks in central and western China, in order to facilitate economic development. The PRC Government has announced various favorable policies and regulations, including the National Highway Network Plan for 2013-2030 (《國家公路網規劃(2013-2030年)》), according to which the central and provincial government would continue to propel the construction of national expressways and to strengthen the interconnections among provinces, regions and cities.

The Sichuan provincial government has also made continuous efforts in developing its expressway network. According to the Sichuan Province Expressway Development Plan (2014-2030) (《四川省高速公路網規劃(2014年-2030年)》), issued in 2014, the total length of expressway in Sichuan province is expected to reach 8,000 km by 2020. According to the 13th Five Year Plan for Chengdu City (《成都國民經濟和社會發展十三五規劃綱要》), Chengdu is anticipated to become a regional expressway hub in western China and a number of expressways would be constructed from 2017 to 2022. By 2020, Chengdu will have three provincial express beltways and 13 radial expressways.

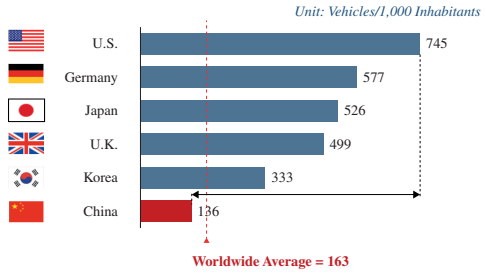
Civil Motor Vehicle Possession and Motorization Rate in China, Sichuan Province and Chengdu

China's automobile market has experienced rapid growth in the past and has become the world's largest auto market. Meanwhile, China's civil motor vehicles in use also witnessed a dramatic growth, increasing from 126.7 million units in 2013 to 217.4 million units in 2017, representing a CAGR of 14.5% from 2013 to 2017. Motorization rate, measured by the number of vehicles in use per 1,000 residents, is a critical indicator for the development status of a country's automobile market. As of 2017, China's motorization rate remained lower than other developed countries, indicating significant potential for growth.

Civil Motor Vehicle Possession (China), 2013 – 2017



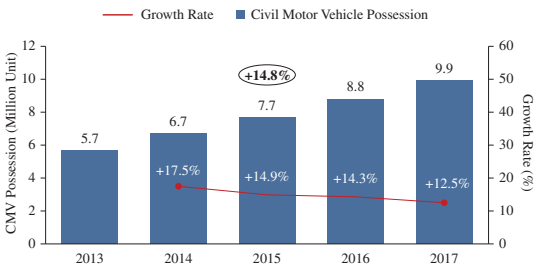
Motorization Rate (Major Developed Countries vs. China), 2017



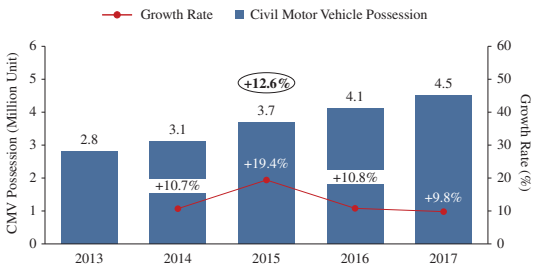
Source: Organisation Internationale des Constructeurs d'Automobiles, China Association of Automobile Manufacturers, National Bureau of Statistics, Frost & Sullivan

Benefiting from the steady growth of household expenditure and improvement of residents' living standard, the possession of civil motor vehicle in Sichuan province and Chengdu has increased substantially since 2013, reaching 9.9 million and 4.5 million units in 2017, with a CAGRs of 14.8% and 12.6%, respectively. Chengdu is the most developed city in Sichuan province and accounted over 45% of the civil motor vehicle ownership of Sichuan province. The growing civil motor vehicles ownership is expected to bring about increasing demands for expressway networks and also boost the construction of transportation infrastructure in Sichuan province and Chengdu. Among Beijing, Shanghai, Chongqing and Shenzhen, Chengdu's civil motor vehicle ownership amount in 2017 was only lower than Beijing.

Civil Motor Vehicle Possession (Sichuan), 2013-2017



Civil Motor Vehicle Possession (Chengdu), 2013-2017



Source: Statistics Bureau of Sichuan Province, Frost & Sullivan

MARKET DRIVERS, COMPETITION AND ENTRY BARRIERS

Market Drivers

Key factors that drive the development of the expressway industry in Sichuan province and Chengdu include the following:

- *Policy support and continued investment for expressway construction.* The Sichuan Provincial Government has issued numerous favorable policies to promote the development of the expressway industry in recent years and views the development of transportation system as a key foundation for economic development. According to the Sichuan Province Expressway Development Plan (2014-2030) (《四川省高速公路網規劃(2014年-2030年)》), issued in 2014, the total length of expressway in Sichuan province is expected to reach 8,000 km by 2020. In 2016, Sichuan Provincial Government issued the 13th Five Year Plan for Chengdu City (《成都國民經濟和社會發展十三五規劃綱要》), which laid out the development plan of the expressway network in Sichuan province, positions Chengdu as a future regional expressway hub in western China, and states that Chengdu will have three provincial express beltways and 13 radial expressways by 2020. Most recently in 2017, the Sichuan Provincial Government issued the 13th Five Year Plan for the Development of Transportation in Sichuan Province (《四川省"十三五"綜合交通運輸發展規劃》), according to which the planned investment into highway and expressway network in Sichuan should reach RMB480 billion during 2016 to 2020.

- *Economic Development and Increasing Expressway Transportation.* Since the beginning of "Western China Development Strategy", Sichuan's economy has been growing at a fast pace. The GDP of Sichuan province reached RMB3.7 trillion in 2017, representing a CAGR of 9.2% from 2013, and is forecasted to reach RMB5.5 trillion in 2022. The possession of civil motor vehicles in Sichuan province is also expected to increase from 9.9 million units in 2017 to 17.1 million units in 2022. Continued economic development is expected to lay a solid foundation for the development of the expressway industry in Sichuan province and call for further expansion of the expressway network.

- *Development of Public-Private Partnership ("PPP") and Increasing Social Capital Inflow into Expressway Construction Field.* The application of the PPP model in infrastructure development is highly supported by central and local governments in China, as it alleviates fiscal budget pressure for infrastructure development. The development of PPP is expected to be a major market driver as the inflow of social capital helps to support expressway construction projects. The development of E-commerce is expected to be another key driver of the expressway industry in Sichuan province. The increasing amount of E-commerce stimulates growth in relevant logistics services, which will lead to a higher amount of tolls and call for the expansion of the expressway transportation network.

Entry Barriers to Expressway Industry in China

The main entry barriers to the expressway industry are as follows:

- *Capital barriers.* Expressway operation is relatively capital-intensive. Expressway operators need to invest massively in the daily operation and maintenance of expressways. During the operation period, expressway extension or widening is also costly. In addition, since a vast majority of the capital comes from bank loans, the company is also likely to face a high cost of financing. Thus, expressway operators need abundant capital to cover the costs of operation and future expansion. It is relatively difficult for new entrants to meet such capital requirement.

- *Government relationship barriers.* The expressway industry is an important public infrastructure sector in China. Expressway operators need to obtain special authorization or concession rights from local government. It is relatively difficult for new entrant to obtain such authorization in a short amount of time. In Sichuan province, expressways are mostly operated by state-owned enterprises or their affiliate entities without any geographical exclusivity.

- *Qualification barriers.* Companies that want to build and operate expressway need to obtain requisite operating licenses and certain qualifications. Therefore, it is very important for expressway operators to possess the required certifications, credentials and qualifications when they plan to enter the expressway industry.

- *Industry Experience barriers.* Industry experience is considered as another barrier for new entrants to enter expressway industry as the service quality of expressway operation depends on the management and execution of experienced senior management team and other experienced staffs. Moreover, for the construction of expressways, experienced personnel with professional knowledge in all aspects of highway construction are crucial to ensure the quality of expressways.

Competitive Landscape in Sichuan Province

Expressway projects are territorial in nature. Competition is only likely to arise where the alternative road (if any) is close to and equally or more efficient than the existing expressways. The table below sets forth certain key information of expressways that currently or may in the future compete with the expressways we operate. See "Business – Competition", "Appendix IV – Traffic Consultant's Report – 1.1 The Routes" and "Appendix IV – Traffic Consultant's Report – 4.3 Road Network and Other Infrastructures" in this prospectus. Competition from existing competing roads of a comparable quality and new competing expressways which may or may not have lower toll rates may result in a decrease in the overall traffic volumes on our expressways and adversely affect our business, financial position and results of operations. See "Risk Factors – Risks Relating to Our Business – Our results of operations may be affected by competing roads and other forms of transportation."

Current Competition

Name	Competing Road	Route	Length (km)	Capacity (No. of Lanes)	Design speed (km/hour)
Chengqing Freeway (成青快速通道)	Chengguan Expressway	Chengdu – Qingcheng Mountain	38.7	4	80
Chengmian Expressway (成綿高速公路)	Chengpeng Expressway	Chengdu – Mianyang	92.3	4	100
Chengya Expressway (成雅高速公路)	Chengwenqiong Expressway	Chengdu – Ya'An	141.2	4	80
Chengwenqiong Highway (成溫邛快速通道)	Chengwenqiong Expressway	Shuangliu – Qionglai	52.6	6	80
Chengqingjin Freeway (成青金快速通道)	Chengbei Exit Expressway	Chengdu – Jintang County	31.2	6	80

Potential Competition

Chengdu Economic Zone Ring Expressway (成都經濟區環線(三繞)高速)	Chengguan Expressway; Chengwenqiong Expressway	Jianyang – Pujiang	127.4		100
		Dujiangyan – Deyang	109		120
		Deyang – Jianyang	105	6	120
		Pujiang – Dujiangyan	101		120

In addition, our expressways face competition from alternative forms of transportation such as high-speed railway, subway lines, and inter-city light rail systems, etc. These alternative forms of transportation may offer less costly or less time-consuming transportation options and could possibly divert long-distance passenger traffic from our expressways to some extent. For example, Chengdu subway line No.10 charges RMB5.0 per passenger for the section of the subway route that competes with Chengdu Airport Expressway, while the toll rate of Chengdu Airport Expressway is RMB10.0 per Type 1 passenger vehicle and RMB5.0 per taxi. Similarly, the section of Chengwenqiong Expressway from Wenjia Toll Plaza to Jinma Plaza faces the competition from Chengdu subway line No.4. The toll rate of the Chengwenqiong Expressway between Wenjia Toll Plaza and Jinma Plaza is RMB8.0 per Type 1 passenger vehicle without Local Licenses, while the subway fare of a comparable route on subway line No.4 is RMB5 per passenger. Nonetheless, expressways still have certain competitive advantages over these alternative forms of transportation. For example, expressways offer travelers with more flexibility for their travel schedules and are especially suitable for family outings.

This Appendix sets out summaries of certain aspects of PRC law and regulations that are relevant to the Group's operations and business, which are for general information only and do not purport to be a comprehensive description or exhaustive statement of applicable laws and regulations. This description is based on laws, regulations and interpretations now in effect and available as of the Latest Practicable Date. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive. These laws and regulations are also subject to various interpretations and the relevant authorities or the courts could later disagree with the explanations or conclusions set out below.

OVERVIEW

The government of the PRC has promulgated laws, regulations and policies specifically applicable to the highway industry in the People's Republic of China (PRC). Since the approval and transfer of toll roads in China are strictly restricted, the company must comply with relevant regulations issued by the State Council and the Ministry of Transport. Meanwhile, regulations and policies in connection with management of state-owned assets and transference of state-owned properties are introduced, given the nature of the company as a state-owned enterprise. In addition, other laws and regulations issued in various aspects of our business, such as taxes, labor protection, foreign exchange and etc. are also set out as follows.

1. Main Laws and Regulations Relating to PRC Highway Industry

1.1 Highway Laws

According to the Highway law of the People's Republic of China (the Highway Law), which was issued on July 3, 1997, enforced on January 1, 1998 and newly revised on November 4, 2017, the planning, construction, maintenance, operation, use and management of highways (include facilities such as bridges, tunnels and ferries for the highways) inside the territory of the People's Republic of China shall be in accordance with the Highway Law.

The State encourages domestic and foreign entities to invest in construction of highways. According to the Highway Law, all highways are subject to protection by the State. No individual or unit is allowed to break or damage highways, land and ancillary facilities used by highways or illegally put them into one's own use.

China Highways are divided, according to their positions in the networks, into state roads, provincial roads, county roads and township roads and, technically into expressways, first class roads, second class roads, third class roads and fourth class roads.

Highway construction shall proceed according to capital construction procedure and relevant regulations stipulated by the State. The implementation of highway construction shall obtain the approval of Transportation Department of the local people's government at or above the county level as stipulated by relevant transportation department of The

State Council. Besides, the units undertaking the feasibility study, survey and design, construction and engineering supervision for a highway construction project shall hold qualification certificates as required by the State.

According to Sichuan Expressway Regulations which was enacted on September 25, 2015 and became effective on December 1, 2015, the regulation is applicable to the planning, construction, maintenance, operation, service, use and management of highways inside the territory of Sichuan province. Highway projects shall be constructed in forms of governmental investment, social investment, and cooperative investment of governmental and social capitals. The specific fund-raising form will be eventually determined by provincial government. Plans for requisition of lands for constructing highways shall conform to the master plan for land use. Furthermore, pursuant to Management Measures of Highway Toll Fees Standard Linking to Engineering and Service Quality of Sichuan Province, toll rates of highways within Sichuan province shall relate to construction quality and service quality of such highways.

1.2 Toll Collection

According to the Regulation on the Administration of Toll Roads (the Administration of Troll Roads) which was issued on 13 September, 2004 and enforced on 1 November, 2004, the construction of any toll road shall conform to the highway development plan of the state and the province, autonomous region, and municipality directly under the Central Government, and be in accordance with the technical level and scale of the toll road as prescribed by the Administration of Toll Roads. The vehicle tolls for the road constructed by the competent communications department of the people's government at or above the county level through making use of loans or raising funds with compensation from enterprises or individuals (hereinafter referred to as **the roads whose loans are repaid by the government**), road constructed with the investment of economic organizations both home and abroad or whose toll rights on the road, with the loans of which being repaid by the government, are assigned in accordance with the Highway Law (hereinafter referred to as **the for-profit roads**) may not be collected until it has been approved according to law.

The setup of toll booths on toll roads shall be subject to the examination and approval of the people's governments of the provinces, autonomous regions, and municipalities directly under the Central Government in accordance with the following provisions: 1. No toll booth may be established on the main lane of any highway and other closed toll roads apart from at the entry and exit ends, unless it is really necessary to set up toll booths between provinces, autonomous regions, and municipalities directly under the Central Government; and 2.The space between two neighboring toll booths shall be no less than 50 kilometers in the same main road of a non-closed toll road.

Hearings shall be conducted for charging standards of vehicle tolls in accordance with the price laws and administrative regulations, and the examination and approval shall be conducted according to the following procedures: The charging standard for

for-profit roads, after being checked by the competent communications department of the people's government of the province, autonomous region, and municipality directly under the Central Government together with the competent price department of the corresponding level, shall be subject to the examination and approval of the corresponding people's government.

Toll collection period of any toll road shall be subject to the examination and approval of the people's government of any province, autonomous region, or municipality directly under the Central Government according to the following standards: toll collection period of for-profit roads shall be determined according to the principle of recouping investment with reasonable return and shall not exceed 25 years. Toll collection period of for-profit roads in central or western provinces, autonomous regions or municipalities directly under the central government which is defined by the state shall not exceed 30 years.

In case the time limit for toll collection of any toll road expires, the toll collection shall be terminated. The competent communications department of the people's government of any province, autonomous region, or municipality directly under the Central Government shall make appraisal and acceptance check on any toll road six months before the termination of toll collection of the toll road. If, after appraisal and acceptance check, the road has complied with the technical level and standard verified at the time of obtaining the rights and interests in the road, the business operator of the toll road may go through formalities for transfer of the road with the competent communications department in accordance with the relevant state provisions. If it does not comply with the technical level and standard verified at the time of obtaining the rights and interests of the toll road, the business operator of the toll road shall make maintenance within the time limit as determined by the competent communications department, and the formalities for transfer of the road cannot be handled as required until the requirements have been met.

As mentioned in the Guiding Opinion of Charge by Weight on Toll Roads for Trail Implementation which was issued and enforced on October 26, 2005, for certain highways approved by provincial government, all freight vehicles with liability to pay tolls shall further be charged tolls by weight based on the practice and experience thought the country.

According to the Notice of the State Council Regarding the Approval of the Implementation Plan for Exempting the Toll Fee of Small Passenger Cars from Major Holidays of the Ministry of Transport and Other Departments issued by the State Council on July 24, 2012, small passenger vehicles with seven seats or less (including motorcycles which are allowed to drive on toll roads free roads) on certain toll roads are free from toll collections during Chinese Lunar New Year, Qingming Festival, Labor Day, National day and the above-mentioned statutory holidays and weekends as determined by the documents of the General Office of the State Council.

Pursuant to the Notice of the Ministry of Transport and the National Development and Reform Commission on Further Improving and Implementing the Green Passage Policy for the Transportation of Fresh Agricultural Products which was issued on December 22, 2009 and enforced on January 1, 2010, all toll roads shall adopt the "Green Passage Toll Free Policy" for vehicles as long as (i) the agricultural products transported are listed on the Catalogue of Fresh and Live Agricultural Products, and (ii) the fresh and live agricultural products loaded on the vehicles have been confirmed to take up more than 80% of the mass or capacity of the vehicles, and are not mixed with other non-fresh and live agricultural products etc. A transport vehicle which fails to meet both requirements as abovementioned cannot enjoy "Green Passage Toll Policy".

In 21 July 2015, a revised consultation draft of the Regulations for Administration of Toll Roads was issued to seek opinions from the public. The consultation draft specified that the concessions of toll roads are determined by the principle of investment recovery with reasonable return, which shall be controlled by ways such as dynamic adjustment to toll standards and revenue adjustment. The operating period of an expressway shall not exceed 30 years. But for toll expressways with significant huge investment and long payback period, the concessions may exceed 30 years upon approval. As of the Latest Practicable Date, the revision has not yet come into effect.

1.3 Measures for the Transfer of Rights and Interests in Toll Roads (《收費公路權益轉讓辦法》)

According to the Measures for the Transfer of Rights and Interests in Toll Roads which was issued on August 20, 2008 and enforced on October 1, 2008, the state allows the transfer of rights and interests in toll roads (include the rights to collect tolls, operate advertisements and operate service facilities on a toll road) in pursuance of law and in the meantime, strictly control the transfer of rights and interests in toll roads. The right to collect tolls of a road shall be transferred by conforming the technical grade and scale as described in Administration of Toll Roads. Besides, under the following circumstances, such as it is a separate bridge or tunnel with two vehicle lanes and is less than 1, 000 meters in length, or it is a second class road, or more than two-thirds of the approved toll period has lapsed, the right to collect tolls on a road shall not be transferred.

To transfer the right to collect tolls for a road, the transferor may, before going through the formalities for examination and approval of the transfer, first file with the examination and approval authority an application for initiating a transfer project. When the examination and approval authority examines an application, it shall comprehensively take into account such factors as state interests and public interests. If the authority consents to the transfer, it shall issue a document on approval of transfer of the right to collect tolls for the road. After the transferee is decided, the transferor and transferee shall sign a contract on transfer of the rights and interests in the toll road. The transfer of right to collect tolls for a national highway (including national backbone highway or national expressway network project) shall be subject to the approval of the transport administrative department of the State Council. The transfer of the right to collect tolls

for any road other than a national highway shall be subject to the examination and consent of the provincial transport administrative department and be submitted to the provincial people's government for approval. The transfer contract shall become effective as of the date of approval of the transfer of the right to collect tolls for the road.

For the transfer of the right to collect tolls for a commercial road, the toll period shall not be extended and the accumulative toll period shall not exceed 25 years. The accumulative toll period of the State determined commercial road in central and western provinces, autonomous regions and municipalities directly under the Central Government shall not exceed 30 years. No one may increase the vehicle tolls with the excuse of transfer of the right to collect tolls for a road.

1.4 Land Development

According to the Land Administration Law of the PRC which was issued on June 25, 1986, enacted on January 1, 1987 and amended on August 28, 2004 and the Regulation on the Implementation of the Land Administration Law of the PRC which was issued on December 27, 1998, enforced on January 1, 1999 and amended on July 29, 2014, the State introduced the system of compensated use of land owned by the State. Forms of paid-for use of state-owned land include: (i) transfer of state-owned land use right, (ii) leasing of state-owned land, and (iii) state-owned land use rights priced as investment capital or equity. Construction units that have obtained state-owned land by paid leasing can use the land only after paying the land use right leasing fees and other fees and expenses according to the standards and ways prescribed by the State Council. In using state-owned land, construction units should use the land according to the provisions of the contract for compensated use of leased land use right. The change of the land to construction purposes should get the consent from the land administrative departments of the related people's governments and be submitted to the people's governments that originally give the approval for the use of land. In changing the purpose of land within the urban planned areas, the consent should be obtained from the related urban planning administrative departments before submission for approval. For the unauthorized or fraudulent use of fraudulent approval to illegally occupy land, the land administrative departments of the people's governments at and above the county level shall order to return the land illegally occupied.

2. PRC Laws Relating to State-Owned Enterprises and Assets

According to the Law of the PRC on the State-Owned Assets of Enterprises which was issued on October 28, 2008 and enforced on May 1, 2009:

State-owned assets of enterprises refer to the rights and interests formed by the various forms of investment of the state in enterprises. The State Council and the local people's governments shall, in accordance with laws and administrative regulations, perform respectively the contributor's functions for state-invested enterprises and enjoy the contributor's rights and interests on behalf of the state. State-invested enterprise refers to a

wholly state-owned enterprise or company with the state being the sole investor, or a company in which the state has a stake, whether controlling or non-controlling. The state-owned assets supervision and administration body under the State Council and the state-owned assets supervision and administration authorities established by the local people's governments according to the provisions of the State Council shall perform the contributor's functions for state-invested enterprises on behalf of and upon the authorization of the corresponding people's government.

The state-invested enterprises shall comply with laws, administrative regulations and enterprise bylaws in such major matters as merger, splitting, restructuring, listing, increase or reduction of registered capital, issuance of bonds, major investment, provision of large-sum security for others, transfer of major property, large-sum donation, distribution of profits, dissolution, and petition for bankruptcy, without prejudice to the rights and interests of the contributor and creditors.

3. PRC Laws Relating to the Transferring of State-Owned Property Right

According to the Measures for the Supervision and Administration of the Trading of State-owned Assets of Enterprises which was issued and enforced on June 24, 2016:

A property right transfer shall in principle be carried out in public at the property right market. The transferor may, according to its actual conditions and work schedule, adopt manners of a combination of pre-disclosure and formal disclosure of information, disclose information of the property right transfer phase by phase via the website of the property right transaction agency, and carry out a public solicitation of transferees, in which the period for formal disclosure shall not be less than 20 working days.

A property right transfer shall be determined by the transferor according to the Articles of Association and internal management system of the enterprise concerned; and a written resolution must be made.

The transferor shall, based on the enterprise development strategy, properly carry out feasibility studies and program demonstration for property right transfers. After a property right transfer has been approved, the transferor shall appoint an accounting firm to audit the subject matter enterprise.

For a property right transfer which is required of asset valuation in accordance with relevant laws and regulations, the transferor shall appoint an assessment agency with the appropriate qualification to carry out the asset evaluation on the subject matter enterprise; the price of the property right transfer shall be based on the approved or filed field assessment results.

After the information disclosure period for a property right transfer has expired, qualified intended transferees shall make their biddings according to the disclosed bidding approaches. Bidding can be in the form of auction, tender, internet bidding and other bidding approaches, and shall not violate the provisions of national laws and regulations.

Where no prospective transferee is found after expiry of the information disclosure period, the transfer can be delayed, the reserve price may be reduced, and the conditions may be changed before the information is re-disclosed. If the reserve price is reduced or the conditions are changed before the information is re-disclosed, the period for disclosure shall be no less than 20 working days. When new reserve price is less than 90% of the assessment result, written consent by the approval entity shall be sought.

The SASACs are responsible for reviewing the matters of property right transfers of enterprises invested by the state, in which, if property right transfers result in that the state no longer controls the invested enterprises, the result of the transfer of relevant property rights shall be obtained from the people's government at the same level via the reporting by the SASACs. The enterprises invested by the state shall establish the management systems for their subsidiaries' property rights transfer, and make clear the authority of approval and management, in which, property right transfers of subsidiaries whose main business is in important industries and key field, which are related to state security or the lifeline of the national economy, and who are mainly responsible for major projects tasks, shall be reported by the enterprises invested by the state to the SASACs of the same level for approval. If the transferors are enterprises jointly held by a number of shareholders of the state-owned enterprises, shareholders of the state-owned enterprises who hold the largest proportions of share shall be responsible for carrying out the relevant approval procedures; if all shareholders of the state-owned enterprises have the same proportion of holdings, relevant shareholders after consultation shall determine a shareholder to carry out the relevant approval procedures.

4. Environmental Protection

Pursuant to the Environmental Protection Law of the People's Republic of China, which was promulgated and became effective on December 26, 1989 and amended on April 24, 2014; the Law of the People's Republic of China on Environmental Impact Assessment which was enforced on September 1, 2003 and amended on July 2, 2016; and the Regulations on the Administration of Construction Project Environmental Protection which was issued and enforced on November 29, 1998 and amended on July 16, 2017, (i) if the construction project may result in a material impact on the environment, a thorough environmental impact report on the potential environmental impact is required, (ii) if the construction project may result in a slight impact on the environment, an environmental impact statement of analyzing or special evaluation will be required, and (iii) if the construction project may only result in very little impact on the environment, an environmental impact appraisal is not required but an registration form of environmental impact is needed to be filed. Where the environmental impact assessment document of a construction project fails to undergo the examination of the approval department in accordance with the law or is disapproved after examination, the construction entity shall not commence construction. If, after the environmental impact

appraisal document of a construction project has been approved, the construction project has undergone substantial changes, the construction entity shall submit a new the environmental impact appraisal documents of the construction project for examination and approval. Simultaneous design, simultaneous construction and simultaneous going into operation with the main body project must be realized for matching environmental protection facilities construction which is required for the construction project. Where trial production is required upon completion of the main body project of a construction project, its matching environmental protection facilities built must go into simultaneous trial run with the main body project.

According to the Regulations on the Administration of Construction Project Environmental Protection which was issued and became effective on November 29, 1998 and amended on July 16, 2017, and the Interim Measures for the Acceptance Inspections of Environment Protection Facilities of Construction Projects, which became effective on November 20, 2017, the construction unit should, upon an acceptance check for the construction project, process acceptance checks and compile an acceptance report of the matching construction of environmental protection facilities in compliance with standards and procedures formulated by the department of environmental administration. For construction projects that are built in phases, go into production or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.

5. Labor

According to the PRC Labor Law which was issued on July 5, 1994, enforced on January 1, 1995 and was amended on August 27, 2009 and the PRC Labor Contract Law which was issued on June 29, 2007, enforced on January 1, 2008 and was amended on December 28, 2012, enforced on July 1, 2013, employers shall establish employment relationships with employees on the date of their employment. To establish the employment relationship, a written employment contract shall be entered into between the parties, failing which the employers shall be held liable. The PRC laws prohibit employers from making their employees work beyond the maximum working hours allowed by law and paying wages which are lower than local standards on minimum wages to the employees.

Where an employer formulates, amends or decides rules or important events concerning the remuneration, working time, break, vacation, work safety and sanitation, insurance and welfare, training of employees, labor discipline, or management of production quota, which are directly related to the interests of the employees, such rules or important events shall be discussed at the meeting of employees' representatives or the general meeting of all employees, and the employer shall also put forward proposals and opinions to the employees and negotiate with the labor union or the employees' representatives on an equal basis to reach agreements on these rules or events.

According to the Interim Measures concerning the Administration of the Registration of Social Insurance which was issued and enforced on March 19, 1999; the PRC Social Security Law which was issued on October 28, 2010 and enforced on July 1, 2011; the Regulation of Work-Related Injury Insurance which was issued on April 27, 2003, enforced on January 1, 2004 and amended on December 20, 2010; the Regulation of Unemployment Insurance which was issued and enforced on January 22, 1999; the Decision on the Establishment of a Unified Program for Pension Insurance of the State Council which was issued and enforced on July 16, 1997; the Decision on the Establishment of the Medical Insurance Program for Urban Workers of the State Council which was issued and enforced on December 14, 1998; and the Provisional Measures for Maternity Insurance of Employees of Corporations which was issued on December 14, 1994 and enforced on January 1, 1995, an employer shall, within 30 days from the date of its formation, apply to the local social insurance agency for social insurance registration upon the strength of its business license, registration certificate or official seal. An employer also shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee, and shall make contribution to the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for its employees.

According to the Regulations on the Administration of Housing Fund which was issued and enforced on April 3, 1999 and was amended on March 24, 2002, PRC employers shall register with the applicable housing fund management centre and open a special housing fund account with a designated bank. The PRC employers and their employees are required to contribute to the housing fund and their respective deposits, and such contribution shall not be lower than 5% of the employee's monthly average wage of the last year.

INTRODUCTION

Chengguan Expressway Company, the predecessor of our Company, was established as a limited liability company in the PRC in August 1998. In preparation for the Listing, Chengguan Expressway Company was converted into a joint stock company with limited liability and renamed as Chengdu Expressway Co., Ltd. in December 2016.

Our history can be traced back to December 1997 when Chengdu Airport Expressway Company, one of our operating subsidiaries, was established for the construction, operation, management and development of Chengdu Airport Expressway. We have further expanded our expressways network through the establishment of Chengguan Expressway Company, Chengpeng Expressway Company and Chengwenqiong Expressway Company in August 1998, September 2002 and October 1998, respectively, for the construction, operation, management and development of Chengguan Expressway, Chengpeng Expressway and Chengwenqiong Expressway. See "Business – Our Business Operations" in this prospectus for further details of our business operations.

BUSINESS MILESTONES

The table below sets out the key milestones in the development of our business:

1997	Chengdu Airport Expressway Company, one of our operating subsidiaries, was established.
1998	Chengguan Expressway Company, the predecessor of our Company, and Chengwenqiong (Chengwen) Highway Company, the predecessor of Chengwenqiong Expressway Company was established as a limited liability company in the PRC.
1999	Chengdu Airport Expressway Company became fully operational, obtained official approval for toll collection and started collecting tolls in the same year.
2000	Chengguan Expressway, one of the expressways operated by our Group, became fully operational.
2002	Chengpeng Expressway Company, one of our operating subsidiaries, was established.
	Chengguan Expressway obtained official approval for toll collection.

2004	The construction of Chengpeng Expressway was completed and its trial operation and trial toll collection commenced. Chengpeng Expressway also obtained the official approval for toll collection in the same year.
2007	Chengwenqiong Expressway became part of the expressway network of Sichuan province.
2012	Chengpeng Expressway became part of the expressway network of Sichuan province.
2014	Chengdu Airport Expressway became part of the expressway network of Sichuan province.
2015	Chengguan Expressway and Chengpeng Expressway were connected to Chengdu No. 2 Expressway and became part of the expressway network of Sichuan province.
2016	Our Company was converted into a joint stock company with limited liability and renamed as Chengdu Expressway Co., Ltd..

CORPORATE DEVELOPMENT

Our Company

Chengguan Expressway Company, the predecessor of our Company, was established as a limited liability company in the PRC in August 1998 with an initial registered capital of RMB25 million. The table below sets forth the shareholding structure of Chengguan Expressway Company as of the date of its establishment:

Founders	**Registered capital contributed** *(RMB'000)*	**Percentage of equity interest**	**Source of funding**
Chengdu Expressway Company	7,500	30%	Own financial resources
Sichuan Huaneng Wankang Electrical Power Company Limited (四川華能萬康電力有限公司) ("Huaneng Wankang")[(1)]	5,000	20%	Own financial resources

Founders	Registered capital contributed *(RMB'000)*	Percentage of equity interest	Source of funding
Chengdu Xinsuifeng Company Limited (成都新歲豐投資有限公司) ("Chengdu Xinsuifeng")[1]	5,000	20%	Own financial resources
Chengdu Sujin Enterprises Company Limited (成都蘇錦實業投資有限公司) ("Sujin Enterprises")[1]	5,000	20%	Own financial resources
Pixian State-owned Assets Investment and Operation Company Limited (郫縣國有資產投資經營公司) ("Pixian Investment")[1]	1,250	5%	Own financial resources
Dujiangyan Municipal Road and Bridge Construction and Development Company Limited (都江堰市重點公路橋梁建設開發管理公司) ("Dujiangyan Construction")[1]	1,250	5%	Own financial resources

Note:

(1) To the best knowledge of our Directors, this entity is an Independent Third Party.

The table below sets forth the details of the historical transfers of equity interests of Chengguan Expressway Company:

Date of transfer	Transferor	Transferee	% of equity interest	Consideration *(RMB'000)*	Basis of consideration
December 1998	Huaneng Wankang	Chengdu Expressway Company[1]	10%	2,500	Amount of capital contribution
December 1998	Huaneng Wankang	Chengdu Huajin Investment Development Company Limited ("Huajin Investment")[2]	10%	2,500	Amount of capital contribution

Date of transfer	Transferor	Transferee	% of equity interest	Consideration *(RMB'000)*	Basis of consideration
January 2003	Dujiangyan Construction	Huajin Investment	5%	1,250	Amount of capital contribution
July 2003	Chengdu Xinsuifeng	Juyou Enterprise (Group) Company Limited ("Juyou Enterprises")[2]	20%	5,000	Amount of capital contribution
March 2004	Pixian Investment	Chengdu Expressway Company[1]	5%	15,940	Based on an asset evaluation report as of February 24, 2004
August 2004	Juyou Enterprises	Beijing Kaile Investment Company Limited ("Beijing Kaile")[3]	20%	5,000	Amount of capital contribution
March 2009	Beijing Kaile[3] and Sujin Enterprises	Chengdu Communications	40%	186,029	Pursuant to a court ruling and an equity evaluation report as of November 12, 2008[4]
April 2009	Huajin Investment	Chengdu Communications	15%	75,000	Pursuant to the negotiation between the parties
May 2016	Chengdu Communications	Chengdu Expressway Company[1]	30%	Nil	Nil consideration as it was an intra-group transfer

Notes:

(1) Chengdu Expressway Company is a wholly-owned subsidiary of Chengdu Communications.

(2) To the best knowledge of our Directors, this entity is an Independent Third Party.

(3) Beijing Kaile Investment Company Limited (北京市凱樂投資有限公司) was formerly known as Shenzhen Juyou Investment Company Limited (深圳市聚友投資有限公司) and changed its name to Shenzhen Kaiyi Investment Company Limited (深圳市凱怡投資有限公司) on January 21, 2005, which then changed to its current name on December 4, 2006, an Independent Third Party.

(4) In April 2009, pursuant to a court ruling of Guangdong Province Shenzhen City Intermediate People's Court in respect of the auction of a 40% equity interest in Chengguan Expressway Company held by Beijing Kaile and Sujin Enterprises as to 20% and 20%, respectively, Chengdu Communications won the bid and acquired the respective 20% equity interest in Chengguan Expressway Company from Beijing Kaile and Sujin Enterprises, respectively, for an aggregate consideration of RMB186,028,800.

Upon completion of the aforementioned transfers, Chengdu Communications and its wholly owned subsidiary, Chengdu Expressway Company, held a 25% and 75% equity interest in Chengguan Expressway Company, respectively.

For certain aforementioned historical equity transfers in Chengguan Expressway Company, we have not, at the time, (i) obtained approval from the relevant management department of state-owned assets, (ii) performed the relevant state-owned assets assessment procedures as required by the applicable rules in the PRC and (iii) filed or approved the relevant assessment result. We have obtained confirmations from relevant state-owned assets supervision and administrative authorities in respect of the relevant historical equity transfer defects, which have confirmed, amongst others, that the relevant transfers were authentic, legal and valid. Based on these confirmations and the representation from our Company, our PRC Legal Adviser is of the view that (i) Chengguan Expressway Company, the predecessor of our Company is a legally established and existing limited liability company, (ii) the equity interests in our Company currently held by Chengdu Communications and Chengdu Expressway Company are legal and valid, and (iii) the current shareholding structure of our Company is clear and without material disputes.

In preparation for the Listing, Chengguan Expressway Company was converted into a joint stock company with limited liability and renamed as Chengdu Expressway Co., Ltd. pursuant to relevant approvals issued by Chengdu SASAC and the promoters agreement dated October 2016 entered into between Chengdu Communications and Chengdu Expressway Company. Our PRC Legal Adviser is of the view that the promoters agreement entered into by our Company for changing and setting up joint stock company was in compliance with the requirements of the applicable laws and regulations in the PRC. Our Company has fulfilled the legal assessment procedures for the overall change and establishment of the joint stock company and has obtained the approval of the Chengdu SASAC.

Reorganization

In preparation of the Listing, our Company undergone certain reorganization steps (the "**Reorganization**") since June 2016, whereby our Controlling Shareholders, Chengdu Communications and Chengdu Expressway Company, transferred all of their equity interests in Chengdu Airport Expressway Company, Chengpeng Expressway Company and Chengwenqiong Expressway Company to our Company. For details of such equity transfers, see "– Our Subsidiaries" in this section. Upon completion of the Reorganization, each of Chengdu Airport Expressway Company, Chengpeng Expressway Company and Chengwenqiong Expressway Company became a subsidiary of our Company.

Our Subsidiaries

Chengdu Airport Expressway Company

Chengdu Airport Expressway Company was established as a limited liability company in the PRC in December 1997 with an initial registered capital of RMB153.75 million. The table below sets forth the shareholding structure of Chengdu Airport Expressway Company as of the date of its establishment:

Founders	**Registered capital contributed** *(RMB'000)*	**Percentage of equity interest**
Chengdu Expressway Company	110,700	72%
Huaneng Wankang[(1)]	43,050	28%

Note:

(1) To the best knowledge of our Directors, this entity is an Independent Third Party.

Subsequent to a series of equity transfers which took place between 1997 and 2008, the registered capital of Chengdu Airport Expressway Company amounted to RMB153.75 million, which was owned as to (i) 55.0% by Chengdu Expressway Company; (ii) 25.0% by Chengyu Expressway Company; and (iii) 20.0% by Sichuan Xinneng Real Estate Limited (四川新能置業有限公司) ("Sichuan Xinneng"), formerly known as Sichuan Xinneng Enterprises Company Limited (四川新能實業公司).

On June 15, 2016, Chengdu Expressway Company and our Company entered into an equity transfer agreement pursuant to which Chengdu Expressway Company transferred its 55% state-owned equity interest in Chengdu Airport Expressway Company to our Company at nil consideration. Upon completion of this transfer and as of the Latest Practicable Date, Chengdu Airport Expressway Company was owned as to 55.0%, 25.0% and 20.0% by our Company, Chengyu Expressway Company and Sichuan Xinneng, respectively.

Chengpeng Expressway Company

Chengpeng Expressway Company was established as a limited liability company in the PRC in September 2002 with an initial registered capital of RMB10 million. The table below sets forth the shareholding structure of Chengpeng Expressway Company as of the date of its establishment:

Founders	**Registered capital contributed** *(RMB'000)*	**Percentage of equity interest**
Chengdu Expressway Company	5,100	51%
Chengdu Zhongxun Jidian Company Limited (成都中訊機電有限責任公司)[(1)]	2,900	29%
Pengzhou Zhengtongdaoqiao Construction Company Limited (彭州市正通道橋建設有限責任公司) ("Pengzhou Zhengtongdaoqiao")[(1)]	2,000	20%

Note:

(1) To the best knowledge of our Directors, this entity is an Independent Third Party.

Subsequent to a series of equity transfers and registered capital increases which took place between 2004 and 2009, the registered capital of Chengpeng Expressway Company amounted to RMB149.0 million, which was owned as to 97.38% by Chengdu Expressway Company, 1.95% by Chengdu Communications and 0.67% by Pengzhou Zhengtongdaoqiao.

On June 20, 2016, Chengdu Communications, Chengdu Expressway Company and our Company entered into an equity transfer agreement pursuant to which Chengdu Expressway Company and Chengdu Communications transferred their respective 97.38% and 1.95% equity interests in Chengpeng Expressway Company to our Company at nil consideration. Upon completion of this transfer, Chengpeng Expressway Company was owned as to 99.33% by our Company and approximately 0.67% by Pengzhou Zhengtongdaoqiao.

In November 2018, in connection with the additional capital contribution of approximately RMB481.7 million we injected into Chengpeng Expressway Company in support of the expansion project of Chengpeng Expressway, the registration of which with relevant local regulatory authorities in the PRC has not been completed as of the Latest Practicable Date, our Company and Pengzhou Zhengtongdaoqiao entered into an agreement that, during the interim period before registration has been completed, we are entitled to exercise voting and dividend rights as a 99.74% shareholder, fully reflecting the amount of capital contribution we made as of the Latest Practicable Date, with Pengzhou Zhengtongdaoqiao being entitled to exercise the remaining 0.26% of shareholding rights. We expect to complete the required registration of such increase of 0.41% of equity interest in Chengpeng Expressway Company in due course. As advised by our PRC Legal Adviser, such agreement is not in breach of any applicable PRC laws and regulations and is valid and enforceable.

Chengwenqiong Expressway Company

Chengwenqiong Expressway Company was established as a limited liability company in the PRC in October 1998 with an initial registered capital of RMB90 million. The table below sets forth the shareholding structure of Chengwenqiong Expressway Company as of the date of its establishment:

Founders	**Registered capital contributed** *(RMB'000)*	**Percentage of equity interest**
Chengdu Chengwenqiong Road Development Company Limited (成都成溫邛公路開發有限責任公司) ("Chengwenqiong Development")[1]	49,500	55%
China Communications Construction Company Limited (中國路橋(集團)總公司)[2]	18,000	20%
China Infrastructure Construction (Chengwen) Company Limited (中國基礎建設(成溫)有限公司)[2]	22,500	25%

Notes:

(1) Chengwencheng Development was a wholly-owned subsidiary of Chengdu Communications which has been subsequently deregistered.

(2) To the best knowledge of our Directors, this entity is an Independent Third Party.

Subsequent to a series of equity transfers and registered capital increases which took place between 1999 and 2008, the registered capital of Chengwenqiong Expressway Company amounted to RMB554.49 million, which was owned as to approximately 58.93% and 41.07% by Chengdu Communications and Chengwenqiong Development, respectively.

On June 24, 2016, Chengdu Communications and our predecessor, Chengguan Expressway Company, entered into an equity transfer agreement pursuant to which Chengdu Communications transferred its directly-held 58.93% equity interest in Chengwenqiong Expressway Company to the Company at nil consideration. On February 14, 2017, Chengwenqiong Development and our Company entered into an equity transfer agreement pursuant to which Chengwenqiong Development agreed to transfer its 41.07% equity interest in Chengwenqiong Expressway Company to our Company at nil consideration. Upon completion of these transfers and as of the Latest Practicable Date, Chengwenqiong Expressway Company was wholly owned by our Company.

Our associated company

Chengbei Exit Expressway Company

Chengbei Exit Expressway Company was established as a limited liability company in the PRC in September 1996 with an initial registered capital of RMB50 million, which was owned as to 49% by Chengyu Expressway Company, and 51% by Chengdu Expressway Company as of the date of its establishment.

Subsequent to a series of transfers and registered capital increases which took place between 1997 and 2005, the registered capital of Chengbei Exit Expressway Company amounted to RMB220.0 million, which was owned as to 40.0% and 60.0% by Chengdu Expressway Company and Chengyu Expressway Company, respectively.

On June 22, 2016, Chengdu Expressway Company and our Company entered into an equity transfer agreement pursuant to which Chengdu Expressway Company transferred its 40% equity interest in Chengbei Exit Expressway Company to our Company at nil consideration. Upon completion of this transfer and as of the Latest Practicable Date, Chengbei Exit Expressway Company was owned as to 40% by our Company and 60% by Chengyu Expressway Company and is accounted for as an associated company of our Group.

Historical equity transfers issues in our subsidiaries and associated company

In respect of the historical equity transfers in Chengwenqiong Expressway Company, Chengdu Airport Expressway Company, Chengpeng Expressway Company and Chengbei Exit Expressway Company, which dated well before the commencement of the Track Record Period, we have not (i) obtained approval from the relevant management department of state-owned assets, (ii) performed the relevant state-owned assets assessment procedures as required by the applicable rules in the PRC, and/or (iii) filed or approved the assessment result (the "**Equity Transfer Issues**").

We and our PRC Legal Adviser have interviewed and subsequently received additional confirmation from Chengdu SASAC in respect of the Equity Transfer Issues, which have advised that they have not taken any recourse measures on the Equity Transfer Issues and such Equity Transfer Issues will not affect the legality of the shareholdings held by us and the other shareholders in the above entities. In addition, the registration with the relevant administration of industry and commerce were completed for all of the equity transfers mentioned above. In light of the above and the representation from our Company, in the opinion of our PRC Legal Adviser, the current shareholding title of each of Chengwenqiong Expressway Company, Chengdu Airport Expressway Company, Chengpeng Expressway Company and Chengbei Exit Expressway Company is clear and without material disputes. The shares of Chengwenqiong Expressway Company, Chengdu Airport Expressway Company, Chengpeng Expressway Company and Chengbei Exit Expressway Company held by the Company are legal and valid.

Notwithstanding the above, Chengdu Communications has undertaken to our Company to (i) assume all the legal consequences and liabilities arising from the Equity Transfer Issues; (ii) prevent any potential adverse impact on the assets of our Company if the Equity Transfer Defects are questioned by any authorities; (iii) exercise all practicable efforts to ensure the entirety of the assets of each of the Company and its subsidiaries if any of the historical equity transfers of our subsidiaries are held to be invalid; and (iv) fully indemnify our Company and/or its subsidiaries in all aspects if our Company and/or its subsidiaries suffer losses or penalties from the Equity Transfer Defects.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Save as those disclosed in this section, there were no major acquisitions, disposals and mergers after the establishment of a joint stock company by our Company.

PRE-IPO INVESTMENTS, OPTIONS, WARRANTS AND CONVERTIBLE BONDS

As of the Latest Practicable Date, our Company has not received any pre-IPO investment nor granted any option, warrant or convertible bond.

BACKGROUND OF OUR EXISTING SHAREHOLDERS

(1) Chengdu Communications

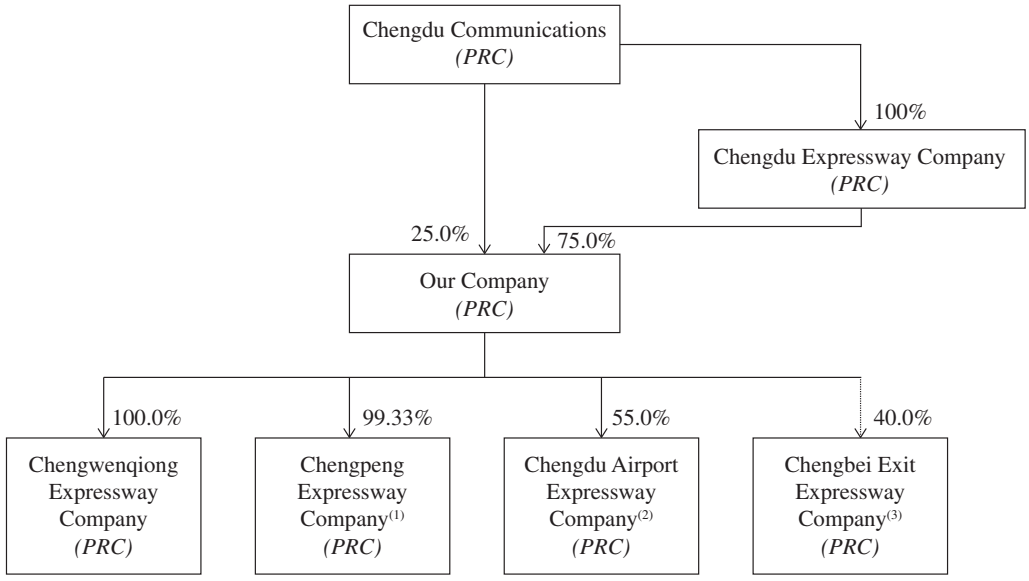
Chengdu Communications is a wholly state-owned enterprise established in the PRC with limited liability in March 2007. The ultimate shareholder of Chengdu Communications is Chengdu SASAC. Chengdu Communications is primarily engaged in the investment in, the financing of and the construction, development, operation and management of transportation infrastructure in Sichuan province. As of the Latest Practicable Date, Chengdu Communications does not hold, directly or indirectly, any interests in businesses that is or might be in competitions with our principal business.

(2) Chengdu Expressway Company

Chengdu Expressway Company is wholly-owned by Chengdu Communications which in turn is wholly owned by Chengdu SASAC. Chengdu Expressway Company is primarily engaged in the construction and development of toll roads, large-scale flyovers, stations, ancillary facilities and properties along the toll roads in Sichuan province. As of the Latest Practicable Date, Chengdu Expressway Company does not hold, directly or indirectly, any interests in businesses that is or might be in competitions with our principal business.

CORPORATE STRUCTURE

The chart below sets out our ownership and corporate structure immediately prior to the Global Offering:



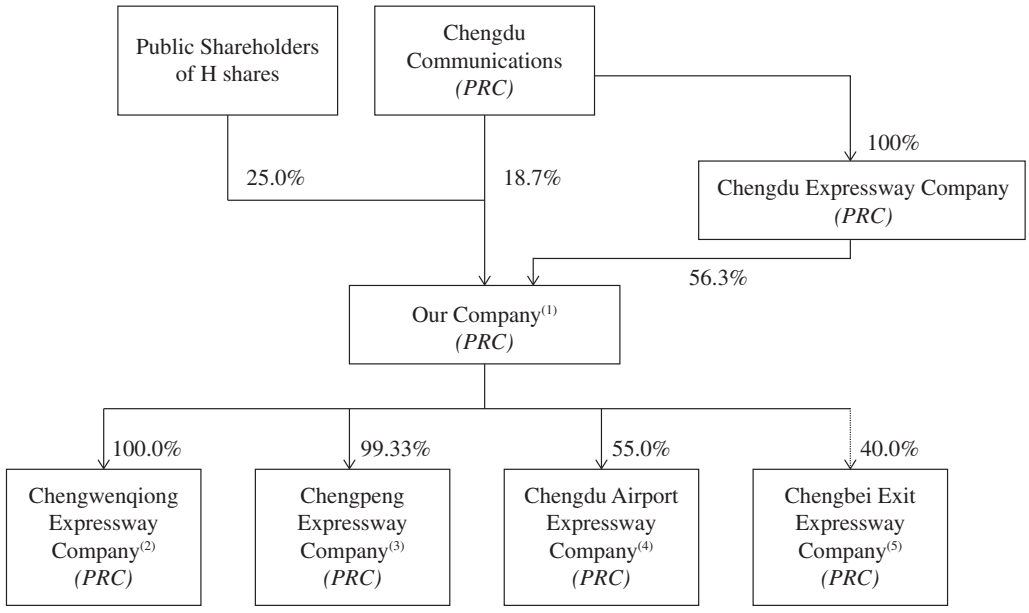
Notes:

(1) The remaining 0.67% equity interest in Chengpeng Expressway Company was held by Pengzhou Zhengtongdaoqiao, an Independent Third Party. For more details, please refer to the sub-section headed "Corporate Development – Our Subsidiaries – Chengpeng Expressway Company" in this section.

(2) The remaining 45.0% equity interest in Chengdu Airport Expressway Company was held by Chengyu Expressway Company and Sichuan Xinneng as to 25% and 20.0%, respectively.

(3) The remaining 60.0% equity interest of Chengbei Exit Expressway Company was held by Chengyu Expressway Company, an Independent Third Party.

The chart below sets out our ownership and corporate structure immediately after to the Global Offering, assuming that the Over-allotment Option is not exercised at all:



Notes:

(1) Our Company holds 100% interest in Chengguan Expressway.

(2) Chengwenqiong Expressway Company holds 100% interest in Chengwenqiong Expressway.

(3) We hold 99.33% interest in Chengpeng Expressway through Chengpeng Expressway Company. The remaining 0.67% equity interest in Chengpeng Expressway Company was held by Pengzhou Zhengtongdaoqiao, an Independent Third Party. For more details, please refer to the sub-section headed "Corporate Development – Our Subsidiaries – Chengpeng Expressway Company" in this section.

(4) We hold 55.0% interest in Chengdu Airport Expressway through Chengdu Airport Expressway Company. The remaining 45.0% equity interest in Chengdu Airport Expressway Company was held by Chengyu Expressway Company and Sichuan Xinneng as to 25% and 20.0%, respectively.

(5) We hold 40.0% interest in Chengbei Exit Expressway through Chengbei Exit Expressway Company. The remaining 60.0% equity interest in Chengbei Exit Expressway Company was held by Chengyu Expressway Company, an Independent Third Party.

OVERVIEW

We are principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan province. As of the Latest Practicable Date, our expressway network includes four expressways: Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway. In addition, we also hold 40% of the equity interests in, Chengbei Exit Expressway. The expressways we operate and invest in are all strategically located and form an integral part of the expressway network around Chengdu, connecting various areas with rich industrial, cultural and tourism resources along the way:

- Chengguan Expressway is a major part of G4217 national expressway and a key section connecting Sichuan with Gansu, Qinghai and Tibet. It is also the main road to access Dujiangyan, Qingcheng Mountain, Jiuzhai Valley, Huanglong and other tourist attractions and connects most of the catalogued UNESCO World Heritage Sites located in Sichuan province.

- Chengpeng Expressway is a major part of the S105 provincial expressway, which is a key component of the radial-shaped road network surrounding Chengdu and the main route connecting Chengdu to areas north of Sichuan province.

- Chengwenqiong Expressway is a major part of the S8 provincial expressway and is of economic and cultural significance to western Chengdu. As the only expressway in the region, it connects Wenjiang, Chongzhou, Dayi, Qionglai and other major satellite cities of Chengdu.

- Chengdu Airport Expressway is a major part of the S6 provincial expressway and the main expressway to Chengdu Shuangliu Airport from downtown Chengdu.

In addition to the expressways mentioned above, we hold 40% of the equity interests in Chengbei Exit Expressway:

- Chengbei Exit Expressway forms part of the G5 Beijing-Kunming national expressway and is an important expressway connecting downtown Chengdu with Chengmian Expressway (成綿高速) and Chengdu Ring Expressway (成都繞城高速).

Sichuan province is an economic hub in western China, with unique geographical advantages. As the capital of Sichuan province, Chengdu accounted for approximately 37.8% of the total nominal GDP of Sichuan province and ranked second among all the provincial capitals in China in terms of nominal GDP in 2017, according to the Frost & Sullivan Report. Aiming to establish itself as an economic, technology, cultural and diplomatic center and transportation hub in western China, Chengdu's GDP has witnessed substantial growth in the past years. According to the Frost & Sullivan Report, Chengdu's overall economy and the tourism industry is expected to maintain rapid growth in the future, which in turn requires continued improvement in the current capacity and connectivity of the road network around

Chengdu. According to the Sichuan Provincial Development Plan, the mileage of expressways in Sichuan province will exceed 8,000 kilometers by 2020. We believe our results of operations and the expressway industry in Sichuan province in general will benefit from favorable government policies and the economic development of Sichuan province and Chengdu.

Our daily operations focus on toll collection and the management and maintenance of the expressways we operate. In 2015, 2016, 2017 and the six months ended June 30, 2018, the total daily weighted-average traffic volume recorded on the expressways we operate was approximately 158,599, 170,475, 157,026 and 147,935 vehicles, respectively, among which passenger traffic accounted for over 80% of our total traffic volume with the remaining volume comprising freight traffic. During the same period, our total revenue was RMB785.1 million, RMB1,185.2 million, RMB1,784.3 million, and RMB1,279.7 million, of which revenue generated from our toll collection amounted to RMB778.4 million, RMB787.6 million, RMB840.4 million and RMB435.4 million, respectively. Other than our toll revenue, we also generated construction revenue in respect of our service concession arrangements during the Track Record Period, the amount of which was the same as the cost of construction during the same periods under IFRS 15. In 2015, 2016, 2017 and the six months ended June 30, 2018, our overall gross profit was RMB482.9 million, RMB458.8 million, RMB498.7 million and RMB262.7 million, respectively, which equals the gross profit of our toll collection operation.

OUR COMPETITIVE STRENGTHS

Unique geographical advantages and strategic position of our expressways in Chengdu, Sichuan province, the economic hub in western China with rich tourism resources

Sichuan province is an economic hub in western China, with unique geographical advantages. According to the Frost & Sullivan Report, Sichuan province's nominal GDP grew rapidly at a CAGR of 9.2% from 2013 to 2017, ranking sixth in China and first in southwestern China in 2017. Sichuan province enjoys the benefits of numerous national strategies such as the "Western China Development Strategy" and the "One Belt, One Road" initiative, which are expected to further stimulate the economic growth in Sichuan province. The expressways we operate and invest in are all located in and around Chengdu, forming an integral part of the expressway network around Chengdu. As the capital of Sichuan province, Chengdu accounted for around 37.8% of the total nominal GDP of Sichuan province and 19.3% of the total urban population of Sichuan province in 2017. Aiming to build itself as an international city as well as an economic, technology, cultural and diplomatic center and transportation hub in western China, Chengdu's GDP has witnessed substantial growth from 2013 to 2017 at a CAGR of 11.7%, according to the Frost & Sullivan Report. Along with GDP growth, the per capita disposable income of urban residents in Chengdu also increased significantly during the same period. Further, the development of Chengdu High-Tech Zone and Tianfu New Area (天府新區) has also contributed to Chengdu's rapid economic growth and attracted over 280 Fortune 500 companies, entrepreneurs and talents to Chengdu.

In addition, Sichuan province has abundant natural and cultural tourism resources, which have attracted millions of domestic and foreign visitors, making tourism one of the pillar industries in Sichuan province. According to the Frost and Sullivan Report, the number of domestic and foreign visitors to Sichuan province increased from 489.1 million in 2013 to 673.4 million in 2017, representing a CAGR of 8.3%. Our expressways connect Chengdu to many of the renowned tourist attractions in Sichuan province, including many catalogued UNESCO World Heritage Sites such as Jiuzhai Valley Scenic and Historic Interest Area (九寨溝), Qingcheng Mountain (青城山), and the Dujiangyan Irrigation System (都江堰) and other tourists attractions such as Xiling Snow Mountain (西嶺雪山) and Tiantai Mountain (天台山). According to the Frost and Sullivan Report, Sichuan's tourism industry is expected to keep growing rapidly, driven by the support of the local government, people's increased spending power and growing demand for recreational activities.

We expect the economic development in Sichuan province and, in particular, Chengdu will continue to benefit from, among other things, the implementation of favorable national strategies, the development of Tianfu New Area and Chengdu High-Tech Zone and continued growth in the tourism industry. We believe the region's prosperous economic conditions and outlook will in turn provide our expressways with steadily increasing traffic volume.

An integral part of the expressway network around Chengdu with a stable traffic volume.

The expressways that we operate and invest in radiate southwest-ward, northwest-ward, westward and northeast-ward from Chengdu. They constitute an integral part of the road network around Chengdu and play a key role in connecting Chengdu's inner roads with national and provincial highways in and out of Sichuan province. In addition, our expressways are strategically positioned and connected to regions with abundant economic, cultural and tourism resources.

The highlights of our four expressways are as follows:

- Chengguan Expressway is a major part of the G4217 national expressway and a key route connecting Sichuan with Gansu, Qinghai and Tibet. It is also the main road to access Dujiangyan, Qingcheng Mountain, Jiuzhai Valley, Huanglong and other tourist attractions and connects most of the catalogued UNESCO World Heritage Sites located in Sichuan province. Chengguan Expressway plays a key role in driving the economic growth of regions along its route and stimulating the development of the tourism industry in Western Sichuan. Through connecting various key destinations along the way, Chengguan Expressway has laid a solid infrastructural foundation for the establishment of Chengdu High-Tech Zone in western China.

- Chengpeng Expressway is a major part of the S105 provincial expressway, which is a key component of the radial-shaped road network surrounding Chengdu and the main route connecting Chengdu to areas north of Sichuan province. Chengpeng Expressway was constructed with the aim of improving the investment environment in Xindu, Pengzhou, and other surrounding areas, through stimulating the development of the tourism industry in the area, and making the residential areas nearby more accessible. In order to improve the conditions of the Chengpeng Expressway and facilitate regional socioeconomic development, we initiated an expansion project on Chengpeng Expressway in October 2016. Following the completion of the expansion on June 30, 2018, Chengpeng Expressway became a six/eight-lane expressway.

- Chengwenqiong Expressway is a major part of the S8 provincial expressway and has great economic and cultural significance to western Chengdu. As the only expressway in the region, it connects Wenjiang, Chongzhou, Dayi, Qionglai and other major satellite cities of Chengdu. In addition, Chengwenqiong Expressway connects to Yunnan and Tibet via S8 Qiongming provincial expressway, serving as an important auxiliary lane of G5 Beijing-Kunming national expressway. Areas along the Chengwenqiong Expressway have abundant tourism resources and are key getaway destinations for Chengdu residents.

- Chengdu Airport Expressway is a major part of the S6 provincial expressway and the main expressway to Chengdu Shuangliu Airport from downtown Chengdu. The rapid development of Chengdu in recent years has led to a significant increase in traffic volume to and from Shuangliu Airport, one of the busiest civil aviation hubs in western China. Shuangliu Airport handled 49.8 million passengers in 2017. We expect the traffic volume on Chengdu Airport Expressway to continue to grow, benefitting from the increasing level of business and leisure activities in Chengdu and Sichuan province.

In addition to the expressways mentioned above, we hold 40% of the equity interests in Chengbei Exit Expressway:

- Chengbei Exit Expressway forms part of the G5 Beijing-Kunming national expressway and is an important expressway connecting downtown Chengdu with Chengmian Expressway (成綿高速) and Chengdu Ring Expressway (成都繞城高速). Chengbei Exit Expressway optimizes the road network structure of northern Chengdu and effectively reduced congestion in the area.

In order to become an international transportation hub in western China, Chengdu plans to further increase the length and density of its expressway network as well as improve the capacity and quality of its existing roads, according to the 13th Five Year Plan for Chengdu City (《成都國民經濟和社會發展十三五規劃綱要》) released by the local authorities. In line with this, we expect the traffic volume on our expressways to continue to increase alongside the growth in the connectivity and density of the highway network around Chengdu.

Stable cash flow from toll income

We operate all of our expressways in a manner that provides us with predictable and steady cash flows from our toll collection. Along with economic growth, increased per capita disposable income, and growing demand for recreational activities, traveling has become more commonplace and has contributed to the significant growth in the total traffic volume in Sichuan province. During the Track Record Period, most of our expressways experienced increases in traffic volume, providing us with a steady flow of toll income and cash flow. In 2015, 2016, 2017 and the six months ended June 30, 2018, the total daily weighted-average traffic volume recorded on the expressways we operate was approximately 158,599, 170,475, 157,026 and 147,935 vehicles, respectively. While Chengpeng Expressway and Chengwenqiong Expressway adopted the Old Batch Payment Model during part of the Track Record Period, under which we charged a fixed annual fee regardless of the actual traffic volume, expressways that did not have any fixed fee arrangement contributed to approximately 53% of our toll revenue during the Track Record Period and both Chengpeng Expressway and Chengwenqiong Expressway adopted the New Batch Payment in June 2017, which became effective on July 1, 2017 and took into account real-time traffic information when determining the toll amount. In addition, in order to alleviate traffic congestion and to accommodate the growing northbound traffic from downtown Chengdu to other provinces, we commenced an expansion project on Chengpeng Expressway in October 2016, upgrading it from a four-lane expressway to a six/eight-lane expressway. Following the completion of its expansion, Chengpeng Expressway resumed full services on July 12, 2018. As approved and in accordance with a notice we received from the Sichuan Provincial Development and Reform Commission and the Department of Transportation of Sichuan Province on May 28, 2018 (the "**Toll Increase Notice**") and a notice from the Expressway Management Bureau of the Department of Transportation of Sichuan Province on July 10, 2018 (the "**Reopening Notice**"), we raised the toll rate applicable to passenger vehicles on Chengpeng Expressway in July 2018.

Passenger traffic accounted for over 80% of our traffic volume during the Track Record Period with the remaining volume comprising freight traffic. In general, passenger traffic tends to be less susceptible to the fluctuations in the economic environment than freight traffic. As our expressways connect many economically vibrant areas and tourism attractions, we expect that passenger traffic will remain a predominant part of the traffic flow on our expressways. In addition, Chengdu has the second highest civil motor vehicle possession rate among all provincial capital cities in China, and the civil automobile ownership in Chengdu has increased rapidly from 2.8 million vehicles in 2013 to 4.5 million vehicles in 2017, representing a CAGR of 12.6%, according to the Frost and Sullivan Report. Revenue from freight traffic on our expressways has also shown a strong growth momentum during the Track Record Period, driven by the economic growth in the regions. As our expressways connect to various logistics centers, such as Jiuchi Lenglian Logistics Park and Qingbaijiang Logistics Park, we expect freight traffic on our expressways to continue to increase along with the rapid development of logistics and E-commerce industries and following the opening of Chengdu-Europe Express Railway.

Extensive operation experience and strong support from our Controlling Shareholders

The expressway industry in China is strictly regulated and has a relatively high entry barrier. New entrants are typically required to undergo a complicated and time-consuming process for obtaining approvals, land use rights and project financing. Toll road investments in China are often capital intensive, and the bidding process for new toll road projects would normally require bidders to have years of experience in the management and investment of toll road projects in China. These requirements impose high barriers for new entrants.

The investment and operation of the expressways we operate can be traced back to the 1990s. We are one of the first expressway operators in Sichuan province with extensive experience after years of operation. We have established standardized operation and service procedures, traffic management procedures and installed modern automation equipment to improve our operational efficiency, while ensuring the quality of our services and road safety, with an aim to provide passengers with a safe and pleasant driving experience on our expressways. For example, we have installed ETC lanes on all our expressways to improve toll collection efficiency. We have installed surveillance cameras at all our toll plazas and along our expressways to enable us to monitor traffic conditions on a real time basis and timely respond to traffic congestion and unexpected accidents. We have set up dedicated teams responsible for traffic management and coordination, accident rescue, and information collection and analysis. As a result of the diligent and active management of our expressways, we achieved strong operating results during the Track Record Period. For the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, we recorded gross profit from toll collection of RMB482.9 million, RMB458.8 million, RMB498.7 million and RMB262.7 million, respectively, and a gross profit margin from toll collection of approximately 62.0%, 58.3%, 59.3% and 60.3%, respectively. During the 2017 Sichuan Province Expressway Road Condition Examination, Chengguan Expressway, Chengwenqiong Expressway, and Chengdu Airport Expressway all received high scores above 90 points.

In addition, we benefit from significant support from our Controlling Shareholders, which have enabled us to gain access to their resources. In particular, Chengdu Communications, as the only Chengdu municipal level state-owned enterprise in the airway, railway and highway industry and a key integral transportation infrastructures platform in western China, is primarily engaged in the investment in, the financing of and the construction, development, operation and management of transportation infrastructures in Chengdu and Sichuan province. Expressways in Sichuan province are mostly operated by state-owned enterprises or their affiliate entities without any geographical exclusivity. As the sole platform to carry out expressway investments and operations under Chengdu Communications, we believe we are able to leverage its quality resources to compete for new expressway investments and projects in Chengdu and nearby regions.

Experienced management team and effective corporate governance system

Our senior management is guided by our Chairman, Mr. Xiao Jun for our strategic development. Mr. Xiao has thirty years of experience in the highway-related industry and has played a key leadership role in various major road construction projects in China. Mr. Tang Fawei, our General Manager and Executive Director, is mainly responsible for overseeing our operations and acts as the chairman of our Strategy and Development Committee. Our senior management, who on average has over ten years of experience in the expressway industry, possesses extensive operational expertise and a in-depth understanding of the industry and has made significant contributions to our growth in the past. Together, our Directors and senior management have extensive experience in expressway construction and are the driving force for our sustained development and business growth.

Our extensive experience in expressway operation and management has equipped us with valuable know-how for making sound expressway investment decisions. In addition, as the sole platform to carry out expressway investments and operations under our Controlling Shareholder Chengdu Communications, we believe we are able to leverage its quality resources to compete for new expressway investments and projects in Chengdu and nearby regions. We will also hire professional third parties including financial advisors with extensive merger and acquisition experience to assist us when making investments.

Through our comprehensive and effective corporate governance system, we have made significant efforts in improving the service quality and professional expertise of our employees. During the Track Record Period, we received numerous provincial recognitions for our service quality and operation conditions, including the "Five Star Expressway in Sichuan Award of 2017", the "Most Scenic Expressway Award", and the "Best Culture for Safe Construction Award."

OUR STRATEGIES

Strategic acquisitions or investments in expressways and continuing to improve the quality and capacity of our existing expressways.

We expect our existing expressways, being an integral part of the road network around Chengdu, to experience increased passenger and freight traffic volume in the future as Chengdu improves its infrastructure towards the goal of becoming an international city and a national transportation hub. We will continue to closely monitor the traffic volume on our expressways and carefully evaluate the needs for and feasibility of upgrading or expanding other expressways we operate. In addition, we intend to acquire or invest in other high-quality expressways in the PRC, particularly in Sichuan province, which are partially completed or under operation and have strategic positioning value within our expressway network. We may also work with our controlling shareholders to jointly undertake such investment or acquisition projects and may first offer expressway management services to the target company before we acquire the expressway.

While our Directors do not have experience in acquiring or investing in other expressways, they all possess extensive experience in operating and managing expressways, which gives them unique insight into valuable investment opportunities and makes them well-equipped to effectively carry out such acquisitions and investments. With an abundance of experience in operating and managing several expressways, as well as assistance from external advisors and counsels as the circumstances may require, our Directors have the ability and necessary competence to assess the prospects of an expressway, determine how to operate it after its acquisition, and make successful acquisitions or investments. In addition, our Investment & Development Department, the members of which have professional training in expressway engineering, accounting and finance and extensive experience in expressway operations and management, assists the Strategy and Development Committee to search for potential investment target, which identifies valuable investment opportunities leveraging the extensive expressway construction, operation and management experiences of its members.

Continue to improve our operating efficiency through advanced technologies and enhance our profitability.

We strive to optimize our operational efficiencies through increasing the automation level of our operations with advanced technologies. We have made ETC lanes available at all of our toll plazas, enable us to switch between the ETC and MTC model as needed in order to alleviate congestion during peak traffic hours and reduce our labor cost at normal hours. We plan to increase the scope of coverage of our automated ticketing system, which is currently under pilot testing on Chengguan Expressway, for all MTC lanes of our expressways in order to shorten ticket issuance time. In September 2017, we entered into an agreement with an online payment technology giant in China to develop a frictionless payment system (無感支付系統) for our expressways, which we believe will further improve our operational efficiency while providing passengers with a convenient alternative payment option. We believe the adoption of advanced technologies will greatly enhance our operational efficiency, alleviate congestion at our toll plazas and improve the satisfaction level of passengers, thereby attracting more traffic and improve our profitability.

Explore new business models and other revenue streams.

During the Track Record Period, we derived most of our revenue from toll collection. Leveraging our years of experience in the expressway industry, we plan to explore additional service offering opportunities along the value chain of the expressway industry. For example, the right to operate certain existing expressway projects in Sichuan province were granted to, through a tender process, companies with less experience in expressway operations, leading to poor operational results. In recent years, with the issuance of favorable PRC government policies encouraging the entry of private capital into the public infrastructure industry, we believe some private companies may begin to enter the expressway industry and undertake the operation and investment of new expressway projects. We believe there is a genuine demand from such new entrants for professional operation consulting services that are able to help them better manage their operations and improve operating results. We believe we are well-positioned to provide such services, especially in Sichuan province, given our extensive

experience and established capabilities. In addition, we also intend to expand our service offerings to provide expressway maintenance services and greening services to other expressway operators as well as local government for the local expressways and regular roads. We believe developing a diversified business model will help improve our competitiveness, diversify our revenue stream, and improve our profitability.

Explore new opportunities arising from favorable policies in Chengdu and Sichuan province.

The acceleration of Sichuan province's industrialization and urbanization, the introduction of the "Chengdu-Chongqing metropolitan area" concept, and other favorable policies all help drive the economic development of Sichuan province. Economic development will then lead to the growth of regional traffic volume and bring new development opportunities for the expressway industry. According to the Sichuan Provincial Development Plan, the mileage of expressways in Sichuan province will exceed 8,000 kilometers by 2020.

We have accumulated years of experience in the investment, operation and management of expressways and achieved a strong operating performance during the Track Record Period. In addition, we have built long-term relationships of cooperation with financial institutions and local governments. Leveraging on our competitive advantages, we plan to opportunities from favorable government policies to explore high-quality expressway investment and operation opportunities, which will generate additional revenue and enhance our profitability.

OUR BUSINESS OPERATIONS

We are principally engaged in the operation, management and development of expressways located in Sichuan province. As of the Latest Practicable Date, our expressway network includes four expressways: Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway. In addition, we also hold 40% of the equity interests in, Chengbei Exit Expressway.

Our daily operations focus on toll collection and the maintenance and repairs of the expressways we operate. In 2015, 2016, 2017 and the six months ended June 30, 2018, our revenue generated from toll collection amounted to RMB778.4 million, RMB787.6 million, RMB840.4 million and RMB435.4 million, respectively.

The table below sets forth certain key operating data of our expressways as of the Latest Practicable Date:

	% of Ownership	Length (km)	Number of Lanes	Number of Toll Plazas	Commencement of Operation	Expiration Date
Chengguan Expressway	100%	40.44	6	7	July 2000	July 2030
Chengpeng Expressway	99.33%(1)	21.32	6/8(2)	4	November 2004	October 2033
Chengwenqiong Expressway	100%	65.60	6/4	12	January 2005	January 2035
Chengdu Airport Expressway	55%(3)	11.98	4	1	July 1999	December 2024

Notes:

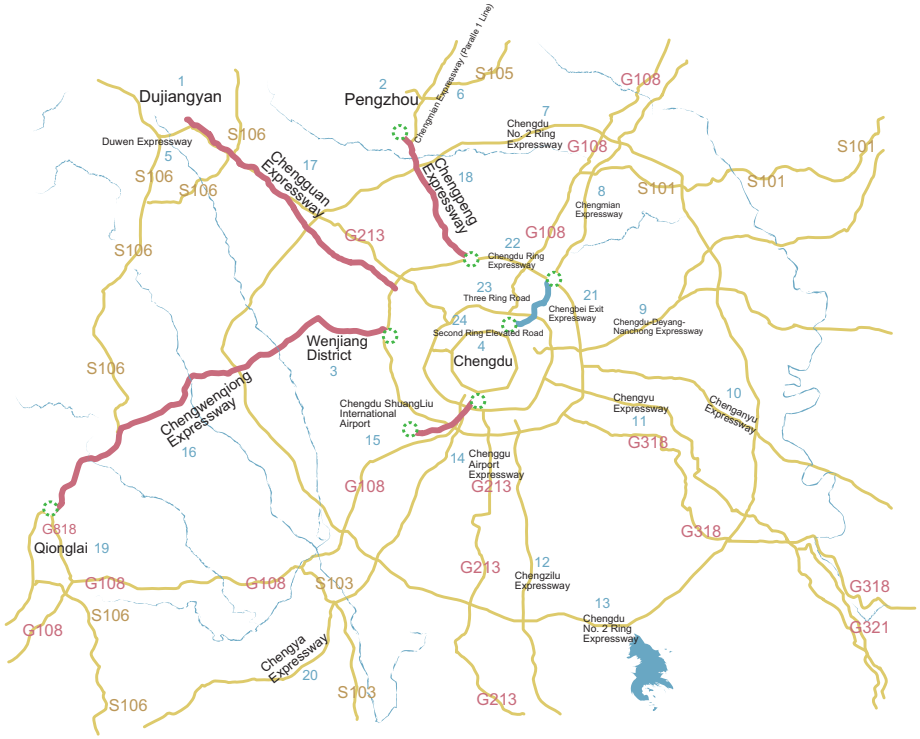
(1) The remaining 0.67% equity interest in Chengpeng Expressway Company was held by Pengzhou Zhengtong Daoqiao Co., Ltd. an Independent Third Party. For more details, please refer to the section headed "History and Corporate Structure – Corporate Development – Our Subsidiaries – Chengpeng Expressway Company."

(2) We completed the expansion project of Chengpeng Expressway on June 30, 2018, which expanded Chengpeng Expressway from a four-lane expressway to a six-lane expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and an eight-lane expressway for the road section between Chengdu No. 2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway. For more details, see "– Our Business Operations – Road and Facility Maintenance, Repair and Upgrade – Our Expressways Expansion Project."

(3) The remaining 45% equity interest in Chengdu Airport Expressway Company was held by Chengyu Expressway Company and Sichuan Xinneng as to 25% and 20%, respectively.

Our Expressways

The map below sets out the locations of our expressways and Chengbei Exit Expressway, in which we hold 40% equity interests, as of the Latest Practicable Date:



The table below sets forth, for the periods indicated, a breakdown of our daily weighted-average traffic volume by expressways:

	Daily Weighted-average Traffic Volume[1]				
	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2015	2016	2017	2017	2018
	(number of vehicles)				
Chengguan Expressway	33,966	37,860	40,196	36,810	42,290
Chengpeng Expressway	46,333	47,408	25,895	40,262	11,236
Chengwenqiong Expressway	46,029	46,343	47,788	47,311	51,945
Chengdu Airport Expressway	32,271	38,864	43,147	42,193	42,464
Total	**158,599**	**170,475**	**157,026**	**166,576**	**147,935**

Note:

(1) Daily weighted-average volume represents the summation of the product of daily traffic volume and mileage of each section, divided by the sum of the mileage. Through the inter-network toll collection system, the Expressway Supervision and Settlement Center of the Department of Transportation of Sichuan Province (四川省交通運輸廳高速公路監控結算中心) ("Sichuan Expressway Settlement Center") records the road route and mileage information of each vehicle that accessed our expressways. See "– Toll Collection" in this prospectus.

Traffic on our expressways is comprised of passenger traffic and freight traffic. Passenger traffic, which accounted for over 80% of our mixed traffic volume during the Track Record Period, is relatively stable and less susceptible to fluctuations in the economic environment than freight traffic. The table below sets forth a percentage breakdown of the daily weighted-average traffic volume of our expressway by traffic type for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	Passenger Traffic Ratio	Freight Traffic Ratio	Passenger Traffic Ratio	Freight Traffic Ratio	Passenger Traffic Ratio	Freight Traffic Ratio	Passenger Traffic Ratio	Freight Traffic Ratio	Passenger Traffic Ratio	Freight Traffic Ratio
	%									
Chengguan Expressway	87.3%	12.7%	87.6%	12.4%	87.0%	13.0%	88.3%	11.7%	86.1%	13.9%
Chengpeng Expressway	87.1%	12.9%	87.6%	12.4%	87.0%	13.0%	87.7%	12.3%	84.1%	15.9%
Chengwenqiong Expressway	84.7%	15.3%	83.8%	16.2%	83.9%	16.1%	83.9%	16.1%	84.8%	15.2%
Chengdu Airport Expressway	100.0%	–	100.0%	–	100.0%	–	100.0%	–	100.0%	–

The tables below set forth breakdowns of our toll revenue and the amount of average daily toll collected by expressway and traffic type for the periods indicated, respectively. The fluctuations in our toll revenue during the Track Record Period primarily resulted from the aggregate effect of the organic growth of the traffic flow, changes in traffic mix, the adoption of the New Batch Payment Model and road closure caused by the expansion project of Chengpeng Expressway.

	For the year ended December 31,									For the six months ended June 30,					
	2015			2016			2017			2017			2018		
Toll Revenue	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total
							(RMB'000)								
Chengguan Expressway	223,642	41,495	265,137	251,567	42,745	294,312	258,556	52,326	310,882	120,111	20,303	140,414	128,921	33,899	162,820
Chengpeng Expressway[1]	N/A	N/A	107,196	N/A	N/A	106,433	N/A	N/A	66,537	N/A	N/A	51,373	9,458	4,210	13,668
Chengwenqiong Expressway[2]	N/A	N/A	261,086	N/A	N/A	259,437	N/A	N/A	320,333	N/A	N/A	130,505	146,520	42,586	189,106
Chengdu Airport Expressway[3]	144,944	–	144,944	127,376	–	127,376	142,626	–	142,626	69,531	–	69,531	69,781	–	69,781
Total			778,363			787,558			840,378			391,823			435,375

	For the year ended December 31,									For the six months ended June 30,					
	2015			2016			2017			2017			2018		
Average Daily Toll	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total	Passenger traffic	Freight traffic	Total
							(RMB'000)								
Chengguan Expressway	613	114	727	687	117	804	708	143	851	664	112	776	712	187	899
Chengpeng Expressway[1]	N/A	N/A	294	N/A	N/A	291	N/A	N/A	182	N/A	N/A	284	52	23	75
Chengwenqiong Expressway[2]	N/A	N/A	715	N/A	N/A	709	N/A	N/A	878	N/A	N/A	721	810	235	1,045
Chengdu Airport Expressway[3]	397	–	397	348	–	348	391	–	391	384	–	384	386	–	386

Notes:

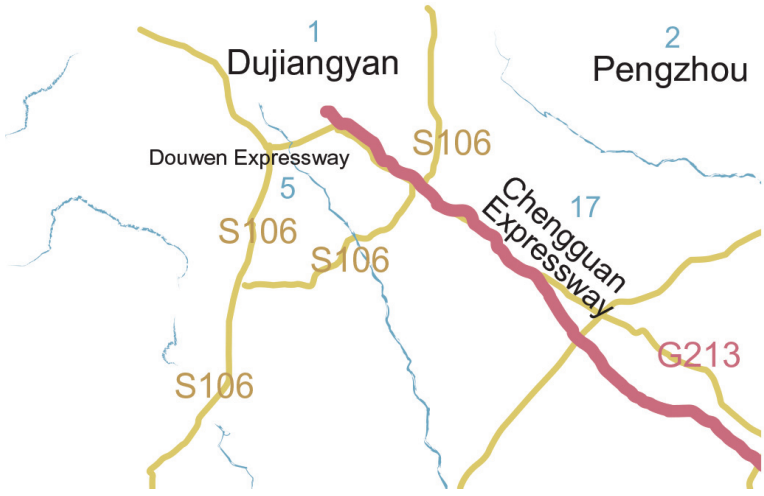
(1) Under the Old Batch Payment Agreement, which was effective until June 30, 2017, toll revenue breakdown by traffic type is not available as we only charge a fixed annual fee. The decrease in average daily toll in 2017 and the first half of 2018 for Chengpeng Expressway was primarily due to the partial road closure caused by its expansion project in the second half of 2017, which was completed on June 30, 2018. Chengpeng Expressway reopened for operation on July 12, 2018.

(2) Under the Old Batch Payment Agreement, which was effective until June 30, 2017, toll revenue breakdown by traffic type is not available as we only charge a fixed annual fee. The increase in average daily toll in 2017 and the first half of 2018 for Chengwenqiong Expressway was primarily attributable to the adoption of the New Batch Payment Model and higher traffic volume led by improved road quality after its upgrade project completed in 2016.

(3) The traffic volume on Chengdu Airport Expressway may be affected by Tianfu International Airport (成都天府國際機場), which was under construction as of the Latest Practicable Date and phase one is expected to be completed and commence operations after 2020. See "Risk Factors – Risks Relating to Our Business – Any decline in traffic volume may adversely affect our revenue and earnings" and "Business – Our Business Operations – Our Expressways – Chengdu Airport Expressway" in the prospectus.

Chengguan Expressway

Chengguan Expressway is a 40.44 km, six-lane asphalt-concrete-paved expressway, with a maximum design speed of 120 km/hour, which is the highest in Sichuan province. This expressway was constructed as a closed system expressway and commenced operations in July 2000. It plays an important role in stimulating the economic development and the tourism industry in western Sichuan province. The map below illustrates the location of Chengguan Expressway and how it connects with other major roads:



The table below sets forth certain key information of Chengguan Expressway as of the Latest Practicable Date:

Route	Starting from Chengdu High-Tech Zone (成都市高新區) going west to Dujiangyan.
Total Length	40.44 km
Classification	Expressway
Number of Lanes	6
Design Capacity	45,000 – 80,000 vehicles per day
Maximum Design Speed	120 km/hour
Toll Collection Methods	MTC
	ETC

Number of Toll Plazas	7 (Chengdu, Pidu, Youai, Ande, Chongyi, Juyuan, Dujiangyan)
Toll Booth	63 MTC; 40 ETC
Number of Interchanges	6
Expiration Date	July 2030
Beneficial Interest	100%
Competition	Chengqing Freeway (成青快速通道), and Chengguan Railway (成灌鐵路)

Chengguan Expressway optimizes the regional economic structure and development prospects. It lays a solid foundation for the establishment of Chengdu High-Tech Zone and integrates numerous resources valuable for economic development along the way. Many research institutions, universities and renowned domestic and multinational corporations are located along this expressway, including Intel, Foxconn, BOECD (成都京東方光電科技有限公司), the Modernized Science and Technology Industrial Base for Traditional Chinese Medicine (中藥現代化科技產業基地), the Information Industry Academy of Southwest Jiaotong University (西南交通大學資訊產業學院), and the No. 10 and No. 30 Research Institutes of China Electronics Technology Group Corporation (中國電子科技集團公司十所、三十所).

Chengguan Expressway also plays a key role in connecting major tourist attractions in western Sichuan province, which is widely recognized for its rich cultural heritage sites and impressive scenery. Chengguan Expressway connects most of the catalogued UNESCO World Heritage Sites located in Sichuan province, including Jiuzhai Valley Scenic and Historic Interest Area, Huanglong Scenic and Historic Interest Area, Qingchengshan Mountain, the Dujiangyan Irrigation System, and Sichuan Giant Panda Sanctuaries. There are also other well-known cultural and natural tourist attractions connected by Chengguan Expressway, such as the Mountain Siguniang and Chengdu Wanda Cultural Tourist Town, which was under construction as of the Latest Practicable Date.

In 2015, 2016, 2017 and the six months ended June 30, 2018, the daily weighted-average traffic volume of Chengguan Expressway was 33,966, 37,860, 40,196 and 42,290 vehicles, respectively. The following table sets forth the daily weighted-average traffic volume on Chengguan Expressway by traffic type for the periods indicated.

Daily weighted-average traffic volume	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(number of vehicles)				
Passenger traffic	29,642	33,168	34,990	32,501	36,404
Freight traffic	4,324	4,692	5,206	4,309	5,886
Total	**33,966**	**37,860**	**40,196**	**36,810**	**42,290**

Interchanges

Chengguan Expressway currently has six interchanges that connect to other major roads and expressways, including Chengdu No. 2 Ring Expressway (成都第二繞城公路), Duwen Expressway (都汶高速公路), Taiqing Road (太清路), Wenpi Road (溫郫路), Pengqing Road (彭青路) and Juqing Road (聚青路).

Competition

Chengguan Expressway faces competition from the following. See "Appendix IV – Traffic Consultant's Report – 1.1 The Routes" of this prospectus.

- Chengqing Freeway (成青快速通道), which has a length of 38.7 kilometers and starts from Chengdu and ends at Qingcheng Mountain. Chengqing Freeway is toll-free and diverts some of the traffic on Chengguan Expressway headed to Qingcheng Mountain.

- Chengguan Railway (成灌鐵路), which starts from Chengdu and ends in Dujiangyan.

Prospects of Chengguan Expressway

We expect the traffic volume of and toll income from Chengguan Expressway to increase after the opening of Chengdu Wanda Cultural Tourist Town, a regional shopping and entertainment hub consisting of multiple malls, theme parks and other entertainment facilities. In addition, as Chengguan Expressway is connected to Wenma Expressway, which is expected to be open for traffic in 2020, and Jiuwen Expressway, the opening date of which is yet uncertain, we expect that the traffic flow on Chengguan Expressway will continue to increase after Wenma Expressway and Jiuwen Expressway are open for traffic.

Chengpeng Expressway

Chengpeng Expressway is a 21.32 km, four-lane expressway, with a maximum design speed of 100 km/hour. It is a closed system expressway and commenced operations in November 2004. It is a major part of the S105 provincial expressway, which is a key component of the radial-shaped road network surrounding Chengdu and the main route into Chengdu from northern areas. The map below illustrates the location of Chengpeng Expressway and how it connects with other major roads:



The table below sets forth certain key information of Chengpeng Expressway as of the Latest Practicable Date:

Route	Starting from Xindu District (新都區) in Chengdu to the Pengzhou (彭州).
Total Length	21.32 km
Classification	Expressway
Number of Lanes	Six/Eight[(1)]
Design Capacity	79,582 vehicles per day
Maximum Design Speed	100 km/hour
Toll Collection Methods	MTC ETC Standard Payment Model[(2)]

Number of Toll Plazas	4 toll plazas (Chengdu, Pengzhou, Longqiao and Xinfan)
Toll Booths	39 MTC; 27 ETC
Number of Interchanges	5 interchanges
Expiration Date	October 2033
Beneficial Interest	99.33%
Competition	Chengmian Expressway (成綿高速)

Notes:

(1) Upon the completion of its expansion on June 30, 2018, Chengpeng Expressway has transitioned from a four-lane expressway to a six-lane expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and an eight-lane expressway for the road section between Chengdu No. 2 Ring Expressway and Chengdu Toll Plaza.

(2) The Standard Toll Collection Model was restored for Chengpeng Expressway in July 2018 after the completion of its expansion project.

Chengpeng Expressway was constructed with the aim to improve the investment environment in Xindu, Pengzhou, and other surrounding areas, stimulate the development of the tourism industry in the area, and make the residential areas nearby more accessible. Chengpeng Expressway is of great strategic importance in implementing the Western China Development Strategy and helping transform Chengdu into a national transportation hub.

In 2015, 2016, 2017 and the six months ended June 30, 2018, the daily weighted-average traffic volume of Chengpeng Expressway was 46,333, 47,408, 25,895 and 11,236 vehicles, respectively. The following tables set forth the daily weighted-average traffic volume on Chengpeng Expressway by payment model and traffic type for the periods indicated.

Daily weighted-average traffic volume	**For the year ended December 31,**			**For the six months ended June 30,**	
	2015	**2016**	**2017**	**2017**	**2018**
	(number of vehicles)				
Traffic under the Standard Toll Collection Model	10,113	9,813	5,702	8,492	2,994
Traffic under the Batch Payment Model[(1)]	36,220	37,595	20,193	31,770	8,242
Total	46,333	47,408	25,895[(2)]	40,262	11,236[(2)]

(1) For details of the Batch Payment Model, see "– Our Business Operations – Toll Collection – Batch Payment Model" in this prospectus.

(2) The decrease in daily weighted-average traffic volume in 2017 and the first half of 2018 was primarily due to the partial closure of Chengpeng Expressway as a result of its upgrade project, which was completed by June 30, 2018. See "– Road and Facility Maintenance, Repair and Upgrade – Our Expressways Expansion Project" in this prospectus.

Daily weighted-average traffic volume	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(number of vehicles)				
Passenger traffic	40,337	41,534	22,536	35,326	9,455
Freight traffic	5,996	5,874	3,359	4,936	1,781
Total	46,333	47,408	25,895	40,262	11,236

Interchanges

Chengpeng Expressway currently has five interchanges that connect to other major roads and expressways, including Chengmian Expressway (Parallel Line) (成綿復線) and Chengdu No. 2 Ring Expressway (成都第二繞城公路).

Competition

Chengpeng Expressway primarily faces competition from Chengmian Expressway, which has a length of 92.3 kilometers and starts from Chengdu and ends in Mianyang, diverting some of the traffic on Chengpeng Expressway headed towards Mianyang. See "Appendix IV – Traffic Consultant's Report – 1.1 The Routes" of this prospectus.

Prospects of Chengpeng Expressway

As part of the plan to expand Chengpeng Expressway's capacity, we have undertaken an expansion project for Chengpeng Expressway. Following the completion of the expansion project on June 30, 2018, Chengpeng Expressway has become six-lane for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and eight-lane for the road section between Chengdu No. 2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway, alleviating traffic congestion at the intersection of Chengpeng Expressway and Chengdu Ring Expressway as well as congestion caused by high volumes of northbound traffic from downtown Chengdu to other provinces. This will help make Chengpeng Expressway a main route from Chengdu to northern provinces, laying a solid foundation for our revenue growth.

After the completion of the expansion project of Chengpeng Expressway on June 30, 2018, its previously-closed section was re-opened on July 12, 2018 and we restored the Standard Toll Collection Model with increased toll rates for Chengpeng Expressway on the same day. Since its re-opening and restoration of the Standard Toll Collection Model, the daily weighted-average traffic volume of Chengpeng Expressway reached 47,409 during the period between July 12, 2018 and October 31, 2018. Given the strategic importance of Chengpeng Expressway as the main route connecting Chengdu and northern areas of Sichuan Province, the fact that its expansion effectively reduced traffic congestion throughout the expressway and around its intersections with connecting expressways, thereby increasing its attractiveness to passengers, as well as the actual traffic volume increasing to the level close to what was before the start of the expansion project, we do not expect the restoration of the Standard Toll Collection Model will have any material adverse effect on the traffic volume on Chengpeng Expressway.

Chengwenqiong Expressway

Chengwenqiong Expressway is a 65.60 km, six-/four-lane, asphalt-concrete-paved, and closed-system expressway located within Chengdu, with a maximum design speed of 100 km/hour. It was reconstructed from the Chengdu portion of the G318 national expressway and commenced operations in January 2005. The map below illustrates the location of Chengwenqiong Expressway and how it connects with other major roads:



The table below sets forth certain key information of Chengwenqiong Expressway as of the Latest Practicable Date:

Route	Starting from Qingyang District (青羊區) and ends in Qionglai County (邛崍).
Total Length	65.60 km
Classification	Expressway
Number of Lanes	Six/Four
Design Capacity	31,355 vehicles per day
Maximum Design Speed	100 km/hour
Toll Collection Methods	MTC ETC Batch Payment (applicable to vehicles with Local Licenses)
Number of Toll Plazas	12 toll plazas (Wenjia, Qionglai, Wenjiang, Wenjiang North, Jinma, Yangma, Chongzhou, Chongzhou West, Baitou, Dayi East, Dayi, Wangsi)
Toll Booths	92 MTC; 40 ETC
Number of Interchanges	8 interchanges
Expiration Date	January 2035
Competing Roads/ Other Transportation Methods	Chengwenqiong Freeway (成溫邛快速通道), Chengya Expressway (成雅高速); Chengdu subway line No. 4

Chengwenqiong Expressway runs through Wenjiang, Chongzhou, Dayi and Qionglai and is of economic and cultural significance to western Chengdu. Wenjiang is recognized as the most habitable town in Chengdu; Chongzhou is known as the Capital of Shoes for Women; Dayi is the cradle for Taoism; and Qionglai is the largest liquor production base in China. In addition to the above, spread along the Chengwenqiong Expressway are numerous historical and natural heritages, including Xiling Snow Mountain (西嶺雪山), and Tiantai Mountain (天台山), among others. Moreover, Chengwenqiong Expressway is also a key expressway connecting Chengdu to Tibet and Yunnan.

In 2015, 2016, 2017 and the six months ended June 30, 2018, the daily weighted-average traffic volume of Chengwenqiong Expressway was 46,029, 46,343, 47,788 and 51,945 vehicles. The following tables set forth the daily weighted-average traffic volume on Chengwenqiong Expressway by payment model and traffic type for the periods indicated.

Daily weighted-average traffic volume	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(number of vehicles)				
Traffic under the Standard Toll Collection Model	5,478	5,493	5,843	5,759	6,165
Traffic under the Batch Payment model[(1)]	40,551	40,850	41,945	41,552	45,780
Total	46,029	46,343	47,788	47,311	51,945

(1) For details of the Batch Payment model, see "– Our Business Operations – Toll Collection – Batch Payment Model" in this prospectus.

Daily weighted-average traffic volume	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(number of vehicles)				
Passenger traffic	38,971	38,857	40,095	39,682	44,040
Freight traffic	7,058	7,486	7,693	7,629	7,905
Total	46,029	46,343	47,788	47,311	51,945

Interchanges

Chengwenqiong Expressway currently has eight interchanges, connecting Chengwenqiong Expressway to other major roads and expressways including Chengdu Ring Expressway (成都繞城公路), Chengdu No. 2 Ring Expressway (成都第二繞城公路) and S8 Qiongming provincial expressway (邛名高速).

Competition

Chengwenqiong Expressway faces competition from the following roads. See "Appendix IV – Traffic Consultant's Report – 1.1 The Routes" of this prospectus.

- Chengwenqiong Freeway (成温邛快速通道), which has a length of 52.6 kilometers and starts from Shuangliu and ends in Qionglai. Chengwenqiong Freeway is toll-free and diverts some of the traffic on Chengwenqiong Expressway headed towards Wenjiang.

- Chengya Expressway (成雅高速), which has a length of 141.2 kilometers and starts from Chengdu and ends in Ya'an. Chengya Expressway is a toll road and diverts some of the traffic on Chengwenqiong Expressway headed towards Ya'an.

In addition, Chengwenqiong Expressway faces competition from alternative transportation options, such as Chengdu subway line No. 4 which diverts some of the traffic on Chengwenqiong Expressway headed towards Wenjiang.

Prospects of Chengwenqiong Expressway

With the continued implementation of the Western China Development Strategy, we generally expect that the economy of western China will experience further growth, which will increase the demand for passenger and freight transportation. Chengwenqiong Expressway conveniently connects key metropolitan areas west of Chengdu, such as Wenjiang, Chongzhou, Dayi and Qionglai, connects to Yunnan via S8 Qiongming provincial expressway – Chengya Expressway – Yaxi Expressway – Xipan Expressway, and connects to Tibet via S8 Qiongming provincial expressway – Chengya Expressway – Yakang Expressway – G318 national expressway. In the future, with the further development of the road network in nearby area, it will help strengthen the ties among regions along its way, facilitate the effective integration of socio-economic resources across the regions, and enhance the development potential of metropolitan areas west of Chengdu.

Chengwenqiong Expressway currently adopts Batch Payment Model for toll collection. As advised by MA, our traffic consultant, factors that will have an impact on its traffic volume include, among others, when the Chengwenqiong Expressway will undertake an expansion project similar to the Chengpeng expansion project leading to the restoration of the Standard Toll Collection Model, the details of such project such as the scale of the project, toll standards to be adopted following the completion of the project, and how the traffic situation and infrastructure in and around Chengdu will be at the time of the project. As of the Latest Practicable Date, there was no current specific or concrete plan and timetable to restore the Standard Toll Collection Model for Chengwenqiong Expressway. Notwithstanding the uncertainty of these factors, as a matter of principle, we only intend to undertake any expansion project that may lead to the restoration of the Standard Toll Collection Model, if the project will be financially beneficial to us based on properly-conducted feasibility studies. On that basis and given the strategic positioning and commercial value of Chengwenqiong Expressway,

even if the Standard Toll Collection Model were to be restored for Chengwenqiong Expressway, we do not expect the restoration will have any material adverse effect on our business and financial results. For a more detailed description on the relevant risks, see "Risk Factors – Risks Relating to Our Business – Any decline in traffic volume may adversely affect our revenue and earnings."

Chengdu Airport Expressway

Chengdu Airport Expressway is an 11.98 km, four-lane asphalt-concrete-paved expressway, with a maximum design speed of 100 km/hour. This expressway was constructed as a closed system expressway and commenced operations in July 1999. It is the main expressway connecting downtown Chengdu with Chengdu Shuangliu International Airport ("Shuangliu Airport"). The map below illustrates the location of Chengdu Airport Expressway and how it connects with other major roads:



The table below sets forth certain key information of Chengdu Airport Expressway as of the Latest Practicable Date:

Route	Starting from Chengdu South Railway Station Viaduct (成都火車南站立交橋) to Shuangliu Airport Terminal 1 (雙流機場T1航站樓).
Total Length	11.98 km
Classification	Expressway
Number of Lanes	Four
Design Capacity	35,929 vehicles per day
Maximum Design Speed	100 km/hour

Toll Collection Methods	MTC
	ETC
Number of Toll Plazas	1 toll plaza
Toll Booths	8 MTC; 3 ETC
Number of Interchanges	3 interchanges
Expiration Date	December 2024
Beneficial Interest	55%
Competition	Chengdu Subway Line No. 10

Shuangliu Airport is one of the busiest civil aviation hubs in western China, handling 49.8 million passengers in 2017. As the main expressway connecting Shuangliu Airport and downtown Chengdu, Chengdu Airport Expressway has a significant impact on the daily operation of the Shuangliu Airport.

In 2015, 2016, 2017 and the six months ended June 30, 2018, the daily weighted-average traffic volume of Chengdu Airport Expressway was 32,271, 38,864, 43,147 and 42,464 vehicles, consisting solely of passenger traffic.

Interchanges

Chengdu Airport Expressway currently has three interchanges that connect to other major roads and expressways, including the No. 3 Ring Road (三環路), and Chengdu Ring Expressway (成都繞城高速).

Competition

Chengdu Airport Expressway currently faces competition from Chengdu subway line No. 10 which diverts some traffic volume on Chengdu Airport Expressway.

Prospects of Chengdu Airport Expressway

The traffic volume of Chengdu Airport Expressway is closely related to the passenger throughput of Shuangliu Airport, which hinges on the GDP and tourism growth of Chengdu. Considering the expected upwards trend of Chengdu's GDP and the growth of the tourism industry, we expect passenger throughput of Shuangliu Airport to further increase, leading to higher traffic volume on the Chengdu Airport Expressway. In addition, a second airport in Chengdu, Tianfu International Airport (成都天府國際機場), is currently under construction and phase one is expected to be completed in 2020 while the Shuangliu Airport will continue to be in operation. As of the Latest Practicable Date, there had not been any arrangement made regarding the traffic allocation between Shuangliu Airport and Tianfu International Airport to our knowledge. We cannot assure you that there will not be a decrease in traffic volume on Chengdu Airport Expressway after the Tianfu International Airport commences operation. See "Risk Factors – Risks Relating to Our Business – Any decline in traffic volume may adversely affect our revenue and earnings" in the prospectus.

Arrangements between Shareholders

No separate joint venture agreement has been signed between the shareholders of Chengdu Airport Expressway Company.

Pursuant to the articles of association of Chengdu Airport Expressway Company, certain significant matters require the approval of more than two-thirds of its shareholders, including (i) increases or decreases in registered capital, (ii) mergers or spin-offs related to Chengdu Airport Expressway Company, (iii) termination or winding up of Chengdu Airport Expressway Company, (iv) any change in company form of Chengdu Airport Expressway Company, (v) the establishment of any branch company and (vi) any amendments to the articles of association. Except for the above matters, a simple majority is required.

In addition, shareholders may transfer their equity interests in the company among themselves, to the extent there are at least two remaining shareholders. If a shareholder intends to transfer its equity interest to a third party, approval from a majority of the shareholders is required and other shareholders have the right of first refusal.

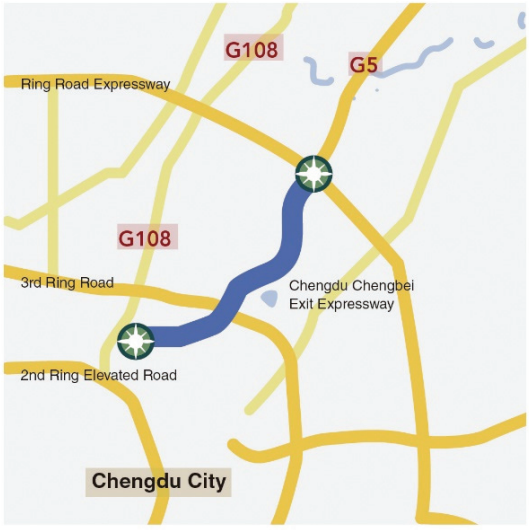
Furthermore, dividends shall be declared by the board of directors and approved by the shareholders by way of simple majority and will be distributed to the shareholders in accordance with their equity interests in Chengdu Airport Expressway Company.

We have appointed Wang Xiao as the Director, Chairman and Chief Manager of Chengdu Airport Expressway Company, Huang Lizhu as a Director, and Xu Jingxian as a Supervisor.

Expressway We Have Investments In

Chengbei Exit Expressway

We hold 40% of the equity interests in Chengbei Exit Expressway. Chengbei Exit Expressway is a 10.35 km, six-lane asphalt-paved expressway, with a maximum design speed of 100 km/hour. This expressway was constructed as a closed system expressway and commenced operations in December 1998. It is an important expressway connecting downtown Chengdu with Chengmian Expressway (成綿高速) and Chengdu Ring Expressway (成都繞城高速). The map below illustrates the location of Chengbei Exit Expressway and how it connects with other major roads:



The table below sets forth certain key information of Chengbei Exit Expressway as of the Latest Practicable Date:

Route	Starting from Qinglongchang Viaduct (青龍場高架橋) in Chengdu to the White Crane Forest (白鶴林).
Total Length	10.35 km
Classification	Expressway
Number of Lanes	Six
Design Capacity	48,817 vehicles per day
Maximum Design Speed	100 km/hour

Toll Collection Methods	MTC
	ETC
	Batch Payment
Number of Toll Plaza	1 toll plaza
Toll Booths	21 MTC; 6 ETC
Number of interchange	1 interchange
Expiration Date	June 2024
Beneficial Interest	40%
Competition	Chengqingjin Freeway (成青金快速通道)

Chengbei Exit Expressway forms part of the G5 Beijing-Kunming national expressway. Chengbei Exit Expressway directly connects to the key route of Chengmian Expressway and passes through the Mianyang National Economic and Technological Development Zone, as well as numerous tourist attractions, such as the Thousand Buddha Mountain (千佛山), Xunlong Mountain (尋龍山) and Taibai House (太白故居).

Competition

Chengbei Exit Expressway primarily faces competition from Chengqingjin Freeway (成青金快速通道), which has a length of 31.2 kilometers and starts from Chengdu and ends in Jintang County. Chengqingjin Freeway is toll-free and diverts some of the traffic on Chengbei Exit Expressway headed towards Jintang County. See "Appendix IV – Traffic Consultant's Report – 1.1 The Routes" of this prospectus.

Prospects of Chengbei Exit Expressway

As most of the exit points of Chengbei Exit Expressway are located within Chengdu, the economic development of Chengdu has a significant impact on the traffic volume of Chengbei Exit Expressway. In addition, the board of directors of Chengbei Expressway Company approved a resolution in May 2018 to carry out a maintenance project for a portion of Chengbei Expressway with a length of 2,724 meters. We expect this maintenance project to be carried out in 2019 and last for approximately three months, during which this portion of Chengbei Expressway will be closed off. Traffic volume on the Chengbei Expressway may be negatively affected during this period as a result.

Arrangements between Shareholders

The board of directors of Chengbei Exit Expressway Company comprises five directors, of which two directors are nominated by us. Certain significant matters require approval of more than two-thirds of its shareholders, including (i) increases or decreases in registered capital, (ii) mergers or spin-offs related to Chengbei Exit Expressway, (iii) termination or winding up of Chengbei Exit Expressway Company, (iv) changes in company form of Chengbei Exit Expressway Company, (v) establishment of any branch company and (vi) any amendments to the articles of association. Except for the matters above, a simple majority is required to approve other matters at the shareholders' meeting.

Pursuant to the articles of association of Chengbei Exit Expressway Company, shareholders may transfer their equity interests in the company among themselves, to the extent there are at least two remaining shareholders. If a shareholder intends to transfer its equity interest to a third party, approval from a majority of the shareholders is required and other shareholders have the right of first refusal. Dividends shall be declared by the board of directors and will be distributed to the shareholders in accordance with their equity interests in Chengbei Exit Expressway Company.

Pursuant to the articles of association of Chengbei Exit Expressway Company, we have appointed Yang Bin as the vice chairman and general manager of Chengbei Exit Expressway Company and Wang Wei as the deputy general manager of Chengbei Exit Expressway Company.

Concession and Operating Period

According to the relevant approvals granted by the Sichuan Provincial Government, we obtained concession rights to operate, manage and develop all of our expressways and toll entitlements for a term ranging from 25 years to 30 years. The remaining operating period of our expressways ranges from six years to 16 years. Pursuant to the Regulation on the Administration of Toll Roads (《收費公路管理條例》) promulgated by the State Council, which became effective on November 1, 2004, we have the exclusive right to collect tolls at rates set by relevant government authorities and we are responsible for the daily operation and maintenance of expressways, hiring qualified toll collection personnel and dealing with any emergency on our expressways. For details on the governmental approvals we have received for the service concession arrangements, please see "– Licenses, Permits and Approvals."

The table below sets forth certain key terms of our service concession arrangements.

Name	Commencement of Concession Rights	Expiration of Concession Rights	Rights and Obligations under Concession Arrangement
Chengguan Expressway . . .	July 2000	July 2030	Collect tolls from certain passing-by vehicles at rates approved by competent government authorities; manage toll collection and the maintenance of the expressway and related infrastructure
Chengpeng Expressway . . .	November 2004	October 2033	Collect tolls from certain passing-by vehicles at rates approved by competent government authorities; manage toll collection; perform construction services
Chengwenqiong Expressway	January 2005	January 2035	Collect tolls from certain passing-by vehicles at rates approved by competent government authorities; manage toll collection; perform construction services
Chengdu Airport Expressway	July 1999	December 2024	Collect tolls from certain passing-by vehicles at rates approved by competent government authorities; manage toll collection

In July 2015, a revised consultation draft of the "Regulation on the Administration of Toll Roads" (《收費公路管理條例》(修正案徵求意見稿)) was issued to seek public opinions and feedback. It allows for the operating period for certain toll roads with large-scale investment and long investment cycle to be extended beyond 30 years upon approval. However, the consultation draft has not come into effect as of the Latest Practicable Date. For more information, see "Regulatory Environment – Main Laws and Regulations Relating to PRC Highway Industry," and "Risk Factors – Risks Relating to Our Business – We may fail to renew or extend the duration of our right to operate our expressways with the government" in this prospectus.

The main role of the relevant PRC government(s), including the transportation authorities of the people's governments of provinces, in planning the development of expressway network is formulating expressway planning in accordance with the national socioeconomic and national defense needs, promoting the improvement of relevant laws and regulations, promoting the implementation of toll road policies, and promoting more efficient operations of the national expressway network, etc.

According to the Highway Law, the national and provincial expressway network in the PRC is designed by the state or provincial transportation department, as the case may be, and is approved by the people's government at the same level. The county-level expressway network is designed by the transportation department of county level and is approved by its higher level government. Any expressway that we may acquire must fall within the scope of the National Highway Network Planning (2013-2030) and the planning of in-charge local government authorities.

According to the Highway Law and the Administration of Toll Roads, the applicable toll rates under the service concession right to be awarded shall be ultimately approved by provincial government. Similarly, according to Measures for the Transfer of Rights and Interests in Toll Roads, the transfer of the right to collect tolls shall be subject to the approval of provincial people's government or the transport administrative department of the State Council.

Toll Collection

We primarily engage in toll collection in our daily operations. Vehicles passing through our toll plazas pay tolls at rates based on vehicle specifications, weight and distance traveled. We have two toll collection methods, namely the Standard Toll Collection Model, including MTC and ETC, and the Batch Payment Model. High-definition surveillance cameras are installed at our toll plazas, toll lanes, and inside the toll booths, enabling us to timely monitor the traffic at each of the toll plazas and evaluate the performance of our toll collection personnel. Our toll receipts are calculated based on the report prepared by the Sichuan Expressway Settlement Center, which records the route and mileage information of each vehicle that accessed our expressways.

Standard Toll Collection Model

MTC

MTC is the most commonly used toll collection method in our daily operations. As of the Latest Practicable Date, 202 of our 312 toll booths were designated for MTC and there were 1,050 trained personnel working at toll booths responsible for toll ticket and collecting toll each time a vehicle passes.

ETC

We setup ETC lanes on our expressways in 2014 pursuant to the *Notice on the Trial Operations of the First ETC Lanes of the Expressways in Sichuan Province* (《關於第一批四川省高速公路電子不停車收費(ETC)車道開通試運行的通知》) issued by the Expressway Management Bureau of the Department of Transportation of Sichuan Province, which aims to eliminate congestion on toll roads by collecting tolls electronically. ETC automatically determines whether the vehicles passing through have the ETC equipment necessary for electronic toll collection, alerts our employees about vehicles without such equipment, and stops such vehicles from passing through. As of the Latest Practicable Date, 110 of our 312 toll booths were designated for ETC.

We settle tolls collected under our MTC and ETC models according to our agreement with the Sichuan Expressway Settlement Center, and typically receive such tolls according to the settlement schedules set by the Sichuan Expressway Settlement Center. See "– Toll Settlement System" below.

Batch Payment Model

During the Track Record Period, we adopted the Batch Payment Model for passenger vehicles with Local Licenses using Chengpeng Expressway and all vehicles with Local Licenses using Chengwenqiong Expressway. Eligible vehicles can pass through the toll plazas on these two expressways without making toll payment. The relevant local government authorities will pay us toll fees in accordance with the agreements they have with Chengpeng Expressway Company and Chengwenqiong Expressway Company, as applicable.

Old Batch Payment Agreements

We first implemented the Batch Payment Model in 2008 under the batch payment agreements between Chengpeng Expressway Company and Chengwenqiong Expressway Company and the relevant local government authorities, which were subsequently revised in 2011 and 2014 (the "Old Batch Payment Agreements").

Under our concession arrangements, we are authorized to collect tolls using the Standard Toll Collection Model for our expressways. The Batch Payment Model was adopted for Chengpeng Expressway and Chengwenqiong Expressway against the background of the implementation of Chengdu Municipal Government's "Three Rails and Nine Roads" construction plan for urban and rural development. At the request of local governments located alongside the Chengpeng Expressway and Chengwenqiong Expressway, the Chengpeng Expressway Company and Chengwenqiong Expressway Company entered into the batch payment agreements with relevant local government authorities to further alleviate traffic congestion, achieve balanced allocation and optimized utilization of road resources, and boost local economic development. No such request was made by local government authorities regarding Chengguan Expressway and Chengdu Airport Expressway.

The following table sets forth key terms of the Old Batch Payment Agreements, as amended in 2014.

	Chengpeng Expressway	Chengwenqiong Expressway
Period	Starting from February 1, 2014 until the Standard Toll Collection Model is restored	Starting from June 1, 2014 until the Standard Toll Collection Model is restored or any new payment regime goes into effect
Pricing	Fixed annual fee of RMB72.6 million which takes into consideration, among various other factors, traffic volume information and growth trend	Fixed annual fee of RMB193.6 million which takes into consideration, among various other factors, traffic volume information and growth trend
Payment Term	Quarterly	Monthly/Quarterly
	If there is any delay in payment, we are entitled to request the Chengdu Municipal Bureau of Finance to withhold the corresponding overdue balance from the budget of the defaulting local government.	

As advised by our PRC Legal Adviser, the Old Batch Payment Agreements did not violate the PRC Highway Law ("中華人民共和國公路法") or other relevant PRC laws and regulations and were valid and binding under PRC laws within the validity period of such agreements.

New Batch Payment Agreements

In June 2017, Chengpeng Expressway Company and Chengwenqiong Expressway Company both entered into new batch payment agreements (the "New Batch Payment Agreements") with relevant government authorities. The New Batch Payment Agreements became effective on July 1, 2017 and revised the calculation method for the Batch Payment Model to take into account real-time traffic information, the standard toll rates of relevant toll roads, as well as factors affecting future traffic, such as the forecast of economic growth and consumption level, changes in road layout, and the potential upside impact on traffic volume under the Batch Payment Model.

The following table sets forth the key terms of the New Batch Payment Agreements.

	Chengpeng Expressway	Chengwenqiong Expressway
Period	From July 1, 2017 until the Standard Toll Collection Model is restored(1)	From July 1, 2017 until the Standard Toll Collection Model is restored or any new payment regime goes into effect(2)
Pricing	Monthly traffic volume of passenger vehicles with Local Licenses × toll rates per vehicle × 70%(3)	Monthly traffic volume of vehicles with Local Licenses × toll rates per vehicle × 70%(2)
Payment Term	Quarterly	Monthly
	If there is any delay in payment, we are entitled to request the Chengdu Municipal Bureau of Finance to withhold the overdue balance from the budget of the defaulting local government.	
	For payment overdue more than three months, the Chengdu Municipal Bureau of Finance and the Chengdu Municipal Transportation Committee shall assist with the collection and we are entitled to interests on overdue payment.	

Notes:

(1) Following the completion of Chengpeng Expressway's expansion, the Standard Toll Collection Model was restored on July 12, 2018. The local governments alongside Chengpeng Expressway proposed to restore the Standard Toll Collection Model because, following the completion of the expansion, the traffic volume on Chengpeng Expressway is expected to grow significantly, leading to significant increases in batch payment to be borne by the relevant local governments under the batch payment model.

(2) As of the date of this prospectus, we were not aware of any specific or concrete plan and timetable to implement any expansion project for Chengwenqiong Expressway similar to that of Chengpeng Expressway which may lead to the restoration of the Standard Toll Collection Model on Chengwenqiong Expressway.

(3) The discount rate is determined by the Chengdu Municipal Government based on factors affecting future traffic volumes, such as the forecast of economic growth and consumption level, changes of road layout, and the potential upside impact on traffic volume under the Batch Payment Model.

As advised by our PRC Legal Adviser, the New Batch Payment Agreements do not violate the Highway Law or other relevant PRC laws and regulations and are valid and binding under PRC laws.

Revenue from Batch Payment Model

The toll revenue generated from the Batch Payment Model was RMB257.1 million, RMB257.5 million, RMB287.2 million and RMB158.9 million in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively. The table below sets forth our Batch Payment revenue derived from Chengpeng Expressway and Chengwenqiong Expressway for the periods indicated.

		For the Year Ended December 31,			For the Six Months Ended June 30,	
		2015	**2016**	**2017**	**2017**	**2018**
					(unaudited)	
Revenue from Batch Payment (RMB'000)	Chengpeng Expressway	70,113	70,251	44,143	35,123	7,825
	Chengwenqiong Expressway	186,970	187,271	243,046	93,658	151,109
	Total	257,083	257,522	287,189	128,781	158,934
As a Percentage of Toll Revenue of the Respective Expressway (%)	Chengpeng Expressway	65.4	66.0	66.3	68.4	57.3
	Chengwenqiong Expressway	71.6	72.2	75.9	71.8	79.9
As a Percentage of Our Total Toll Revenue (%)	Chengpeng Expressway	9.0	8.9	5.3	9.0	1.8
	Chengwenqiong Expressway	24.0	23.8	28.9	23.9	34.7
	Total	33.0	32.7	34.2	32.9	36.5

We started to generate revenue under the New Batch Payment Model from Chengpeng Expressway and Chengwenqiong Expressway on July 1, 2017. We recognize toll revenue under the Old Batch Payment Model and New Batch Payment Model in the same manner as those subject to the Standard Toll Collection Model. Had the New Batch Payment Agreements been in effect throughout the three years ended December 31, 2017 for Chengpeng Expressway and Chengwenqiong Expressway, we estimate our toll revenue would have increased by RMB89.4 million, RMB91.9 million and RMB42.3 million, for the years ended December 31, 2015, 2016 and 2017, respectively. During the same period, we estimate that our gross profit would have increased by RMB89.4 million, RMB91.9 million and RMB42.3 million, respectively. The estimated revenue and gross profit above were for illustration purpose only, and were calculated based on the (i) the toll collection formula under the New Batch Payment Model, (ii) the average toll rate for freight vehicles with Local Licenses on Chengwenqiong Expressway, and (iii) the assumption that traffic volume and cost of sales under the New Batch Payment Model remain the same as the actual traffic volume and cost of sales under the Old Batch Payment Model during the relevant period.

During the Track Record Period, we experienced delays in payments from local governments who are parties to the Batch Payment Agreements under the Old Batch Payment Model. Our trade receivables for toll revenue generated from the Batch Payment Model was RMB375.8 million, RMB3.6 million, RMB25.7 million and RMB31.4 million as of December 31, 2015, 2016, 2017 and June 30, 2018, respectively. All outstanding amounts as of June 30, 2018 had been fully settled as of the Latest Practicable Date. See "Risk Factors – Risks Relating to Our Business – We are exposed to risks in delayed payment of toll revenue collected under our Batch Payment Model, which may negatively affect our financial position, profitability and cash flow" in this prospectus.

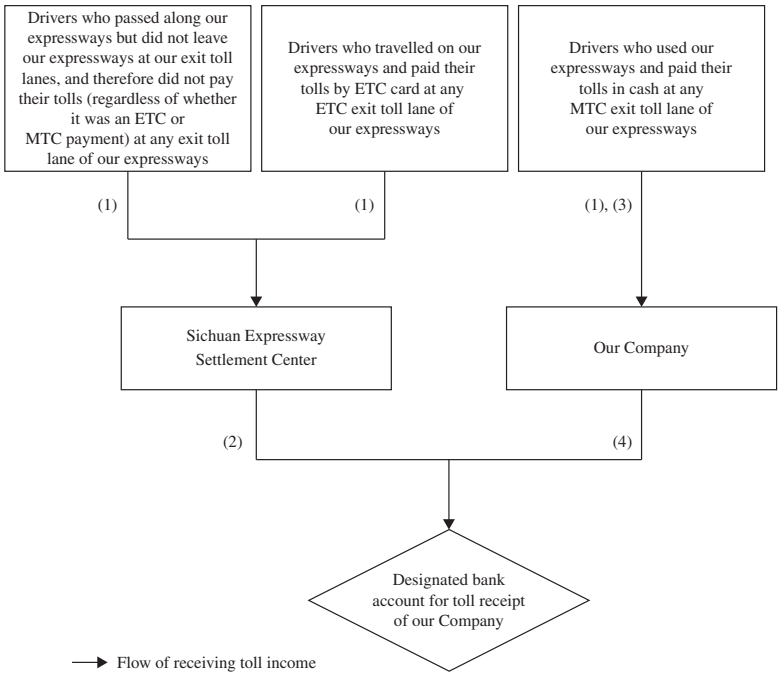
Toll Settlement System

Expressways in Sichuan province are inter-connected. Vehicles traveling on an expressway may continue to travel onto another connecting expressway without passing through another toll booth or otherwise making any toll payment to the operator of the first expressway at the time of exit. As a result, the toll income arising from vehicles that have passed through an expressway but continue to travel onto a connecting expressway could not be collected by the operator of the first expressway directly at the time. Sichuan Expressway Settlement Center is the government agency in charge of toll collection and settlement, utilizing a centralized inter-network toll collection system that integrates the billing systems of different expressway operators and Sichuan Expressway Settlement Center will gather the toll collection information from the entrance and exits of the expressways within the expressway network in Sichuan province on a real-time basis and allocate the tolls collected among expressway operators based on the vehicle's entry and exit information. When a vehicle enters an expressway covered by the system using either the MTC pass card, which can be used on all the expressways we operate except Chengdu Airport Expressway, or ETC equipment, information such as vehicle type and the location of entrance are recorded in the system. Multiple surveillance points set up by the Sichuan Expressway Settlement Center along the expressways keep track of the vehicles' traveling path on the expressways. When the vehicle arrives at a toll plaza and returns the MTC pass card or exits the ETC Lane, the system automatically calculates the amount of toll payable based on factors including the point of entry and exit, distance traveled, vehicle type and weight carried, and the toll is collected by the expressway operator of the exit toll lane (if the driver pays the toll in cash) or the Sichuan Expressway Settlement Center (if the driver pays the toll by other means).

In accordance with the arrangement among Sichuan Expressway Settlement Center, the relevant banks and us, the Sichuan Expressway Settlement Center records the traveling path and mileage information of each vehicle that accessed our expressways through the inter-network toll collection system. It then compiles a reconciliation statement with such information and their calculation of toll receivables for our confirmation. Our designated employees verify the amount of tolls set out in the reconciliation statement with our internal record and the record of the designated bank account for toll receipt. Once confirmed, the Sichuan Expressway Settlement Center sends to us toll payments to which we are entitled but were collected by other expressway operators and at the same time collects from us toll payments we collected but are attributable to other expressway operators. The settlement schedule is normally T+1 for MTC and T+3 for ETC. Under the Old Batch Payment Model, tolls are settled with the relevant local governments directly. Under the New Batch Payment Model, the Sichuan Expressway Settlement Center is responsible for collecting traffic volume data of vehicles and calculating the amount of toll payable but is not involved in the fee settlement process, which is handled by the relevant local governments.

Our right to receive payment for toll income arises at the time when vehicles enter our expressways, rather than when the Sichuan Expressway Settlement Center confirms the amount of toll to be collected. The relevant toll revenue is recognized as the services relating to the toll road use by vehicles are provided and the related toll revenue amount we are entitled to has been confirmed with the Sichuan Expressway Settlement Center. In the past, there were incidents of discrepancies between the toll amount calculated by the Sichuan Expressway Settlement Center and us, which were later resolved and did not have any material impact on our financial performance. For a more detailed description, see "Risk Factors – Risks Relating to Our Business – Our expressway operations may be subject to operational risks" in this prospectus.

The diagram below shows the flow of receiving our toll income:



Notes:

(1) These tolls are calculated and allocated to us by the Sichuan Expressway Settlement Center on the basis of the point of entry and exit, distance traveled, vehicle type and weight carried

(2) In respect of the total toll income entitlement of our Company for a certain month, the Sichuan Expressway Settlement Center normally conducts a settlement process of T+1 for MTC and T+3 for ETC. Upon calculation and allocation of the total toll income entitlement of our Company, the Sichuan Expressway Settlement Center usually deposits the total toll income entitlement of our Company of that month, net of the tolls collected by our Company in that month, into the designated bank account for toll receipt of our Company by wire transfer generally within two to three months thereafter

(3) Drivers may pay their tolls in cash at a MTC exit toll lane of our expressways

(4) Our Company deposits the toll payment collected in cash into our designated bank account for toll receipt on a daily basis

Controls implemented for MTC and ETC toll collection

With respect to MTC, we closely monitor the collection of MTC tolls to minimize toll evasion. Vehicles may pass our automated toll gates only after paying tolls. Our automated toll collection system records every abnormal lifting of the toll gate, which we then investigate. Our toll collection personnel must issue a toll invoice to each vehicle passing through the toll booth and place all cash received into a sealed box and make a book entry. At the end of each shift, the toll collector delivers the box and the toll receipt to the plaza bookkeeper, who checks the cash received against the invoice amount. Any shortfall in cash received must be made up by the responsible toll collector. In addition, we conduct spot checks regularly during daytime and night shifts. We have also installed a 24/7 video surveillance system and electronic invoice system to monitor traffic flows and toll collection at our toll plazas. Monitors of the video surveillance system are required to report any unusual activity.

We adopt the following measures to ensure our toll collection procedures are strictly followed:

- closed-circuit televisions are installed at toll booths and bookkeeping rooms to monitor the activities of operators;

- automated gates are installed at toll plazas to ensure that each vehicle has paid tolls prior to leaving the tolls plaza; and

- supervisors (including managers, inspectors and monitoring personnel) are stationed at toll plazas to perform random checks and review the amount of tolls collected.

In addition, we have also pilot tested an automated ticketing device (自動發卡機) and frictionless payment technology (無感支付) on Chengguan Expressway. Our automated ticketing device captures the vehicle's license information as the vehicle approaches the toll booth and records the relevant information on the card automatically issued to drivers. Frictionless payment technology will enable automatic identification of license plate and online payment for vehicles with smartphone device. We believe such innovative technologies will reduce the need for manual toll collection and the related labor cost, shorten the toll cards issuance time, and alleviate congestion at toll plazas. We plan to increase the coverage of automated ticketing devices and frictionless payment technology to our expressways.

For our ETC tolls, our tool booths are able to alert us in case of abnormal situations and stops the vehicle from passing through. Such situations include, among others, when the vehicle does not have valid ETC equipment, has been blacklisted, or did not enter our expressways from a valid point. In addition, we have completed upgrading our expressways to make ETC lanes available at all of our toll booths. Such upgrade can effectively alleviate the congestion at our toll plazas and surrounding areas.

Traffic Management

We believe that adopting effective traffic management, optimizing tool collection process and facilitating convenient, fast and safe transit are the keys to establishing and maintaining our expressways our passengers' top choice.

In order to improve our operational efficiency, all of our expressways are equipped with ETC lanes. See "– Toll Collection" above. To better serve our customers, we have adopted standardized operation and service procedures. We provide regular trainings to our employees with an aim to improve their toll collection efficiency. We also have high-definition surveillance cameras installed at the toll plazas, toll lanes, and inside the toll booths, which enables us to timely monitor the traffic and react efficiently to emergencies and adverse weather conditions. As of the Latest Practicable Date, we had 867 surveillance cameras installed on our expressways.

Our measures to enhance our traffic management of our expressways includes the following:

- *Dedicated teams for traffic management and emergency response*

  We have set up a safety control department as a high-level traffic coordination unit. Our dedicated teams regularly patrol the respective sections of expressways they are responsible for and attend to any emergencies as soon as they occur, whether caused by accidents or bad weather conditions. Each of the teams consists of a person-in-charge and a road emergency rescue team. The rescue team is equipped with tools, machineries and vehicles specifically designed for road clearance post accidents and is also responsible for the clearance of road blockage or congestion. We have staff on shift-duty at our safety control department, which operates 24 hours a day to ensure efficient traffic management around the clock.

- *Close coordination with government agencies*

  We have an established cooperative relationship with traffic police, which helps us manage the traffic flow on our expressways during emergencies and under adverse weather conditions. Our safety control department actively liaises with the traffic police and provides prompt instructions to our employees and contractors in order to achieve efficient management of traffic flow. Such measures include sending our road emergency rescue teams to assist the patrol officers on-site to remove blockages and direct traffic to pass by accident scenes. We aim to minimize congestion and address any disruptive events on our expressways as soon as we can. During severe weather conditions (such as heavy snow or fog), we may temporarily close portions of our expressways with the assistance of police officers to ensure the safety of passengers. We also conduct drills with traffic police on a regular basis to familiarize ourselves with emergency response protocols and improve our traffic coordination capability.

- *Comprehensive monitoring and information publishing system*

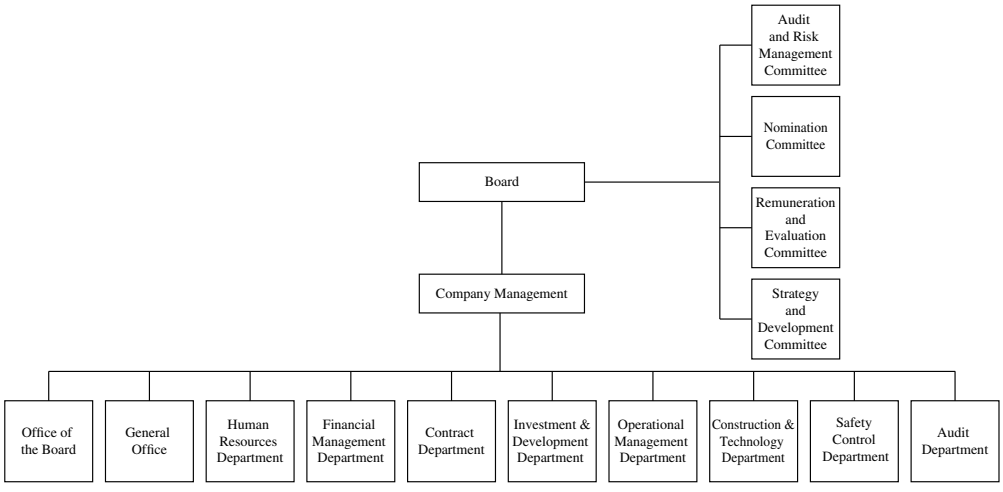
  We have installed a comprehensive monitoring system to enhance our operational efficiency, featuring 360-degree, high-definition surveillance cameras at all our toll plazas and along our expressways that allow our staff to have an all-rounded and detailed view of our expressways at all times. The system transmits images and videos captured through fiber optics and 4G mobile network to our safety control department to allow for real-time traffic coordination and prompt responses to emergencies. We have also placed LED message boards along our expressways to keep passengers up-to-date with real-time congestion and diversion information and alert passengers about severe weather conditions.

We have a set of established traffic management procedures in place to manage traffic and ensure the smooth operation of our expressways. We also have contingency plans for accidents, collisions, leakages of toxic chemicals or radioactive materials, natural disasters, extreme weather conditions, as well as the resulting congestion from such conditions. For example, under adverse weather conditions (such as snow storms and heavy fog), we will liaise with relevant government authorities including patrol officers and the road administration bureau to dispatch police vehicles to help direct vehicles to pass through our expressways in an organized and safe manner.

To ensure the aforementioned procedures are fully enforced, we have established working groups responsible for traffic management and coordination, accident rescue, and information collection and analysis. A group of senior management supervises and oversees the entire emergency management process.

Management and Operating Staff

The main organizational structure of our Company in respect of our expressway business is set out in the diagram below:



Functions of the committees and major units of our expressway operation in the diagram above are as follows:

Audit and Risk Management Committee	Responsible for assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.
Nomination Committee	Responsible for reviewing the structure, number of members and composition of our Board, studying the standards for the election of Directors and senior management members; searching for qualified candidates for Directors and senior management members.
Remuneration and Evaluation Committee	Responsible for advising the Board on the overall remuneration policy and framework for Directors and senior management members, studying assessment criteria, procedures, remuneration and rewards and punishment policies for Directors and senior management members and submitting it to the Board for approval.
Strategy and Development Committee	Responsible for establishing the basic framework for our Company's strategy-making procedures, studying and advising on our Company's medium and long-term strategic development plan, major financing and investment plans and annual business plan.
Office of the Board	Responsible for Board-related matters, including the management of daily operations, information disclosure, investor relationship
General Office	Responsible for administrative matters, including overall coordination, documentation, filing and back-office operations, and performance evaluation
Human Resources Department	Responsible for employee recruitment, training, assessment and remuneration

Financial Management Department	Responsible for accounting, capital management, funding and financing management
Contract Department	Responsible for contract review and management, price control, and bidding
Investment & Development Department	Responsible for the investment management, projects coordination and strategies development
Operational Management Department	Responsible for the management of toll collection, assets and operations
Construction & Technology Department	Responsible for expressway maintenance and management and construction-related matters
Safety Control Department	Responsible for matters related to construction safety, operational safety and workplace safety training
Audit Department	Responsible for audit and compliance related matters

Road and Facility Maintenance, Repair and Upgrade

During the Track Record Period, we conducted routine maintenance and major repairs of our expressways at our own cost. Routine maintenance includes cleaning of roads, bridges, tunnels and drainage facilities, minor repair of road surfaces, lane marking, maintenance of buildings and equipment (including overhead lighting, toll equipment, telecommunication equipment and traffic control equipment), as well as the replacement of traffic safety facilities damaged by accidents. Major repairs include refurbishment of roadbeds and road surfaces, repair of structural defects of the drainage systems or embankments, and the rectification of other operational errors. As of the Latest Practicable Date, our construction department had 35 experienced personnel dedicated to maintenance and repair work. For severe damages, we normally outsource the repair work to third party contractors selected through a tender process.

In 2015, 2016, 2017 and the six months ended June 30, 2018, we incurred road maintenance and repair expenses of RMB35.8 million, RMB41.1 million, RMB27.8 million and RMB8.3 million, respectively, accounting for 4.6%, 5.2%, 3.3% and 1.9% of our toll revenue generated from expressway business during the corresponding period.

We carry out road upgrade and/or expansion projects from time to time to enhance the traffic efficiency of our expressways and drivers' experience in using our expressways. During the Track Record Period, we spent RMB276.9 million repaving part of the Chengwenqiong Expressway from Wenjiachang Toll Plaza to Qionglai Toll Plaza, with a total length of 58.5 kilometers and pavement area of 1,476,700 square meters. The project was completed in September 2016.

We primarily contract out maintenance, repair, construction and refurbishment work to companies with relevant qualifications through a tender process in accordance with applicable laws and regulations. For details of our procurement procedure, see "– Our Suppliers and Procurement" in this prospectus.

Strategic Investment and Development

Under the leadership of our Chairman Mr. Xiao Jun, and our General Manager and Executive Director Mr. Tang Fawei, our Strategy and Development Committee and Investment & Development Department are primarily responsible for identifying potential investment targets and working closely with our controlling shareholder Chengdu Communications, the only Chengdu municipal level state-owned enterprise in the highway industry in Chengdu, to learn of valuable investment opportunities. Our Investment & Development Department searches for potential investment target under the guidance and direction of our Strategy and Development Committee. After a potential investment target is identified, the Investment & Development Department works closely with our Strategy and Development Committee and third-party professional agencies to conduct preliminary assessments of the investment targets through due diligence, feasibility analysis and cost estimate and prepare detailed reports for our Strategy and Development Committee and senior management to review. The key consideration for expressway acquisition or investment mainly involves the ability to assess the prospects of the expressway, taking into considerations factors such as the economic development of the region and the road network around the expressway, toll fee standard and the operation and maintenance of the expressway.

Our Strategy and Development Committee will conduct a preliminary review and feasibility study on the potential target and carefully considers a variety of factors with respect to the target, including the quality of its assets and business; cost and benefit of the acquisition and our internal financial requirements, taking into account our corporate strategy and long-term plan; the synergy between our existing operations and potential targets; socio-economic and demographic condition of and local regulatory environment and policies implemented in the region and province where the potential target is located; our financial resources; any applicable quality requirements and financial data of the target and the possibility of enhancing the overall competitiveness and sustainability of our existing and future business.

According to the Measures for the Administration of Investment approved by our Board, if the acquisition or investment target meets the criteria of our preliminary assessment, we will conduct detailed feasibility studies, traffic studies, and financial analysis to analyze potential investment return and risks. We will also engage qualified legal advisers to review relevant contracts, approvals and licenses, and advise us on any potential legal issues in relation to the acquisition or investment and to ensure that the acquisition and operation of the target will not lead to any non-compliance issues or violation of laws and regulations, as well as qualified financial advisors and auditors to conduct evaluation, audit or assessment of the target company.

The office of our general manager will review the research and analysis results and pass the acquisition or investment proposal onto our Board for review if it believes the acquisition or investment should be made. Our Board is authorized to approve transactions within certain thresholds and will submit proposed transactions above these thresholds to the general meeting of Shareholders for final approval. Once the general meeting of Shareholders approves the transaction, we will make record filing with relevant state-owned assets supervisory department and seek approval from in-charge transportation department and other provincial government authorities.

Our Expressways Expansion Project

In anticipation of growing traffic flow and in order to relieve the traffic congestion at intersections with Jinfeng Viaduct (金豐高架橋) and Chengdu Ring Expressway (成都繞城高速), we commenced an expansion project of Chengpeng Expressway in October 2016. The expansion project added one additional lane next to each of the exterior lane of the section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and two additional lanes next to each of the exterior lanes of the section between Chengdu No.2 Ring Expressway and the Chengdu Toll Plaza of Chengpeng Expressway. After the expansion project was completed on June 30, 2018, Chengpeng Expressway became a six-lane expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and an eight-lane expressway for the road section between Chengdu No. 2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway. The total investment amount for this expansion project is approximately RMB2,036.0 million. We financed the investment primarily through internal cash, loans from third-party financial institutions and government grants. We incurred costs of RMB4.6 million, RMB120.7 million, RMB943.9 million and RMB966.0 million, in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, for the expansion project, including expenses of construction and installation works, land acquisition and compensation for relocation, representing 0.2%, 5.9%, 46.4% and 47.4% of the project progress during the relevant periods. As of the Latest Practicable Date, there was no outstanding capital expenditure to be incurred for the expansion project. We derived approximately 65% of such funding from debt financing. In addition, Chengdu Municipal Government granted us a subsidy of RMB847.7 million, of which we had received RMB400.0 million as of the Latest Practicable Date. According to the grant schedule, we expect to receive the amount of RMB200.0 million by June 30, 2019 and the remaining of the total grant by June 30, 2020.

As a result of the expansion, we closed off part of the Chengpeng Expressway since July 2017, which caused the daily weighted-average traffic volume on Chengpeng Expressway to decrease from 47,408 vehicles in 2016 to 25,895 vehicles in 2017, and further to 11,236 in the six months ended June 30, 2018. The part of Chengpeng Expressway closed off consists of the four lanes of the section between Chengdu and Longqiao and the two lanes between Longqiao and Xinfan. This part of the Chengpeng Expressway was reopened on July 12, 2018 following the completion of the expansion project.

As approved and in accordance with the Toll Increase Notice and the Reopening Notice, we raised the toll rate applicable to passenger vehicles on Chengpeng Expressway in July 2018.

Based on factors such as the traffic volume of the expressway, the expressway's significance to its surrounding road network, as well as economic conditions, population size, and vehicle possession amount in the areas along the expressway, we may continue to propose expansion projects of the expressways we operate to relevant government authorities. We may also work with our Controlling Shareholders to jointly undertake such acquisition or investment projects. We currently do not have any planned major construction and upgrade projects in the near future.

PRICING

Our business is subject to strict price controls by the PRC government. We have the right to propose changes to toll rates subject to approval by the Sichuan Provincial Government, Sichuan Provincial Development and Reform Commission and the Department of Transportation of Sichuan Province. Factors considered by relevant government authorities when determining the toll rates include, among others, traffic flow, construction and operational costs of the expressways, prospective recovery period of investment, loan repayment terms, inflation rate, management, operation and maintenance costs of the expressways and affordability to users. In 2016, the toll rates of Chengdu Airport Expressway were lowered by the Sichuan Provincial Development and Reform Commission and the Department of Transportation of Sichuan Province by 28.6% for Type 1 passenger vehicles. For a more detailed description, see "Risk Factor – Risks Relating to Our Business – Our income from expressway operations and investments depends on toll rates, among other factors" in this prospectus.

The currently effective vehicle classification standards and toll rates in Sichuan province are set forth below. Unless otherwise indicated, the toll rates listed below apply to the entire Track Record Period.

	Vehicle Model and Specification	
Type	**Passenger Vehicle (seats)**	**Freight Vehicle (ton)**
1	≤ 7 (inclusive of 7)	≤ 2
2	8-19 (inclusive of 19)	2-5 (inclusive of 5)
3	20-39 (inclusive of 39)	5-10 (inclusive of 10), vehicles towing 20-ft container
4	≥ 40	10-15 (inclusive of 15), vehicles towing 40-ft container
5	–	> 15

	Toll Rates for Passenger Vehicles (RMB/km)			
Type	**Chengguan Expressway**	**Chengpeng Expressway**	**Chengwenqiong Expressway**	
			Four Lanes	**Six Lanes**
1	0.5	0.63[(1)]	0.35	0.45
2	1.0	1.26[(1)]	0.7	0.9
3	1.5	1.89[(1)]	1.05	1.35
4	2.0	2.52[(1)]	1.4	1.8
5	2.5	3.15[(1)]	1.75	2.25

Note:

(1) As approved and in accordance with the Toll Increase Notice and the Reopening Notice, we raised the toll rate applicable to passenger vehicles on Chengpeng Expressway from RMB0.4/km, RMB0.8/km, RMB1.2/km, RMB1.6/km, and RMB2.0/km for Type 1, 2, 3, 4, and 5 vehicles, respectively, in July 2018.

Chengbei Exit Expressway and Chengdu Airport Expressway adopted fixed toll scales during the Track Record Period, which are set out as follows:

	Toll Rates (RMB/vehicle)	
Type	**Chengbei Exit Expressway**	**Chengdu Airport Expressway**
1	8.0	10.0 / 5.0 (taxi)[(1)]
2	16.0	20.0[(1)]
3	24.0	30.0[(1)]
4	32.0	40.0[(1)]
		50.0[(1)]
5	40.0	

Note:

(1) Prior to January 1, 2016, the applicable rate was RMB14.0 per type 1 vehicle except for taxi which was RMB7.0 per taxi. Applicable rates to type 2 to type 5 vehicles were RMB28, RMB42, RMB56 and RMB70 per applicable vehicle, respectively, prior to January 1, 2016.

The rates of toll-by-weight for freight vehicles charged by Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengbei Exit Expressway during the Track Record Period are calculated as follows. Chengdu Airport Expressway did not have any freight traffic during the Track Record Period.

Weight (tons)	Applicable rate
≤20	• Standard rate of RMB0.075/ton km
20 (excluding) – 40 (including)	• Standard rate for the first 20 tons • Progressive rate for the remaining portion up to 50% of the standard rate
>40	• Standard rate for the first 20 tons • Progressive rate for the second 20 tons from 100% to 50% of the standard rate • 50% of the standard rate for the the remaining portion

Except for the standard toll rates disclosed above, we have certain toll discounts and exemption arrangements as described below:

- Vehicles that select the ETC payment method will get a 5% discount from the standard toll rates above;
- Vehicles with military registration plates, fire engines, police vehicles, and vehicles performing rescue and relief duties approved by the government authorities are exempt from tolls;
- Freight vehicles that carry live agricultural products are exempt from tolls when using certain lanes;
- Taxis passing through Chengdu Airport Expressway will get a 50% discount from the standard toll rate above; and
- Vehicles may also purchase an annual ticket for Chengdu Airport Expressway with an annual toll rate.

Pursuant to the *Sichuan Management Regulation re Linking Expressway Toll Rates with Quality of Engineering and Services* (《四川省高速公路車輛通行費收費標準與工程和服務質量掛鈎管理辦法》) jointly promulgated by the Department of Transportation of Sichuan Province, Sichuan Provincial Development and Reform Commission and Finance Department of Sichuan Province, effective from April 1, 2016, toll rates of expressways located in Sichuan province will be subject to annual adjustment based on an evaluation of the expressway's construction and services quality. For expressways that are currently in operation, if the service quality score of the expressway falls below 85 points or if major accidents occurred on the expressway due to improper expressway management, the toll rates of such expressway will be lowered by 5% in the following year.

We have consistently offered high-quality services on our expressways. Chengguan Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway all scored above 90 points in 2017. To ensure the safety of our expressways and to provide quality services, we carry out road inspection and maintenance regularly, conduct monthly performance evaluations of our toll collection personnel, provide various trainings to employees covering professional skills and etiquette, and implement various incentive mechanisms. As a result, we believe the toll rates adjustment under the regulation above will not have a material adverse impact on our results of operations.

OUR CUSTOMERS

Given the nature of our expressway business, we did not have any single customer that contributed more than 5% to our toll revenue, or that was otherwise material to our business, during the Track Record Period. Accordingly, none of our major customers is also a major supplier.

OUR SUPPLIERS AND PROCUREMENT

We primarily rely on third-party suppliers for routine services such as road cleaning, greening, maintenance, repair, construction and refurbishment work. During the Track Record Period, our five largest suppliers mainly consist of third-party road maintenance service providers, construction service providers, and product and equipment suppliers. In 2015, our five largest suppliers mainly provided road maintenance services for our expressways. In 2016, our five largest suppliers mainly provided construction-related services for Chengwenqiong Expressway and Chengpeng Expressway. In 2017 and the six months ended June 30, 2018, our five largest suppliers mainly provided construction-related services for Chengpeng Expressway. Purchases from our five largest suppliers for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018 accounted for 27.5%, 60.4%, 80.8% and 86.5% of our total purchase amount during those periods, respectively. Our largest supplier for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018 accounted for approximately 6.5%, 27.0%, 37.5% and 42.0% of our total purchase amount during those periods, respectively. We have maintained our business relationships with our five largest suppliers for approximately 3.4 years on average. We generally pay our suppliers through bank wires and enjoy a credit term of 20-30 days.

We select high-quality suppliers based on their pricing, reputation, quality, reliability, technological advantages and product and service offerings. Our supplier hiring process requires multilayers of approval procedures and varies depending on the type of service involved and the amount of the contract value. For certain services, the requirements set forth in the Scope and Standard for Construction Project Bidding (《工程建設項目招標範圍和規模標準規定》) promulgated by the National Development and Planning Committee are strictly followed. We typically enter into written agreements with our suppliers at a fixed price. We also routinely review and assess our suppliers' performance and re-evaluate their qualifications before contract renewals. In addition, we typically enter into an integrity agreement with service providers. In case of material breach of the suppliers' obligations under the integrity agreement, we are also authorized to terminate the contractual relationship with the supplier.

- **Road maintenance service providers**

Most of our agreements with routine service providers, such as those pertaining to road cleaning and road greening, are entered into for a one-year term with a built-in renewal mechanism. Road maintenance service providers are generally not allowed to subcontract. According to such agreements, we have the right to inspect and evaluate the work product on an annual, quarterly, monthly or daily basis and, generally, have the right to terminate such agreements unilaterally if the service provider fails to meet our requirement for two consecutive times. We generally pay our routine service providers quarterly or semi-annually.

- **Construction service providers**

Terms of the agreements with our construction service providers are generally determined based on the duration of the projects. We generally pay our construction service providers 85%-90% of the contract value based on the completion status of the construction work, and the remaining 10%-15% after the expiration of warranty period, which is typically one to two years. In case of performance delay and failure to address the delay in time, we may terminate the contractual relationship with the supplier in accordance with the agreement.

- **Product and equipment suppliers**

We generally do not have long-term agreements with our product and equipment suppliers. We usually pay our product and equipment suppliers approximately 90% of the contract amount within 5 or 15 days, upon the completion of product inspection and the remaining part after the expiration of the warranty period, which is typically one to two years. Some agreements are paid in installments as agreed by the parties. The product and equipment suppliers are usually responsible for the delivery and installation of the products at their own expense. In case of delayed delivery or unsatisfactory product and equipment quality, we are entitled to damages in the amount of a portion of the total contract value and can terminate the agreement unilaterally if our suppliers fail to provide us with timely remedy under the agreement.

During the Track Record Period, we did not encounter any major problems in meeting our procurement needs or encounter any business disruption due to shortage of supplies. We believe that we have maintained sound business relationships with our suppliers. We believe any shortage or delay in our supplies will not have a material impact on our results of operations as we can readily find replacement suppliers with comparable quality and prices. To the best knowledge of our Directors, none of our Directors or any shareholder who owned more than 5% of our issued share capital as of the Latest Practicable Date nor any of their respective associates held any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

MANAGEMENT OF COMPLAINTS AND CLAIMS

In the ordinary course of our business operations, we receive complaints and inquiries from time to time as to toll collection and road conditions through our hotlines, the Mayor of Chengdu's open mailbox and hotline systems of Chengdu Municipalities and Sichuan province. In order to ensure prompt and proper handling of complaints, we have established a set of standardized internal guidelines for our employees and third-party service providers to follow. Upon receiving complaints, designated departments will timely review, investigate and respond to such matters within three days. During the Track Record Period, we did not receive any material complaints or claims in relation to our business operation.

COMPETITION

Our expressways face competitions from (i) existing and upcoming competing roads and (ii) the development and expansion of the high-speed train network, subway lines and inter-city light rail systems, which may be less costly or offer more convenient transit options for passengers. Such competition may negatively affect the profitability of our expressways. See "– Our Business Operations – Our Expressways" in this prospectus for details of competing roads for each of our expressways

INFORMATION TECHNOLOGY

To ensure road safety and operational efficiency, our business relies on the efficient, uninterrupted operation of our information technology systems. Our information technology systems primarily include surveillance systems and office automation systems. We engage third parties to develop and set up our information systems, which are then maintained by our information technology team to support our business operations. We perform regular maintenance procedures for our information technology systems and also carry out system update from time to time. During the Track Record Period, our monitoring system was upgraded with high-definition network cameras and we plan to continue to improve our automated monitoring capability.

EMPLOYEES

As of the Latest Practicable Date, we had 1,639 full-time employees, all of whom were based in the PRC. The table below sets forth the number of our employees by function as of the Latest Practicable Date.

Function	Number
Senior Management	9
Financial Personnel	22
Administrative and Supporting Personnel	144
Operating Personnel[(1)]	1,464
Total	1,639

Note:

(1) Operating personnel primarily consists of toll collection personnel, engineering personnel and safety control personnel.

We recruit our employees through a strict hiring process. We believe that cultivating and maintaining a team of capable and motivated employees is critical to our success. We aim to recruit, train and retain talented personnel through various procedures and offer competitive performance-based remuneration packages and career development opportunities. We also offer employees with orientation training, IT training, safety training, toll calculation training as well as service etiquette training.

We have entered into labor contracts with our full-time employees pursuant to the PRC Labor Law and other relevant regulations. As required by PRC laws and regulations, we participate in housing fund and various employee social security plans that are organized by applicable municipal and provincial government authorities, including housing, pension, medical, work-related injury and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees. In addition, as of the Latest Practicable Date, 13 of our personnel were contracted through third-party human resources companies that are authorized under PRC laws to enter into employment contracts with local employees and dispatch such employees to our Company. Such third-party human resources companies are also responsible for managing, among others, payrolls, social insurance contributions and local residency permits of these employees.

We have five labor unions that provide additional safeguards to the rights of our employees, encourage employees to participate in management decisions and strengthen our relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption during our normal business operations due to strikes or labor disputes, and we believe we will continue to maintain positive relationships with our employees.

PROPERTIES

Land use rights and property interests

Land use rights

As of the Latest Practicable Date, we obtained land use rights in respect of 11 parcels of lands along the expressways we operate, with an aggregate site area of 7,642,436.41 square meters. As of the Latest Practicable Date, we had not obtained the land use right certificates for part of the land with a site area of approximately 166,593 square meters used for the expansion project of our Chengpeng Expressway (the "Land"). The Land accounts for approximately 18.4% of the land used for this expansion project. The Land consists of (i) the one additional lane we added next to each of the exterior lane of the pre-expansion Chengpeng Expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway; and (ii) the two additional lanes we added next to each of the exterior lanes of the pre-expansion Chengpeng Expressway for the road section between Chengdu No. 2 Ring Expressway and the Chengdu Toll Plaza of Chengpeng Expressway.

According to the relevant provisions under the PRC Law of Land Administration, we are required to apply for and obtain land use right certificates for all of the land used by us. Our PRC Legal Adviser advises that pursuant to these provisions, the land administration authority presiding above county level in the PRC may order us to return the lands for which we have not obtained the land use right certificates, confiscate the buildings and facilities on such lands and impose fines on us in the amount of up to RMB30 per square meters.

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

Based on the (i) representation from our Company that the expansion project of Chengpeng Expressway has not been subject to any administrative penalties or disputes and that the Company has obtained all the necessary licenses and approvals for its business operation, (ii) the Undertaking Letter of our Controlling Shareholders, which provides a full indemnity in favor of our Company with respect to any loss we may incur with respect to this defect, and (iii) confirmation letters from Chengdu Municipal Land and Resources Bureau and

Sichuan Provincial Land and Resources Department, our PRC Legal Adviser is of the view that the likelihood of us being subject to any regulatory punishment by the Chengdu Municipal Land and Resources Bureau and Sichuan Provincial Land and Resources Department is relatively low, there is no substantive impediment for us to apply for land expropriation with the Chengdu Municipal Land and Resources Bureau and the Sichuan Provincial Land and Resources Department, and that such property defects do not have any material adverse impact on the current business operations of our Company.

Based on (i) the confirmation letters obtained from the relevant competent authorities; (ii) our PRC Legal Adviser's opinion as mentioned above; and (iii) the fact that the area of the Land only accounted for less than 3% of the total area size of the lands we use, our Directors are of the view that the lack of the land use right certificate for the Land is not material to our business operations or financial conditions as a whole.

We are in the process of obtaining the land use right certificate for the Land. Based on our continuous communications with the relevant competent authorities, we expect to obtain the land use right certificate for the Land by the end of August 2019. We will continue to use our best efforts to cooperate with the relevant land administration authorities and disclose the progress and status of our application for such land use right certificate as appropriate in our interim and annual reports. We have also adopted a set of internal guidelines for our expressways management to ensure that they are properly guided to comply with the aforesaid regulatory requirements. To ensure that this situation is rectified in a timely manner and if the circumstances require so, we will also engage external legal advisers or other professional advisers to tackle any issue that may arise in the process of the rectification. For details of such internal control measures, see "– Legal Compliance and Proceedings – Internal Control Findings and Rectification Measures."

Buildings

As of the Latest Practicable Date, we obtained building ownership certificates for 56 buildings in the PRC with an aggregate gross floor area ("GFA") of approximately 27,448 square meters, including buildings currently undergoing a certificate update process in relation to the name change of the certificate holder. Most of these buildings are used for administrative or supporting functions and are ancillary in nature.

Leased Properties

As of the Latest Practicable Date, we leased (i) two parcels of land with an aggregate site area of 3,455.3 square meters located in Dujiangyan, and (ii) an apartment of 990.3 square meters from Chengdu Traffic Hub Station Construction Management Co., Ltd. (成都交通樞紐場站建設管理有限公司) from March 2018 to February 2019, which is located on the 9th floor of Chengnan Tianfu Building, 66 Shenghe Road, Chengdu High-Tech Zone.

LICENSES, PERMITS AND APPROVALS

During the Track Record Period, save as disclosed under "– Properties" and "– Legal Compliance and Proceedings – Incidents of Non-Compliance" in this prospectus, we obtained all the material licenses, permits and approvals that are required for our expressway toll collection operations.

The table below sets forth certain key permits and approvals of our companies.

No.	Company Name	Name of Certification/ Approval Document	Issuing Authority	Date of Issue
Approvals For Concession Rights of Chengguan Expressway				
1.	Chengdu Expressway Co., Ltd.	"A reply letter regarding the adjustment of the charging standard and official collection of vehicle tolls of Chengguan Expressway" (Chuan Ban Han (2002) No. 11) 《關於成灌高速公路調整收費標準和正式收取車輛通行費的覆函》(川辦函(2002)11號)	Department of General Office of Sichuan Provincial People's Government 四川省人民政府辦公廳	2002.1.18
2.	Chengdu Expressway Co., Ltd.	"An official reply regarding the official collection of vehicle tolls of Chengguan Expressway" (Chuanjiao Highway (2002) No. 34) 《關於成灌高速公路正式收取車輛通行費的批覆》(川交公路(2002)34號)	Sichuan Provincial Department of Communications 四川省交通廳 Sichuan Provincial Price Bureau 四川省物價局	2002.2.4

No.	Company Name	Name of Certification/ Approval Document	Issuing Authority	Date of Issue
3.	Chengdu Expressway Co., Ltd.	"An official reply regarding the adjustment of vehicle classification standard for vehicle tolls of Chengguan Expressway" (Chuan Jiao Fa (2005) No. 119) 《關於成(都)灌(縣)高速公路車輛通行費車型分類標準調整的批覆》(川交發(2005)119號)	Sichuan Provincial Department of Communications 四川省交通廳 Sichuan Provincial Price Bureau 四川省物價局	2005.12.14
4.	Chengdu Expressway Co., Ltd.	"An official reply regarding the trial of toll-by-weight for connected trucks at Chengguan Expressway" (Chuan Jiao Fa (2009) No. 19) 《關於成灌高速公路試行貨車聯網計重收費的批覆》(川交發(2009)19號)	Sichuan Provincial Department of Communications 四川省交通廳 Sichuan Provincial Price Bureau 四川省物價局	2009.5.21
5.	Chengdu Expressway Co., Ltd.	"An official reply regarding the adjustment of toll interval of Chengguan Expressway" (Chuan Jiao Fa (2014) No. 63) 《關於調整成灌高速公路收費區間的批覆》(川交發(2014)63號)	Sichuan Provincial Transportation Department 四川省交通運輸廳 Sichuan Provincial Development and Reform Commission 四川省發展和改革委員會	2014.12.30

No.	Company Name	Name of Certification/ Approval Document	Issuing Authority	Date of Issue
Approvals For Concession Rights of Chengpeng Expressway				
6.	Chengpeng Expressway Company	"A reply letter regarding the official collection of vehicle tolls of Chengpeng Expressway" (Chuan Ban Han (2007) No. 347) 《關於成(都)彭(州)高速公路正式收取車輛通行費的覆函》(川辦函(2007)347號)	Department of General Office of Sichuan Provincial People's Government 四川省人民政府辦公廳	2007.12.12
7.	Chengpeng Expressway Company	"An official reply regarding the official collection of vehicle tolls of Chengpeng Expressway" (Chuan Jiao Fa (2008) No. 3) 《關於成(都)彭(州)高速公路正式收取車輛通行費的批覆》(川交發(2008)3號)	Sichuan Provincial Department of Communications 四川省交通廳 Sichuan Provincial Price Bureau 四川省物價局	2008.1.7
8.	Chengpeng Expressway Company	"An official reply regarding the establishment of Longqiao Ramp toll station at Chengpeng Expressway" (Chuan Jiao Fa (2009) No. 50) 《關於成彭高速公路增設龍橋匝道收費站批覆》(川交發(2009)50號)	Sichuan Provincial Department of Communications 四川省交通廳 Sichuan Provincial Price Bureau 四川省物價局	2009.9.21

No.	Company Name	Name of Certification/ Approval Document	Issuing Authority	Date of Issue
9.	Chengpeng Expressway Company	"An official reply regarding the implementation of toll-by-weight for connected trucks at Chengpeng Expressway" (Chuan Jiao Fa (2012) No. 33) 《關於成彭高速公路實行聯網計重收費有關事項的批覆》(川交發(2012)33號)	Sichuan Provincial Transportation Department 四川省交通運輸廳 Sichuan Provincial Development and Reform Commission 四川省發展和改革委員會	2012.4.16
10.	Chengpeng Expressway Company	"An official reply regarding the adjustment of vehicle toll standard for toll interval of Chengpeng Expressway" (Chuan Jiao Fa (2013) No. 125) 《關於調整成彭高速公路車輛通行費區間收費標準的批覆》(川交發(2013) 125號)	Sichuan Provincial Transportation Department 四川省交通運輸廳 Sichuan Provincial Development and Reform Commission 四川省發展和改革委員會	2013.12.4
11.	Chengpeng Expressway Company	"An official reply regarding the adjustment of vehicle toll standard after expansion and renovation of Chengpeng Expressway" (Chuan Jiao Fa (2018) No. 11) 《關於成彭高速公路擴容改造後調整車輛通行費收費標準的批覆》(川發(2018)11號)	Sichuan Provincial Transportation Department 四川省交通運輸廳 Sichuan Provincial Development and Reform Commission 四川省發展和改革委員會	2018.5.28

No.	Company Name	Name of Certification/ Approval Document	Issuing Authority	Date of Issue
Approvals For Concession Rights of Chengwenqiong Expressway				
12.	Chengwenqiong Expressway Company	"A reply letter regarding the adjustment of the charging standard and official collection of vehicle tolls of Chengwenqiong Expressway" (Chuan Ban Han (2008) No. 205) 《關於成溫邛高速公路正式收取車輛通行費的覆函》(川辦函(2008)205號)	Department of General Office of Sichuan Provincial People's Government 四川省人民政府辦公廳	2008.10.20
13.	Chengwenqiong Expressway Company	"An official reply regarding the official collection of vehicle tolls of Chengwenqiong Expressway" (Chuan Jiao Fa (2008) No. 40) 《關於成溫邛高速公路正式收取車輛通行費的批覆》(川交發(2008)40號)	Sichuan Provincial Department of Communications 四川省交通廳 Sichuan Provincial Price Bureau 四川省物價局	2008.11.10
14.	Chengwenqiong Expressway Company	"An official reply regarding the Sangyuan interchange vehicle toll standard of Chengwenqiong Expressway" (Chuan Jiao Fa (2010) No. 41) 《關於新增成溫邛高速公路桑園互通段車輛通行費標準的批覆》(川交發(2010)41號)	Sichuan Provincial Transportation Department 四川省交通運輸廳 Sichuan Provincial Development and Reform Commission 四川省發展和改革委員會	2010.11.1

No.	Company Name	Name of Certification/ Approval Document	Issuing Authority	Date of Issue
15.	Chengwenqiong Expressway Company	"An official reply regarding the establishment and toll standard of Chongzhou West Ramp toll station at Chengwenqiong Expressway" (Chuan Jiao Fa (2011) No. 14) 《關於新增成溫邛高速公路崇州西匝道收費站及收費標準的批覆》(川交發(2011)14號)	Sichuan Provincial Transportation Department 四川省交通運輸廳 Sichuan Provincial Development and Reform Commission 四川省發展和改革委員會	2011.5.16
16.	Chengwenqiong Expressway Company	"An official reply regarding the adjustment of vehicle toll standard for toll interval of Chengwenqiong Expressway" (Chuan Jiao Fa (2012) No. 50) 《關於調整成溫邛高速公路車輛通行費區間收費標準的批覆》(川交發(2012)50號)	Sichuan Provincial Transportation Department 四川省交通運輸廳 Sichuan Provincial Development and Reform Commission 四川省發展和改革委員會	2012.6.26
Approvals For Concession Rights of Chengdu Airport Expressway				
17.	Chengdu Airport Expressway Company	"A reply letter regarding the official collection of vehicle tolls of Chengdu Airport Expressway" (Chuan Ban Han (2001) No. 83) 《關於成都機場高速公路正式收取車輛通行費的覆函》(川辦函(2001)83號)	Department of General Office of Sichuan Provincial People's Government 四川省人民政府辦公廳	2001.4.23

No.	Company Name	Name of Certification/ Approval Document	Issuing Authority	Date of Issue
18.	Chengdu Airport Expressway Company	"An official reply regarding the agreement of official collection of vehicle tolls of Chengdu Airport Expressway" (Chuan Jiao Highway (2001) No. 88) 《關於同意成都機場高速公路正式收取車輛通行費的批覆》(川交公路(2001)88號)	Sichuan Provincial Department of Communications 四川省交通廳 Sichuan Provincial Price Bureau 四川省物價局	2001.6.14
19.	Chengdu Airport Expressway Company	"An official reply regarding the implementation of one-way toll collection at Chengdu Airport Expressway" (Chuan Jiao Fa (2005) No. 67) 《關於成都機場高速公路實施單向收費的批覆》(川交發(2005)67號)	Sichuan Provincial Department of Communications 四川省交通廳 Sichuan Provincial Price Bureau 四川省物價局	2005.8.10
20.	Chengdu Airport Expressway Company	"An official reply regarding the adjustment of vehicle classification standard for vehicle toll collection of business highway projects in Chengdu City" (Chuan Jiao Fa (2005) No. 136) 《關於成都市經營性公路項目車輛通行費車輛車型分類標準調整的批覆》(川交發(2005)136號)	Sichuan Provincial Department of Communications 四川省交通廳 Sichuan Provincial Price Bureau 四川省物價局	2005.12.16

No.	Company Name	Name of Certification/ Approval Document	Issuing Authority	Date of Issue
21.	Chengdu Airport Expressway Company	"An official reply regarding the adjustment of vehicle toll standard of Chengdu Airport Expressway" (Chuan Jiao Fa (2012) No. 56) 《關於調整成都機場高速公路收費標準的通知》(川交發(2012)56號)	Sichuan Provincial Transportation Department 四川省交通運輸廳 Sichuan Provincial Development and Reform Commission 四川省發展和改革委員會	2012.7.24

WORKPLACE HEALTH AND SAFETY

We place significant emphasis on the occupational health and safety of our employees and aim to build a people-oriented working environment. We are subject to the applicable health and safety requirements in the PRC and have internal control policies and mechanisms in place designed to ensure compliance with such requirements. We believe that we had been in compliance with such requirements during the Track Record Period and up to the Latest Practicable Date. Potential liabilities to our employees are covered by insurance, which we are required by law to purchase. We have also purchased commercial health insurance for our employees and regularly organize physical check-ups for our employees.

We have formulated and implemented various manuals and internal policies with regard to safety control procedures and standards, which are specifically tailored to meet the safety needs of individual tasks, such as maintenance and repair, emergency response, on-site traffic coordination and toll collection works. We require our staff to abide by those manuals in carrying out their job duties. Further, we conduct periodical safety examinations and provide occupational safety trainings to all of our employees when they join us and on a regular basis during their employment. Our employees must attend the trainings and pass the relevant assessments before they are qualified to work on their assigned positions. Such trainings include, among other things, lectures on precautionary measures and mock exercises.

During the Track Record Period and as of the Latest Practicable Date, our expressways did not experience any major traffic accident resulting from our improper management or any traffic accident that resulted in significant damages to our assets. In addition, we had not been subject to any penalties triggered by material violation of any applicable PRC workplace health and safety laws or regulations during the Track Record Period and as of the Latest Practicable Date.

ENVIRONMENTAL PROTECTION

We are subject to a number of environmental laws and regulations, including the PRC Environmental Protection Law, the PRC Law on Prevention and Control of Noise Pollution, the PRC Law on Environmental Impact Assessment, and the Administrative Regulations on Environmental Protection in relation to Construction Environment. See "Regulatory Environment – Environmental Protection" in this prospectus. We regard environmental protection as an important corporate responsibility and place great emphasis on implementing environmental protection measures in our daily operations. Based on (i) confirmation from the Company, (ii) interviews with the Chengdu Environmental Protection Bureau on June 9, 2017 and May 24, 2018, (iii) interviews with the Chengdu municipal transportation committee on May 31, 2017 and May 24, 2018 and (iv) the independent check on relevant public channels, our PRC Legal Adviser confirmed that we had not been subject to any administrative penalties as a result of violation of any applicable environmental protection laws, rules and regulations during the Track Record Period.

SOCIAL SECURITY SCHEMES AND INSURANCE

We believe that the coverage of our existing insurance policies are sufficient for our present operations and consistent with industry practice. For maintenance and repair and road upgrade works carried out by our contractors, they are required to maintain sufficient insurance coverage for themselves and their employees under the applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material insurance claims. Nevertheless, there may be certain risks for which we are not insured and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. For further details of such risks, please refer to "Risk Factors – Risks Relating to Our Business – We may not have adequate insurance coverage to cover our potential liability or losses and as a result our business, financial conditions, results of operations and prospects may be materially and adversely affected" in this prospectus.

In accordance with applicable PRC regulations on social insurance and housing funds, we contribute to social insurance, including pension, medical insurance, unemployment insurance, occupational injuries insurance and maternity insurance, as well as a housing fund for our employees. As confirmed by our Directors, we have made social insurance contribution and housing fund contributions for our employees in accordance with the applicable laws and regulations in all material aspects and we have not been subject to any penalty, and there has been no outstanding social insurance and housing fund payment. We had also complied with our payment obligations in respect of the statutory social insurance and housing fund applicable to us in all material respects under the PRC laws during the Track Record Period and up to the Latest Practicable Date. Based on the confirmation letters issued by Chengdu Human Resources and Social Security Bureau and Chengdu Housing Fund Management Center and as advised by our PRC Legal Adviser, we believe we have been in compliance in all material respects with the applicable statutory requirements on social security schemes and the housing provident funds during the Track Record Period.

SALES AND MARKETING

The revenue of our toll roads are generated through toll collection when a vehicle passes through our expressways or through the Batch Payment Model. Our marketing efforts principally include setting up direction boards in nearby connecting roads to show clear direction to our expressways, handing out travel guide materials along connecting roads and promoting our expressways on various marketing channels.

AWARDS AND RECOGNITIONS

The following table sets forth the major awards and recognitions we have obtained in connection with our operation, maintenance and management of our expressways during the Track Record Period.

Expressway	Awards and Recognitions	Issuing Body	Year of Issuance
Chengguan Expressway	"Twelfth Five-Year" Excellent Highway Maintenance and Management Enterprise of Sichuan Province ("十二五"全省幹線公路養護管理工作優秀單位)	Department of Transportation of Sichuan Province	2016
	"Five Star" Expressway of Sichuan Province (四川省"五好"高速公路)	Department of Transportation of Sichuan Province	2017
	The Most Scenic Expressway in China of 2017 (2017最美中國高速公路)	China Association of Communication Enterprise Management	2017
	Level-2 Safety Production Standardization Enterprise (Highway) 安全生產標準化二級企業(公路)	Safety Production Supervision Bureau of Sichuan Province	2017
Chengpeng Expressway	Level-2 Safety Production Standardization Enterprise (Highway) 安全生產標準化二級企業(公路)	Safety Production Supervision Bureau of Sichuan Province	2015
	2015 Key Contributing Enterprise for Spring Festival Road and Waterway Transportation 2015年道路水路春運工作成效顯著單位	Department of Transportation of Sichuan Province	2015
Chengwenqiong Expressway	"Five Star" Expressway of Sichuan Province (四川省"五好"高速公路)	Department of Transportation of Sichuan Province	2017
	Model Enterprise for Safe Construction 省級安全文化建設示範企業	General Office of Safety Production Committee of Sichuan Province	2017
Chengdu Airport Expressway	Model Enterprise for Safe Construction 省級安全文化建設示範企業	General Office of Safety Production Committee of Sichuan Province	2016
	"Five Star" Expressway of Sichuan Province (四川省"五好"高速公路)	Department of Transportation of Sichuan Province	2017

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had one trademark in Hong Kong and applied for the registration of three trademarks in the PRC. See "Appendix VII – Statutory and General Information – Further Information About Our Business – Intellectual Property Rights" in this prospectus. We are not aware of any infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

LEGAL COMPLIANCE AND PROCEEDINGS

Incidents of Non-Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or systemic non-compliance of the laws or regulations, which taken as a whole, in the opinion of our Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner.

During the Track Record Period, we commenced construction works for the expansion project of our Chengpeng Expressway, a key project in Sichuan province that is critical to the wellbeing of the local residents, prior to obtaining the construction land planning permit (建設用地規劃許可證), construction project planning permit (建設工程規劃許可證), and construction permit for construction project (建築工程施工許可證). In order to obtain the aforementioned permits, we must first obtain the land use right certificate for certain land where the construction work was conducted, which in turn requires the issuance of land expropriation approvals from the Chengdu Municipal Land and Resources Bureau and the Department of Land and Resources of Sichuan Province. The Department of Land and Resources of Sichuan Province issued a preliminary land expropriation approval letter on January 4, 2016. Given the importance and urgency of the project, we commenced the relevant constructions work according to the initial schedule to ensure its timely completion. Due to the difficulties of the relocation process of the existing land use right holders, the whole process was longer than expected and finally concluded in April 2018. We promptly submitted all the requisite land expropriation application materials after the relocation process concluded, and received a notice from the Chengdu Municipal Land and Resources Bureau on May 29, 2018, confirming the receipt of the application materials.

As of the Latest Practicable Date, the land expropriation application was still under review, while the Chengdu Municipal Land and Resources Bureau and the Department of Land and Resources of Sichuan Province, the competent authorities, had confirmed in writing that there is no substantive impediment for our Company to complete the application. We expect to receive the land expropriation approval by the end of March 2019 and will submit the application for land use right certificate once we receive the land expropriation approval. We

expect to obtain the land use right certificate by the end of August 2019 and will submit the application for the construction land planning permit, the construction project planning permit, and the construction permit for construction project once we obtain the land use right certificate. We expect to receive the construction land planning permit, the construction project planning permit, and the construction permit for construction project in the fourth quarter of 2019. Other than the above permits, we have obtained all the other required certificates or permits for the expansion project of Chengpeng Expressway, including the confirmation by Chengdu Municipal Transportation Committee and Sichuan Provincial Transportation Department approving construction work of the expansion project of Chengpeng Expressway.

As advised by our PRC Legal Adviser, according to the relevant PRC laws and regulations generally, (i) with respect to failure to obtain the construction land planning permit, we are subject to the risk that the relevant governments may revoke the land use rights for the land in question; (ii) with respect to failure to obtain the construction project planning permit, we are subject to the risk of being required to adopt certain remedial measures, including demolishing the relevant buildings, within a given time limit and being fined 5% to 10% of the construction costs; and (iii) with respect to failure to obtain construction commencement permit, we are subject to the risk of being required to stop the construction and fined 1% to 2% of the contract price of the construction project.

Taking into account of our interview with the competent authority Chengdu Municipal Urban and Rural Construction Commission the maximum amount of fines that may potentially be imposed for our failure to obtain the construction permit for construction project is approximately RMB1.0 million. Based on the confirmations from Chengdu Municipal Planning and Administration Bureau, Xindu District Planning Management Bureau and Pidu District Urban and Rural Planning and Housing Construction Bureau, we will not be subject to any regulatory penalty for the failure to obtain the construction project planning permit in relation to the expansion project of Chengpeng Expressway.

As of the Latest Practicable Date, we obtained confirmation letters from relevant local government authorities including Xindu District Planning Management Bureau, Pidu District Urban and Rural Planning and Housing Construction Bureau and Chengdu Municipal Planning and Administration Bureau, each of which confirmed that (1) there is no substantive impediment for us to complete the application of the relevant planning permits and will grant the permits when the application procedures are completed, (2) there were no records showing Chengpeng Expressway had been subject to any administrative penalties in relation to PRC planning laws and regulations, and (3) no administrative penalty will be imposed for our failure to obtain the construction project planning permit . Our PRC Legal Adviser also interviewed the Chengdu Municipal Urban and Rural Construction Commission on May 24, 2018 and obtained its verbal confirmation that (i) Chengpeng Expressway is qualified to obtain the relevant construction permit for construction project and there is no substantive impediment for us to obtain the construction permit (ii) it will not impose any administrative penalties to Chengpeng Expressway for the expansion project and (iii) the lack of the relevant permit will not impact the business operation of Chengpeng Expressway. In addition, we received the Toll Increase Notice from the Sichuan Provincial Development and Reform Commission and the

Department of Transportation of Sichuan Province, approving that the toll rate applicable to passenger vehicles on Chengpeng Expressway will be raised following the completion of the expansion. The Expressway Management Bureau of the Department of Transportation of Sichuan Province also issued the Reopening Notice, instructing various parties, including traffic police, local government authorities, operators of connecting expressways and the Sichuan Expressway Settlement Center, to provide support to the operation of Chengpeng Expressway around the time of its reopening.

Based on (i) our representation that the expansion project of Chengpeng Expressway has not been subject to any administrative penalties or disputes and the Company has obtained all the necessary licenses and approvals for its business operation, (ii) the Undertaking Letter from the Controlling Shareholders which has given full indemnity in favor of us in regard to any loss we may incur due to these defects and (iii) the written confirmation letters and verbal confirmation from the relevant governmental authorities, our PRC Legal Adviser is of the view that (i) Chengdu Municipal Planning and Administration Bureau, Chengdu Municipal Urban and Rural Construction Commission, Xindu District Planning Management Bureau and Pidu District Urban and Rural Planning and Housing Construction Bureau are the competent authorities in granting relevant permits and giving such confirmations, (ii) save as disclosed, we have obtained the material licenses and permits for the expansion project of Chengpeng Expressway, (iii) there is no substantive impediment for us to obtain the construction land planning permit, construction project planning permit and construction permit for construction project in relation to the expansion project of Chengpeng Expressway after we submit to the aforesaid competent authorities all the required application documents in accordance with relevant PRC laws and regulations, (iv) we will not be subject to any regulatory penalty for the failure to obtain the construction project planning permit in relation to the expansion project of Chengpeng Expressway from Chengdu Municipal Planning and Administration Bureau, Xindu District Planning Management Bureau and Pidu District Urban and Rural Planning and Housing Construction Bureau, (v) the likelihood of us being subject to any regulatory penalty from Chengdu Municipal Urban and Rural Construction Commission for our failure to obtain the construction permit for construction project in relation to the expansion project of Chengpeng Expressway is relatively low, and (vi) commencement of construction prior to obtaining the construction land planning permit, construction project planning permit and construction commencement permit do not have any material adverse impact on our current business operations.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, tolls collected from Chengpeng Expressway accounted for approximately 13.8%, 13.5%, 7.9% and 3.1% of our total toll revenue. We still have over 15 years of concession rights to Chengpeng Expressway, which will expire in October 2033 according to the current concession arrangements. Following the reopening of the expanded sections of Chengpeng Expressway and the restoration of the Standard Toll Collection Model in July 2018, we expect the toll revenue from Chengpeng Expressway will increase both in absolute amount and as a percentage of our toll revenue in 2018 and 2019 and will continue to be an important expressway of our business and operations.

We have implemented extensive and comprehensive measures to rectify the issue above. We are in the process of applying to relevant government authorities for the relevant necessary outstanding certificates and permits and are closely following up with the government authorities with respect to our applications. To ensure that this situation is rectified in a timely manner and if the circumstances require so, we will also engage external legal advisers or other professional advisers to tackle any issue that may arise in the process of the rectification. We have also adopted a set of internal guidelines for our expressways management to ensure that they are properly guided to comply with the aforesaid regulatory requirements. For details of such internal control measures, see "– Legal Compliance and Proceedings – Internal Control Findings and Rectification Measures."

Incident Relating to Our Former Employee

The Judgment

According to a judgment issued by the Chengdu Intermediary People's Court in September 2017 (the "Judgment"), Mr. Chen Jie (陳杰), our director and chairman from January 2009 to April 2016 (also the vice chairman of Chengdu Communications, one of our Controlling Shareholders, from February 2010 to May 2016), was found guilty for accepting bribes equal to an aggregate amount of approximately RMB1.9 million, and was sentenced to four years in prison, a fine of RMB0.2 million and confiscation of all illegal income. According to the Judgment, among the convicted charges against Mr. Chen, three of our historic suppliers were found bribing Mr. Chen for his assistance in relation to selecting these service providers for certain road cleaning and maintenance, road construction and facility upgrade projects of our Group from 2009 to 2015 (the "Incident").

Reasons led to the Incident

During the period from 2009 to 2015 (the "Relevant Period"), Mr. Chen, being the then chairman and director of the Company, had the final decision-making power and was the key personnel responsible for overseeing the Group's tendering and procurement functions. Mr. Yang Qinhua (楊勤華), who was the then deputy general manager involved in tendering and procurement related matters of Chengguan Expressway Company from April 2009 to March 2011, and the then general manager (from March 2011 to June 2017) and director (from April 2014 to June 2017) of Chengwenqiong Expressway Company, directly reported to Mr. Chen during the Relevant Period. Other than as a director of Chengwenqiong Expressway Company, Mr. Yang Qinhua was not a director of our Company or any of our other subsidiaries. Despite the internal procurement policies and procedures of the Company during the Relevant Period were carried out in accordance with the applicable PRC bidding laws and regulations, there were deficiencies to the internal control relating to the tendering and procurement process of the Company, which led to the Incident.

Under the then tendering and procurement process, for construction and/or other projects with investment amounts of less than RMB30 million, the Company had its autonomy to arrange certain parts of the logistics of the bidding evaluation process, namely (i) the location as to where the bidding evaluation would be held, and (ii) the experts to be involved in the bids evaluation committee. Both were matters that Mr. Chen, being the then chairman and director of the Company, would have had opportunities to exert his personal influence on, which in turn may have caused the Incident, as follow:

(i) Prior to the Incident, for construction projects with investment amounts of over RMB30 million, the bidding center of Public Resources Trade Service Center of Chengdu (成都市公共資源交易服務中心) (formerly known as the Chengdu Construction & Engineering Trade Service Center (成都建設工程交易服務中心)) would be used and a comprehensive set of procedural safeguards (such as restricted pass-through and procedural supervision) would apply according to the rules of Public Resources Trade Service Center of Chengdu as required by the municipal government.

For construction and/or other projects with investment amounts of less than RMB30 million, there was no requirement set by the municipal government to use the bidding center of Public Resources Trade Service Center of Chengdu. Therefore, any locations to which the Company may have access may be used for and during the bidding process, where there was no regulatory requirements for procedural safeguards similar to those applicable to the bidding center of Public Resources Trade Service Center of Chengdu. The Company, thus, had its autonomy to arrange certain parts of the logistics of the bidding evaluation process. As a result, without the guarantee of a restricted pass-through control and enhanced procedural supervision, the integrity of the tendering and procurement process could be compromised, for which Mr. Chen would have had the opportunities to freely enter the location where the bidding evaluation was held and exert his personal influence on the personnel or experts responsible of such evaluation;

(ii) Furthermore, during the Relevant Period, experts who evaluated the relevant bids for projects with investment amounts of less than RMB30 million were not randomly selected from the experts' database, and they may not have been independent from either the Company or the bidders. Since the background and qualifications of the expert candidates then were not rigorously scrutinized, and their identity information was not maintained as strictly confidential, certain insiders of the Company, such as Mr. Chen, may have had prior knowledge as to who were the experts in charge of the certain bids evaluation and subsequently exert improper influence thereon.

Remedial actions taken by the Company following the Incident

After the Incident, we have issued a notice to the three suppliers that provided bribes to Mr. Chen notifying them that they were in breach of the integrity agreement entered into between the suppliers and the Company. Two out of the three suppliers were prohibited from participating in any business cooperation with us and our subsidiaries (including but not limited to, any bidding activities with us and our subsidiaries, within a certain period of time from the date of issuance of the notice, depending on the seriousness of the breach) primarily due to the serious implication and effect of the bribes that they provided to Mr. Chen. Both of these two suppliers provided bribes to Mr. Chen to exert influence in the tendering and procurement process using his position of power and exploiting the deficiencies at that time. As a result, the two suppliers won certain respective bids and were awarded the relevant projects without going through any regulated bidding process. This obviously calls into the fundamental question of whether the suppliers would have been awarded the project had they gone through the properly regulated bidding process even though the work performed by these two suppliers met the required standard, hence the bribes had serious implications to us.

On the other hand, the remaining supplier was fined with a penalty only as the actual influence exerted by Mr. Chen for this supplier did not materially affect the core question of whether the supplier was properly selected. Such supplier provided bribes to Mr. Chen to get (i) information on potential construction projects, and (ii) an accelerated and more efficient end-of-project payment and end-of-project inspection. Although Mr. Chen took advantage of his position and assisted in preparing the internal conditions for eligible bidders, the actual tendering and procurement process involved for this particular supplier was conducted at the bidding center of Public Resources Trade Service Center of Chengdu, with the respective procedural safeguards as aforementioned, whereby the actual influence exerted on such process by Mr. Chen was limited. As a result, we reasonably consider that the supplier has properly been awarded the relevant project in fair competition with other eligible bidders. In furtherance, given that that all material information relating to the tender is required to be made available to all other potential bidders as per the requirements of the Public Resources Trade Service Center of Chengdu, we believe that the passing by Mr. Chen of the bidding related information to the supplier in advance of such information being made public would only likely to allow the supplier to have more time to prepare for the tender and plan for its internal fund and resource requirements, rather than materially affecting the bidding results. In addition, experts involved in the bid evaluation process only evaluate the relevant bids based on the published tender documents available to all potential bidders to ensure there's an equality of information among all bidders, and come to an evaluation conclusion independently. Separately, although Mr. Chen assisted internally to speed up the end-of project payment and inspection for such supplier, the payment was paid in accordance to the contract terms, and the inspection process was conducted as per the requirements set out by the PRC government, which has governmental authority's involvement. Thus, having regard the above-mentioned, we were of the view that a fine was an adequate penalty to the remaining supplier. As of the Latest Practicable Date, we had ended all the relevant contractual relationships with these three suppliers.

We have also taken the initiative to adopt various measures to enhance our corporate governance, including but not limited to, the enhancement made to our internal policies and the adoption of a more stringent procedures and criteria on the bidding and selection processes for engaging third-party suppliers. In particular:

- the scope of public bidding and related logistical requirements for the bidding process have been clearly defined in our tendering and bidding policies, such that any projects with an estimated procurement cost of more than RMB200,000 (but less than RMB30 million) must use the specific bidding center (成都交通投資集團有限公司招投標交易服務中心) established by Chengdu Communications in July 2016, which acts as the central location of the tendering and procurement process for all projects of Chengdu Communications Group. Chengdu Communications, in addition to providing the venue for the bidding activities of the Chengdu Communications Group, it also assigned representatives to assist in monitoring the overall process within such bidding center in order to ensure such process takes place in accordance to the respective laws and regulations, as well as the internal policies and procedures. As required under the Implementation Rules for the Bidding Management of Sichuan Highway Construction Projects (《四川省公路工程建設項目招標投標管理實施細則》(試行)) and the Notice on the Trial Operation of the Bidding Centre of Chengdu Communications Group (《成都交投集團關於集團招投標交易服務中心試運行的通知》), our bidding and tendering processes may only be held, in accordance to the relevant rules and requirements, in one of the two locations, either at the bidding center of Public Resources Trade Service Center of Chengdu (成都市公共資源交易服務中心) (for projects more than RMB30 million) or at the bidding center as established by Chengdu Communications (成都交通投資集團有限公司招投標交易服務中心) (for projects less than RMB30 million);

- independent third-party agencies are engaged to monitor the whole process within such bidding center, ranging from bid opening, bid evaluation and results announcement, in order to ensure none of our Company, our employees nor any potential bidders can intervene in the process or manipulate the bidding results. Such independent third-party agencies generally have years of experience in managing construction projects and have the capacity to provide relevant independent consulting services to companies such as ours, and in particular, to manage and supervise the overall bidding process of various construction projects;

- the experts involved in the bids evaluation committee will be chosen by a professional party independently operating from us and/or our subsidiaries, the bidders and the independent third-party agencies. Such professional party will then randomly select experts from the experts' database to become the members of the bids evaluation committee within a limited timeframe to ensure neither we nor the bidders can exert influence to the experts prior or during the evaluation process. The expert database is maintained by the professional party and all experts are external experts that are not our employees. The basic selection criteria for these experts including but not limited to someone who is:

  (i) engaged in the relevant profession for eight years or more and has a senior professional title or equivalent professional level;

(ii) familiar with the laws, regulations and policies with regards to bidding and tendering, master the knowledge of bidding and bid evaluation, and have relevant practical experience in bidding projects;

(iii) be able to perform their duties conscientiously, fairly and honestly, with no record of professional misconduct or any violation of laws and regulations;

(iv) in good health with competent mindset for bid evaluation, and no more than 60 years of age; and

- set the requirement that all details with regards to the public bidding process to be published on a designated website, which allows the potential bidders to submit their bids based on publicly available information and their independent analysis.

- the adoption of a standalone Confidentiality Policy (保密工作制度) in June 2018, which strengthens our confidentiality management and earnestly safeguards our legitimate rights and interests of the Group in accordance with the relevant PRC laws and regulations, in particular, a confidentiality committee is established to supervise our daily confidentiality related matters, including but not limited to, (i) handling and reporting of major confidentiality incidents, if any, (ii) implementing and periodically reviewing the confidentiality measures, guidelines, and policies, and (iii) guiding, coordinating, supervising and inspecting confidentiality related matters of all our departments.

- all our existing department managerial level or above personnel are required to sign a confidential agreement (保密工作責任書), which sets out the requirement for such personnel to strictly adhere to the Confidentiality Policy as abovementioned, and to ensure such personnel will procure the employees within their respective department to also strictly adhere to the same policy;

- all newly joined employees are required to sign an updated labor contract (劳動合同), which contained provisions, among others, in relation to integrity and confidentiality to ensure each of our employees is subject to such contractual term;

- the adoption of the Measures for the Management of Anti-Corruption (反舞弊工作管理辦法) in May 2017, which standardizes the professional behavior of the Group's management and employees in accordance with the relevant PRC laws and regulations, industry norms and standards, professional ethics and internal rules and regulations to ensure we are operating in an honest and diligent environment, as well as to prevent any acts that may affect our best interest;

- the adoption of the Measures for the Management of Anti-Money Laundering (反洗錢管理辦法) in May 2017, which sets out the preventive measures of various anti-money laundering related crimes, such as corruption and bribery, in accordance with the relevant PRC laws and regulations, including but not limited to the establishment of the Anti-money Laundering Office, which consists of personnel in the finance department, audit supervision department and contract department, responsible for the organization, coordination, supervision and inspection of suspicious transactions; and

- the adoption of the Measures for the Management of Anti-Corruption (反腐倡廉工作辦法) in May 2017, which clarifies the responsibilities of our management and respective departments in supervising and inspecting anti-corruption related matters to ensure that there is a unified concept of anti-corruption within our Group.

Furthermore, we have implemented various anti-corruption precautionary measures in order to mitigate the risks of such incidents, including engaging an internal control consultant, reviewing and improving our internal control measures and protocols, and strengthening the education of our employees in respect of compliance matters. For more details on our efforts in this regard, see "– Legal Compliance and Proceedings – Internal Control Findings and Rectification Measures" in this section.

As of the Latest Practicable Date, to the best of our knowledge, we are not aware of any investigation in respect of our Company, Directors and senior management members other than the investigation relating to Mr. Chen.

Our Directors are of the view that the incident and relevant charges have not and will not have any material adverse effect on our business, financial conditions and results of operations, having considered, among other things, the following:

(i) Mr. Chen had left his position as our director and chairman in April 2016 before he was subject to criminal detention in June 2016. Our business operations were not affected by Mr. Chen's incident as Mr. Chen was not actively involved in our daily operations and we promptly elected Mr. Xiao to assume the relevant duties and functions;

(ii) our relationship with the aforementioned suppliers had terminated. We have reviewed the service qualities provided by such suppliers, none of them used substandard materials or performed substandard work (i.e., the overall quality of the projects had met the national standards and passed the relevant inspections) and there have been no quality or safety issues in relation to those services;

(iii) the Incident only involved personal breaches of law and personal misconduct influencing the management at a high level by Mr. Chen. As of the Latest Practicable Date, to the best of our knowledge, neither our Company nor any of our other employees had been under investigation or subject to any administrative penalties in respect of the incident relating to Mr. Chen;

(iv) only one of the non-executive Directors, Mr. Yang Bin, was a director and general manager at Chengpeng Expressway Company during the period of the Incident (from May 2014 to April 2016), who was not involved in the procurement and tender related process that led to the Incident, as the Incident related agreements in respect to Chengpeng Expressway Company were entered into in January/February 2014, prior to Mr. Yang joining the Group as a director and general manager. Other than Mr. Yang, none of the current Directors were directors of our Group during the period of the Incident who were involved in putting the procurement process in place;

(v) although two of our five current Supervisors were also supervisors and one of our Supervisors was employee representative director of Chengwenqiong Expressway Company, during the period of the Incident, none of them were involved in the day-to-day transactional matters with regards to the procurement or tender process;

(vi) although two of our four current executive Directors, Ms. Wang Xiao and Mr. Luo Dan, assisted the then general managers in the Group's tendering and procurement functions when they served as a deputy general manager in Chengguan Expressway Company and Chengwenqiong Expressway Company, respectively, during the period of the Incident, they were required to report and take instructions from the then general managers of these two companies, who in turn were required to report and take instructions from the then chairman, namely Mr. Chen. Mr. Yang Qinhua was the former general manager of Chengwenqiong Expressway Company from March 2011 to June 2017, to whom Mr. Luo reported to in such relevant period. Ms. Wang Xiao, on the other hand, did not report to Mr. Yang Qinhua when she served as deputy general manager in Chengguan Expressway Company. The former general manager of Chengguan Expressway Company was Mr. Yang Tan (楊坦), to whom Ms. Wang Xiao reported to during her tenure at Chengguan Expressway Company. Mr. Yang Tan ceased to be the general manager of Chengguan Expressway Company in April 2016. Though both Ms. Wang and Mr. Luo observed and followed the then effective internal policies and controls, due to deficiencies of the then internal controls, Mr. Chen was able to deviate from the internal protocols without being detected by his subordinates. Neither Ms. Wang Xiao nor Mr. Luo Dan was found to have violated any employees' code of conduct during their tenure, nor were they indicted, charged, or otherwise found or suspected to have committed any misconduct in connection with their execution of their procurement related function; and

(vii) we have taken various precautionary and preventive measures in response to the Incident. For a more detailed disclosure, see "– Legal Compliance and Proceedings – Internal Control Findings and Rectification Measures."

We will continue to enhance our risk control and internal management systems. Save as disclosed above, there had been no material legal proceedings involving our employees during the Track Record Period and as of the Latest Practicable Date.

Internal Control Findings and Rectification Measures

Internal Control

We have engaged an independent external firm (the "Internal Control Consultant") to conduct an evaluation of our internal control system in connection with the Listing. As part of the engagement, we have consulted with our Internal Control Consultant to identify factors relevant to enhancing our internal control system and the steps to be taken. The Internal Control Consultant conducted its work in September 2016 and provided a number of findings and recommendations regarding corporate governance, accounting and information technology management in its report issued in June 2017. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our Company's system of internal control with regard to those actions taken by our Company and reported further commentary in June 2018 when we completed the remedial actions.

We have established an Audit and Risk Management Committee under the Board and Audit Department and designated relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance and ensure our overall on-going compliance.

With respect to our land and property title defects, we have implemented the following internal control measures to ensure our compliance with land and property laws and regulations:

- Before we acquire any land use rights or purchase any properties, our Directors and senior management will conduct enhanced due diligence to ensure there are no title issues and legal issues. The enhanced due diligence includes, among others, (i) examining the relevant land use right certificates and building title ownership documents, (ii) verifying such certificates and documents with the land administration authority and building administration authority and confirming the ownership, (iii) checking with building administration authority to ascertain whether any mortgage, charge or other security are attached to the building, and (iv) conducting site visits;

- We will obtain the requisite licenses and permits (including but not limited to land use right certificates and building ownership certificates) as and when required by the laws and regulations and follow the requisite procedures relating to construction of buildings and expressways;

- We have engaged an external legal advisor to advise us on the issues relating to compliance of laws and regulations, and we will continue to engage external legal advisor to advice us on such issues when necessary; and

- We have established a set of policies and procedures for property purchase to enhance our internal approval process.

With respect to our non-compliance incidents related to our construction work, we have established internal procedures to ensure that our expressway companies will obtain all necessary permits, licenses and regulatory approvals prior to commencing any construction work in the future.

- We have adopted administration measures on investment and construction work setting out protocols before commencing the construction work and require our employees to follow such measures;

- We have designated personnel at our headquarters responsible for obtaining these permits, licenses and approvals for the proposed construction work;

- Our headquarters conducts quarterly inspections on all of our construction sites through our on-site construction management/quality control teams to prevent commencement of construction work before obtaining all necessary permits, licenses and approvals; and

- Our compliance team in Audit Department at our headquarters also conducts annual investigation and evaluation of any issue detected and implement appropriate measures for rectification.

We noted the findings from the Internal Control Consultant in respect of our tendering and procurement process, which specified that the Group did not formulate a uniform procedure for the tendering and procurement process across all types of assets. In particular, the Group failed to (i) establish relevant management approval procedures and policies for the construction projects, (ii) clarify the procedures for projects bidding and other related matters, and (iii) establish relevant policies to regulate price comparison procedures. We were then recommended by the Internal Control Consultant to improve and formulate a standardized procedure for the overall tendering and procurement process, in particular, (i) to clarify the responsible departments and their respective duties, and formalize the scope, condition, methods, logistics and control of various procurement tasks, (ii) to formally regulate the projects approval flow and projects bidding related matters, and (iii) to standardize the price comparison procedures, as well as logistics for suppliers to quote prices.

Based on the recommendation given by the Internal Control Consultant and as remedial measures, we have revised and standardized our tendering and procurement management policy, in particular, with the adoption of procurement management measures (採購管理辦法), which (i) explicitly specified the procedures of initiating procurement plans, making procurement applications, and determining the procurement methods (i.e., bidding, comparison, price-consultation, among others), (ii) enhanced and tightened the approval flow and bidding process for construction projects, and (iii) explicitly set out standards in regulating the bidding and price comparison procedures.

Furthermore, we have also established a contract department and an audit supervision department to implement and monitor the procurement process, and to supervise the effectiveness of the applicable procurement procedures, respectively. Our Board has also established an audit and risk management committee, which is chaired by an independent non-executive Director and consists of either non-executive Directors or independent non-executive Directors only to monitor and supervise the overall process as a whole independently.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees. We have set up a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations.

- We have implemented administration measures on anti-corruption that clarified the specific duties of the responsible organization, the types of actions that merit investigation, and whistleblowing mechanisms;

- We have implemented anti-bribery protocols that set forth the general principles and specific work scope of relevant departments and responsible personnel in the preventing and control of corruption activities (such as (i) the duty for the audit and risk management committee to review the overall anti-corruption management policy; (ii) to establish a formal complaints handing and reporting channels; and (iii) to review and discuss with the management on those past corruption-related incidents and evaluate the respective impact and the remedial measures to be taken accordingly) and specific penalties that will be imposed;

- We have implemented administration measures on anti-money laundering that specified the composition and duties of the responsible organization, the procedures for identifying and reporting questionable transactions, and an internal review mechanism;

- Our discipline inspection and supervision department has organized various trainings to our senior management and employees on anti-corruption and anti-bribery matters;

Taking into account rectification measures adopted by us and the internal control measures implemented by us in connection with the non-compliance incidents disclosed under "– Legal Compliance and Proceedings" in this prospectus, the result of the review conducted by our Internal Control Consultant, the on-going monitoring and supervision by our management, the appointment of our independent non-executive Directors, and the establishment of the Audit and Risk Management Committee to the Board, our Directors are of the view that our enhanced internal control measures are adequate and effective; the suitability and competency of our Directors is compliant with Rules 3.08 and 3.09 of the Listing Rules; and our Company is suitable for Listing under Rule 8.04 of the Listing Rules.

Risk Management

We are dedicated to the establishment and maintenance of a robust internal control system. Our internal control system covers corporate governance, operation, management, legal matters, finance and auditing. We have established internal rules and policies pursuant to the PRC Company Law, Listing Rules and other relevant regulations, such as the Rules of Procedures for Shareholders' General Meetings (股東大會議事規則), Rules of Procedures for Board Meetings (董事會議事規則), Rules of Procedures for Supervisory Committee Meetings (監事會議事規則) and detailed working rules for various committees. These internal rules and policies have stipulated, among others, the duties and responsibilities for our Board and the supervisory committee. We have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations such as financial reporting, legal compliance and human resources management.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We provide ongoing trainings to our finance staff to ensure that these policies are well-observed and effectively implemented. As of the Latest Practicable Date, our finance team consisted of 22 employees and has extensive experience in public company financial reporting. Other senior members of our finance department are all experienced in finance and accounting.

Operational Risk Management

We have a dedicated legal team that is responsible for monitoring any changes in PRC laws and regulations and ensuring the ongoing compliance of our operations with PRC laws and regulations. To prevent similar incidents of non-compliance as disclosed in "– Legal Compliance and Proceedings" in this prospectus from recurring, our management is committed to staying informed of the latest laws and regulations governing our business activities, and working with our legal team and outside legal advisors to take all necessary actions to ensure compliance with such laws and regulations. In situations where the relevant laws and regulations are not clear as to what action should or should not be taken, we take the conservative approach to avoid any potential compliance issues.

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We adopt high standards in recruitment with strict procedures to ensure the quality of new hires. We provide specialized trainings tailored to the needs of our employees in different departments. Our employee handbook contains guidelines regarding best commercial practice, work ethics and prevention of fraud, negligence and corruption. Our employees are required to provide a confirmation that he or she understands and is committed to observing the requirements set forth in our employee handbook. We have also made available an anonymous reporting channel through which potential violations of our internal policies or illegal acts at all levels of the Company can be timely reported to management and appropriate measures can be taken to minimize damage.

Corporate Governance Measures

We have established an Audit and Risk Management Committee on our Board, the primary duties of which are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The Audit and Risk Management Committee consists of three independent non-executive Directors and its chairman has appropriate professional qualifications.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our Audit and Risk Management Committee and senior management monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.

Legal Proceedings

As of the Latest Practicable Date, we were not involved in any material pending or threatened legal proceedings, claims or disputes.

OVERVIEW

Chengguan Expressway Company, the predecessor of our Company, was established on August 25, 1998 as a limited liability company in the PRC. In preparation for the Listing, on December 21, 2016, Chengguan Expressway Company was converted into a joint stock company with limited liability and renamed as Chengdu Expressway Co., Ltd.. As of the Latest Practicable Date, Chengdu Communications and its wholly-owned subsidiary, Chengdu Expressway Company, held a 25% and 75% equity interest in our Company, respectively. Upon completion of the Global Offering, Chengdu Communications and Chengdu Expressway Company will directly hold approximately 18.7% and 56.3% equity interests in our Company, respectively, assuming that the Over-allotment Option is not exercised at all, or approximately 18.1% and 54.2% equity interests in our Company, respectively, assuming that the Over-allotment Option is fully exercised. In either case, Chengdu Communications and Chengdu Expressway Company will continue to be our Controlling Shareholders after the Global Offering.

DELINEATION OF BUSINESS AND COMPETITION

Our Group is primarily engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan province ("**Our Principal Business**").

Chengdu Communications is primarily engaged in the investment in, the financing of and the construction, development, operation and management of transportation infrastructure in Sichuan province. As of the Latest Practicable Date, and as confirmed by our Directors, Chengdu Communications does not hold, directly or indirectly, any interests in businesses that have or might have competitions against Our Principal Business.

Chengdu Expressway Company is primarily engaged in the construction and development of toll roads, large-scale flyovers, stations, ancillary facilities and properties along the toll roads in Sichuan province. As of the Latest Practicable Date, and as confirmed by our Directors, Chengdu Expressway Company does not hold, directly or indirectly, any interests in businesses that have or might have competitions against Our Principal Business.

Save as otherwise disclosed, Chengdu Communications and Chengdu Expressway Company have injected the toll road businesses directly or indirectly held by it into our Group. See "History and Corporate Structure – Corporate Development" in this prospectus for further details.

Directors' Competing Interests

Our Directors have confirmed that, as of the Latest Practicable Date, none of them had any direct or indirect interest in any business which competes or might compete with Our Principal Business.

NON-COMPETITION AGREEMENT AND UNDERTAKINGS

On June 29, 2017, our Company and Chengdu Communications entered into the Non-competition Agreement, pursuant to which Chengdu Communications has irrevocably undertaken that, Chengdu Communications and its subsidiaries (excluding our Group and listed entities under Chengdu Communications and their respective subsidiaries) will not, during the term of the Non-competition Agreement, and will procure their associates not to, directly or indirectly, engage in, individually or jointly, with other entities, or assist to engage in or participate in any business which competes with Our Principal Business in Sichuan province. Furthermore, Chengdu Communications undertakes to grant an option to our Company to acquire new business opportunities that may compete, directly or indirectly, with Our Principal Business, an option to acquire and a right of first refusal with regard to the New Competing Business (as defined Below).

Option for New Business Opportunities

Pursuant to the Non-competition Agreement, Chengdu Communications has undertaken that, during the term of the Non-competition Agreement:

(i) if Chengdu Communications or any of its subsidiaries (excluding our Group) is aware of any new business opportunity which directly or indirectly competes or may compete with Our Principal Business (the "**New Competing Business**"), it shall immediately notify our Company in writing with sufficient information for considering whether to engage in the New Competing Business, and use its best efforts to procure such business opportunities to be provided to our Company on reasonable and fair terms and conditions;

(ii) if, in any event, our Group elects not to accept such new business opportunities, it shall notify Chengdu Communications in writing within 30 days. Upon receipt of our Company's written confirmation of non acceptance of such new business opportunities, or in the event that our Company fails to reply in writing within 30 days, Chengdu Communications or its subsidiaries (excluding our Group) is entitled to engage in the such new business opportunities;

(iii) Chengdu Communications shall procure its associates or associates of its subsidiaries (excluding our Group) to provide our Group, in the first place, with any new business opportunity that competes or may compete with Our Principal Business; and

(iv) Chengdu Communications shall procure its associate companies and their associates to provide to our Company any new business opportunity that competes or may compete with Our Principal Business.

The Board (including our independent non-executive Directors) or the authorized Board committees shall be responsible for reviewing and determining whether to accept such new business opportunities provided by Chengdu Communications or its associates by taking into consideration factors such as the geography and the compatibility of the business nature of such new business opportunities to our Group's strategy and prospects. Should Chengdu Communications or its associates send us any notice of new business opportunities, we shall immediately report to our independent non-executive Directors, who may reply to Chengdu Communications or its associates (if applicable) within the specified deadline.

Our Company will publish an announcement on our decision on acceptance or rejection of any new business opportunity with basis, and make adequate disclosures in our annual reports.

Option to Acquire the New Competing Business

Chengdu Communications has undertaken to grant our Company an option, pursuant to which, our Company is entitled to acquire, at all times, from Chengdu Communications and its subsidiaries (excluding our Group) permissible under the applicable laws and regulations, any equity interest, assets or other interests in the New Competing Business. Alternatively, our Company may elect to, if permissible by applicable laws, have arrangements including but not limited to, entrusted operation, leasing or contracted operation with Chengdu Communications or its subsidiaries (excluding our Group) regarding any asset or business in the New Competing Business. In the event that a third party has a pre-emptive right under the same conditions, the option that we are entitled to shall not be applicable. However, under such circumstances, Chengdu Communications shall use its best efforts to cause such third party to waive its pre-emptive right.

Moreover, Chengdu Communications shall procure its associates or associates of its subsidiaries (excluding our Group) and its associate companies and their associates to grant the same option to our Group.

If the exercise of such options involves any disposal of state-owned assets, the consideration shall be determined based on arm's length negotiation between Chengdu Communications or its subsidiaries and us subject to statutory evaluation of state-owned assets and due process of approval or registration in accordance with applicable laws.

The Board (including our independent non-executive Directors) or the authorized Board committees shall be responsible for reviewing and determining whether to exercise such options to acquire, and shall take into consideration factors such as the geography and the compatibility of such businesses with the strategy and prospects of our Group.

Right of First Refusal

Chengdu Communications has undertaken to our Company that, in the event that Chengdu Communications or its subsidiaries (excluding our Group) intends to assign, sell, lease, license to use or permit to use in other manners, the following to a third party: (i) any of its equity interests, assets or other interests in its retained business; or (ii) any of its equity interests, assets or other interests in new business opportunity which is or may constitute a New Competing Business (which our Company has elected not to acquire in the first place).

We are entitled to such right of first refusal which can be exercised at any time during the term of the Non-competition Agreement. If Chengdu Communications or its subsidiaries intends to assign, sell, lease, license to use or transfer or permit to use in other manners, any equity interests, assets or other interests in the New Competing Business, Chengdu Communications shall deliver a written notice to our Company including all the information required for our Company to consider whether to proceed with the purchase. Our Company shall provide a written reply to Chengdu Communications within 30 days upon receipt of said notice. Chengdu Communications has undertaken that, prior to the receipt of the written reply from our Company, Chengdu Communications shall not issue any notice or intent of transfer (regardless of being legally binding or not) relating to any equity interest, asset or other interest in the New Competing Business where Chengdu Communications intends to assign, sell, lease, license to use or permit to use in other manners, such equity interests, assets or other interests in the New Competing Business to such third party. In the event that (i) our Company declines to purchase or fails to reply to Chengdu Communications within the specified deadline, or (ii) our Company declines to accept the terms set out in the notice by counter offering in writing to Chengdu Communications new terms for the proposed acquisition within the specifies deadline, however, fails to reach an agreement with Chengdu Communications at arm's length, Chengdu Communications is entitled to transfer, assign, sell, lease, license to use or permit to use in other manners, such equity interests, assets or other interests in the New Competing Business to a third party based on the terms set out in the notice from Chengdu Communications to our Company.

Moreover, Chengdu Communications shall procure (i) its associates; (ii) associates of its subsidiaries (excluding our Group) and (iii) associate companies and their associates to grant our Company with the same right of first refusal.

If the exercise of right of first refusal by our Company involves disposal of any state-owned assets, it is subject to statutory evaluation and approvals and due procedures required by applicable laws in the PRC.

The Board (including our independent non-executive Directors) or the authorized Board committees shall be responsible for reviewing and contemplating whether to exercise the right of first refusal, taking into consideration factors including but not limited to the geography and the compatibility of such businesses with our Group's development strategy and prospects.

The exercise of any option and/or the right of first refusal that constitutes connected transactions in accordance with the Listing Rules shall comply with the applicable disclosure requirements and the approval by independent shareholders (where applicable) under the Listing Rules.

Our Directors believe that our independent non-executive Directors have rich experience in evaluating new business opportunities and contemplating whether to exercise any option and/or the right of first refusal. In addition, our independent non-executive Directors may consult professional financial advisors or other experts who can provide advice on the matters to be considered for exercising any option and/or the right of first refusal under the Non-competition Agreement.

Further Undertakings Provided by Chengdu Communications

Chengdu Communications has further undertaken that:

(i) at the request of our Company's independent non-executive Directors, Chengdu Communications shall provide all information necessary for our Company's independent non-executive Directors to conduct annual reviews with respect to the implementation of the Non-competition Agreement and compliance with the undertakings thereunder by Chengdu Communications;

(ii) Chengdu Communications agrees with our disclosure of decisions made by our independent non-executive Directors and all necessary information in connection with the annual review with respect to the implementation of the Non-competition Agreement and compliance with the undertakings thereunder provided by Chengdu Communications in our annual reports and/or public announcements; and

(iii) Chengdu Communications shall make an annual declaration regarding its compliance with the undertakings made under the Non-competition Agreement, and agrees that we disclose such declarations in our annual reports and/or public announcements.

The Non-competition Agreement will remain in full force until and when the following events (whichever is earlier) occur:

(i) the total number of our shares held, directly or indirectly, by Chengdu Communications and its subsidiaries is less than 30%; or

(ii) the H shares of our Company are no longer be listed on the Stock Exchange or other internationally recognized stock exchanges (except for the tentative trading suspension or halt of our Company's shares for any reason).

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, we are satisfied that we can conduct our business independently from Chengdu Communications and Chengdu Expressway and their respective close associates after the Global Offering.

Independence of Business Operations

Our Group possesses sufficient capital, property, equipment, technology and human resources to operate its business independently, and holds concessions and qualifications that are necessary for Our Principal Business. Our Group has an established organizational structure, comprising various separate departments each charged with specific responsibilities. Our Group also has independent access to, among others, contractors, technical consultants, suppliers or construction materials and other resources required for our Group's business. We operate our Principal Business independently, with independent rights to make and implement operational decisions.

We also maintain a set of internal control procedures to facilitate the effective operation of our business. We have adopted appropriate measures to ensure the enforceability of the Non-competition Undertaking. For details, please see "– Non-competition Agreement and Undertakings" in this section. We have also adopted a set of corporate governance manuals, such as rules with respect to the shareholders' meeting, the board meeting, the supervisory committee's meeting and the conduct of connected transactions, pursuant to relevant laws and regulations.

Our Company has some existing continuing connected transactions with the Controlling Shareholders in which the Controlling Shareholders and/or its associates may provide property leasing services or general services to our Company, or our Company may provide property leasing services to the Controlling Shareholders and/or its associates. Considering that our Company may also source such services from other Independent Third Parties or provide such services to other Independent Third Parties, and that such services have a sufficiently competitive market, our Directors believe that our Company can seek independent suppliers or customers on similar terms.

Based on the foregoing grounds, our Directors are of the view that we can operate our business independently from the Controlling Shareholders and their respective close associates.

Financial Independence

We have a finance department which is independent from our Controlling Shareholders and this finance department is responsible for our Company's finances, accounting, reporting, credit and internal control. We have an independent bank account and do not share any bank account with the Controlling Shareholders. We use our own funds to independently process our tax registration and pay tax.

We are capable of obtaining the financing without relying on any guarantee or mortgage provided by the Controlling Shareholders or other connected persons. As of the Latest Practicable Date, none of our existing bank facilities or loans is guaranteed by our Controlling Shareholders or secured by the assets of our Controlling Shareholders, and our Group does not have any shareholder loans from the Controlling Shareholders. As of October 31, 2018, our Group has a total unutilized bank facility of RMB1,358.7 million. As a result, our operation is financially independent of our Controlling Shareholders.

Based on the foregoing grounds, our Directors believe that we are financially independent of the Controlling Shareholders and their respective close associates.

Independence of the Board and Management

Our Board consists of nine directors, eight of whom do not hold any directorship, senior management position or supervisor position with the Controlling Shareholders and/or their close associates (other than our Group), namely Chengdu Communications and Chengdu Expressway Company. As of the Latest Practicable Date, only one non-executive Director, who do not manage our day-to-day business and operations, hold directorships in the Controlling Shareholders and/or their close associates (other than our Group). Set out below is a table summarizing the positions held by our Directors with our Company, and their positions, if any, with our Controlling Shareholders and/or their close associates (other than our Group) as of the Latest Practicable Date:

Name	Positions with our Company	Positions with the Controlling Shareholders and/or their close associates (other than our Group) as of the Latest Practicable Date
Xiao Jun (肖軍)	Chairman of the Board and non-executive Director	Vice chairman of the board of Chengdu Communications
Tang Fawei (唐發維) . . .	Executive Director and General Manager	None
Zhang Dongmin (張冬敏)	Executive Director	None
Wang Xiao (王曉)	Executive Director and Deputy General Manager	None
Luo Dan (羅丹)	Executive Director and Chief Accountant	None
Yang Bin (楊斌)	Non-executive Director	None

Name	Positions with our Company	Positions with the Controlling Shareholders and/or their close associates (other than our Group) as of the Latest Practicable Date
Shu Wa Tung, Laurence (舒華東)	Independent non-executive Director	None
Ye Yong (葉勇)	Independent non-executive Director	None
Li Yuanfu (李遠富)	Independent non-executive Director	None

None of our independent non-executive Directors is associated with the Controlling Shareholders in any way that may impede the independence required for acting as an independent non-executive director under Rule 3.13 of the Listing Rules.

We believe that our Directors and senior management are able to perform their roles in our Company independently and that our Company is capable of managing its business independently from the Controlling Shareholders after the Listing for the following reasons:

(i) the decision-making mechanism as set out in the Articles of Association includes provisions to avoid conflicts of interest, which stipulate, among others, that in the event of conflicts of interest such as reviewing of proposals relating to transactions with the Controlling Shareholders, our Directors who are associated with the Controlling Shareholders must abstain from voting and shall not be counted for quorum. Besides, when considering connected transactions, our independent non-executive Directors will review the relevant transactions;

(ii) none of our Directors or senior management holds any equity interest in our Controlling Shareholders or their subsidiaries;

(iii) all of our Directors are aware of their fiduciary duties of being Directors and shall act in the interests of our Shareholders; and

(iv) we have appointed three independent non-executive Directors, comprising one-third of our Board, to provide a balance of the number of our Board and with a view to promoting the interest of our Company and our shareholders as a whole.

Based on the above, our Directors believe that our Company has its own management teams at both executive and operational levels, and is satisfied that it is capable of maintaining independence from the Controlling Shareholders and/or their close associates.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, transactions that we enter into with our connected persons will constitute connected transactions upon the Listing.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group which are fully exempted from all of the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

General Services Framework Agreement

Our Company entered into a general services framework agreement (the "**General Services Framework Agreement**") with Chengdu Communications on June 29, 2017, pursuant to which, Chengdu Communications (together with Chengdu Expressway Company, "**Chengdu Communications Group**") may provide certain general services, such as property management, catering, parking, maintenance, lease marketing and administrative services, to us according to actual needs.

(i) ***Principal terms:*** The principal terms of the General Services Framework Agreement include:

  (a) pricing policy of service fee (see below);

  (b) our Group and Chengdu Communications Group must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the General Services Framework Agreement; and

  (c) the General Services Framework Agreement has a term of three years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

(ii) ***Reasons for this transaction:*** To facilitate our operational activities, Chengdu Communications Group has been providing integrated services to our Group over the years. Given the quality, cost, efficiency and convenience of using such services, continuing to use such services provided by Chengdu Communications Group will be beneficial to us.

(iii) ***Pricing Policy:*** The general services will be priced on normal commercial terms for the ordinary course of our business with reference to the market price of the same or similar services provided by an Independent Third Party in the vicinity areas. Before entering into any transactions with Chengdu Communications Group, our

Group will obtain quotes from at least two independent service providers which provide the same or similar services in the vicinity areas. Our finance department will review and compare the quotes from independent service providers with the quotes from Chengdu Communications Group when determining service providers so as to ensure that the price of the general services provided by Chengdu Communications Group to our Group is fair and reasonable, and is determined on normal commercial terms or on terms no less favourable to our Group than the terms available from Independent Third Parties. If there is no applicable market price available, Chengdu Communications Group has agreed to price the general services to us at cost to ensure the service fee is fair and reasonable or more favorable to our Group than being available from Independent Third Parties.

(iv) ***Annual Cap:*** Our Directors estimate that the maximum amount of the service fees payable by our Group to Chengdu Communications Group under the General Services Framework Agreement will be less than HK$3 million for each of the years ending December 31, 2018, 2019, 2020, respectively. Such estimation is based on historical transaction amount in respect of the services provided by Chengdu Communications Group to our Group, amounting to RMB0.1 million, RMB0.1 million, RMB0.4 million and RMB0.2 million for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively.

Chengdu Communications is a substantial shareholder of our Company and hence a connected person of our Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the General Services Framework Agreement will constitute a continuing connected transaction for our Company upon Listing under Chapter 14A of the Listing Rules. Since the annual transaction amount is expected to be less than HK$3 million, the transactions contemplated under the General Services Framework Agreement are expected to constitute a *de minimis* continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and will be fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Zhongyou Leasing Agreement

Chengpeng Expressway Company, our subsidiary, entered into a leasing agreement (the "Zhongyou Leasing Agreement") with Chengdu Zhongyou Energy Co., Ltd. ("**Zhongyou Energy**") on December 23, 2011, pursuant to which, Chengpeng Expressway Company, as landlord, leased a property located at Shuanglin Village, Dafeng Street, Xindu District, Chengdu, Sichuan province with a total area of 7,058.96 square meters (the "**Premises**") to Zhongyou Energy, as leasee.

(i) ***Principal terms:*** The principal terms of the Zhongyou Leasing Agreement include:

(a) rental pricing policy (see below); and

(b) the Zhongyou Leasing Agreement has a term of 20 years commencing from December 23, 2011. The Zhongyou Leasing Agreement is of a duration of longer than three years as otherwise normally permitted for the connected transactions under the Listing Rules. Our Directors consider the term of the Zhongyou Leasing Agreement enables us to secure long-term economic benefit, development and continuity of our operations. Such arrangement is in our commercial interest as it also enables us to avoid unnecessary cost, time and effort and interruption of business caused by renegotiation in the case of short term leases. In light of the above view and the below reasons for the transaction from our Directors and similar type of arrangements in the market, the Sole Sponsor is also of the view that it is normal business practice for agreements of this type to be of such duration.

(ii) ***Reasons for this transaction:*** Chengpeng Expressway Company leased the Premises to Zhongyou Energy during and prior to the Track Record Period. The Premises was used for gasoline station built and operated by Zhongyou Energy during and prior to the Track Record Period. Our Directors consider the terms of the Zhongyou Leasing Agreement are consistent with normal commercial terms and can provide long-term rental income for us, enabling us to ensure long-term development and continuity of our operation of Chengpeng Expressway Company. Such arrangement is in our commercial interest as it also enables us to save extra costs as opposed to short-term leases. Termination of the Zhongyou Leasing Agreement and re-negotiation of a new lease would lead to unnecessary business disruption and costs.

(iii) ***Pricing Policy:*** The annual rental payable by Zhongyou Energy to Chengpeng Expressway Company shall be calculated on the basis that Zhongyou Energy will pay RMB0.1 yuan for each litre of refined oil sold and RMB0.1 yuan for each cubic metre of compressed natural gas sold by Zhongyou Energy at the gasoline station located on the Premises. The aforesaid pricing basis is determined at arm's length negotiations between relevant parties on normal commercial terms for the ordinary course of our business with reference to the prevailing pricing basis for gasoline stations in the proximity areas.

(iv) ***Annual Cap:*** Our Directors estimate that the maximum amount of the rent receivable by Chengpeng Expressway Company from Zhongyou Energy under the Zhongyou Leasing Agreement will be less than HK$3 million for each of the years ending December 31, 2018, 2019, 2020, respectively. Such estimation is based on historical rental amount received by Chengpeng Expressway Company, amounting to RMB1.84 million, RMB1.82 million, RMB1.15 million and RMB0.57 million for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively.

Zhongyou Energy is principally engaged in the construction, operation and management of gasoline stations, and is indirectly owned as to 49% by Chengdu Communications and 51% by Petro China Company Limited (a company listed on the Stock Exchange, stock code: 857; and the Shanghai Stock Exchange, stock code: 601857), an Independent Third Party. Chengdu Communications is a substantial shareholder of our Company. Hence, Zhongyou Energy is an associate of Chengdu Communications and a connected person of our Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Zhongyou Leasing Agreement will constitute a continuing connected transaction for our Company upon Listing under Chapter 14A of the Listing Rules. Since the annual transaction amount is expected to be less than HK$3 million, the transaction contemplated under the Zhongyou Leasing Agreement is expected to constitute a *de minimis* continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules and will be fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

We set out below a continuing connected transaction for our Group which is subject to the reporting, annual review and announcement requirements but will be exempted from the independent Shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

Property Leasing Framework Agreement

Our Company entered into a property leasing framework agreement (the "**Property Leasing Framework Agreement**") with Chengdu Communications on June 29, 2017, pursuant to which, Chengdu Communications Group may lease properties to our Group.

(i) ***Principal terms:*** The principal terms of the Property Leasing Framework Agreement include:

  (a) rental pricing policy (see below);

  (b) relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions, including the rents and payment methods, according to the pricing pricing policy provided in the Property Leasing Framework Agreement; and

  (c) the Property Leasing Framework Agreement has a term of three years commencing from the Listing Date and may be renewed with mutual consent after negotiation.

(ii) ***Reasons for this transaction:*** Since March 2017, we began leasing from Chengdu Communication Group half a floor of office premises with a total gross floor area of approximately 990.3 square meters. In order to fulfil our business development needs, we expect to continue to lease from Chengdu Communication Group half a floor of office premises with a total gross floor area of approximately 990.3 square meters for the year ending December 31, 2018, and one full floor of office premises with a total gross floor area of approximately 2,200 square meters for the years ending December 31, 2019 and 2020. Our Directors believe that leasing instead of acquiring the relevant office premises from Chengdu Communications Group would benefit our Company as it is considered to be more cost-efficient.

(iii) ***Rental pricing policy:*** The rental shall be determined at arm's length negotiations between relevant parties and by reference to the prevailing market price of local properties in vicinity with similar size and quality. For the properties leased by Chengdu Communications Group to our Group, before entering into any transactions with Chengdu Communications Group, our Group will actively seek to obtain market price information through various channels, for example, obtaining quotes from at least two independent landlords which lease local properties in vicinity with similar size and quality. Our finance department will review and compare such quotes with the quotes offered by Chengdu Communications Group, or depending on the actual circumstances, our finance department will report the quotes to our management for their further review, to determine whether to accept the quotes offered by Chengdu Communications Group, so as to ensure that the rent of the properties leased by Chengdu Communications Group to our Group is fair and reasonable, and is determined on normal commercial terms or on terms no less favourable to our Group than the terms available from Independent Third Parties.

(iv) ***Annual caps:*** Our Directors estimate that the maximum amount of the rent payable by our Group to Chengdu Communications Group under the Property Leasing Framework Agreement will be RMB1.1 million, RMB2.6 million and RMB2.9 million for the years ending December 31, 2018, 2019 and 2020. When determining the annual caps mentioned above, our Directors have taken into account: (i) the terms of our existing property lease agreements; (ii) the expected total gross floor area of properties to be leased; (iii) the expected quantity and condition of properties to be leased; (iv) the expected market prices of properties in similar conditions; and (v) the historical rental amount paid to Chengdu Communications Group by our Group, amounting to nil, nil, RMB0.9 million and RMB0.5 million for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively. We expect a growth in payment of rentals for properties leased by Chengdu Communications Group for the years ending December 31, 2019 and 2020, primarily because of the significant increase in the properties rented from Chengdu Communications Group to expand the area of our offices.

Chengdu Communications Company is a substantial shareholder of our Company and hence a connected person of our Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Property Leasing Framework Agreement will constitute a continuing connected transaction for our Company upon Listing under Chapter 14A of the Listing Rules. Since the highest of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules is expected to be more than 0.1% but less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are subject to the reporting, annual review and announcement requirements but will be exempted from the independent Shareholders' approval requirements under Chapter 14A.76(2) of the Listing Rules.

Waiver

As this connected transaction is expected to continue on a recurring basis after the Listing, our Directors consider that it would be unduly burdensome, impracticable to our Company and would impose unnecessary administrative costs on our Company to make disclosure of such connected transaction in compliance with the announcement requirement under Chapter 14A of the Listing Rules. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules once the H Shares are listed on the Stock Exchange in respect of such partially-exempt continuing connected transaction. We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of such partially-exempt continuing connected transaction.

If any further amendments to the Listing Rules are stricter than whatever is applicable to the continuing connected transaction stated in this prospectus, the Company will take appropriate measures to ensure compliance with the new rules within a reasonable time.

Directors' view

Our Directors, including independent non-executive Directors, are of the view that: (i) the aforesaid partially-exempt continuing connected transaction under the Property Leasing Framework Agreement has been and will be entered into on normal commercial terms in the ordinary and usual course of business, which are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (ii) the relevant proposed annual caps of such transaction are also fair and reasonable and in the interest of our Company and our shareholders as a whole.

Sole Sponsor's view

Based on the documents, information an historical figures provided by the Company and the Sole Sponsor's participation in due diligence and discussions with the Company, the Sole Sponsor is of the view that: (i) the partially-exempt continuing connected transaction under the Property Leasing Framework Agreement has been and will be entered into on normal commercial terms in the ordinary and usual course of business, which are fair and reasonable and in the interests of our Company and our shareholders as a whole; and (ii) the relevant proposed annual caps of such transactions are also fair and reasonable and in the interest of our Company and our shareholders as a whole.

OVERVIEW

Our Board consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The term of office of each of our Directors is three years. Upon the expiry of the term of office of a Director, the term is renewable upon re-election. Our Board is responsible for and has the general power to manage and develop our business. The functions and duties of our Board include convening Shareholders' general meetings and reporting our Board's work at our Shareholders' general meetings, implementing the resolutions of Shareholders' general meetings, determining business plans and investment proposal, formulating annual budget and final accounts, preparing proposals on profit distribution, recovery of losses, and increases or decreases in registered capital as well as exercising other power, functions and duties granted by the Articles of Association.

The PRC Company Law requires a joint stock limited liability company to establish a Supervisory Committee, and this requirement is also set out in our Articles of Association. The Supervisory Committee of our Company consists of five members, including two employee representative Supervisors. The functions and duties of our Supervisory Committee include but are not limited to reviewing our Company's financial reports, supervising the performance of the corporate duties of our Directors and senior management and proposing the dismissal of our Directors and senior management who are in breach of laws and regulations, the Articles of Association or the resolutions of the general meeting, requiring directors, the president and other senior management to rectify any actions which impair the interests of our Company, proposing to convene the extraordinary general meetings, convening and presiding over our Shareholders' general meeting in the event that our Board fails to perform its duties to convene and preside over our Shareholders' general meetings, putting forward proposals to our Shareholders' general meetings and reviewing the periodic reports formulated by our Board and putting forward written opinions on audits.

Senior management is responsible for our Company's day-to-day business management and operation.

The following table sets forth certain information regarding our Directors, Supervisors and senior management. All of our Directors, Supervisors and senior management have satisfied with the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

The following table sets forth certain information regarding our Directors.

Name	Age	Position	Date of joining our Group	Date of appointment as a director	Principal roles and responsibilities
XIAO Jun (肖軍)	52	Chairman and Non-executive Director	April 27, 2016	November 21, 2016	responsible for formulating the Company's corporate and operational strategies and making major corporate and operational decisions of the Company, and acting as the chairman of the Nomination Committee
TANG Fawei (唐發維) . . .	49	Executive Director and General Manager	November 21, 2016	November 21, 2016	fully directing various work of our Company, and acting as the chairman of the Strategy and Development Committee
ZHANG Dongmin (張冬敏) . . .	56	Executive Director	May 27, 2017	May 9, 2018	acting as director, chairman and general manager of Chengwenqiong Expressway Company
WANG Xiao (王曉)	46	Executive Director and Deputy General Manager	April 1, 2006	November 21, 2016	assisting the General Manager, managing general management department, and acting as a member of the Strategy and Development Committee
YANG Bin (楊斌)	52	Non-executive Director	May 5, 2014	May 9, 2018	acting as a member of the Audit and Risk Management Committee

Name	Age	Position	Date of joining our Group	Date of appointment as a director	Principal roles and responsibilities
LUO Dan (羅丹)	51	Executive Director and Chief Accountant	August 1, 1998	November 21, 2016	in charge of financial matters, assisting the General Manager, managing the finance department, contract management department, and acting as a member of the Remuneration and Evaluation Committee
SHU Wa Tung, Laurence (舒華東) . . .	46	Independent Non-executive Director	November 21, 2016	November 21, 2016	acting as the chairman of the Audit and Risk Management Committee, and a member of the Strategy and Development Committee
YE Yong (葉勇)	44	Independent Non-executive Director	November 21, 2016	November 21, 2016	acting as a member of the Audit and Risk Management Committee, the chairman of the Remuneration and Evaluation Committee, and a member of the Nomination Committee
LI Yuanfu (李遠富) . . .	56	Independent Non-executive Director	November 21, 2016	November 21, 2016	acting as a member of the Nomination Committee, and a member of the Remuneration and Evaluation Committee

The following table sets forth certain information regarding our Supervisors.

Name	Age	Position	Date of joining our Group	Date of appointment as a supervisor	Principal roles and responsibilities
JIANG Yan (蔣燕)	47	Chairman of the Supervisory Committee	May 9, 2018	May 9, 2018	chairing the work of the Supervisory Committee and monitoring the operational and financial activities of the Company
WU Haiyan (吳海燕) . . .	47	Supervisor	April 29, 2015	November 21, 2016	monitoring the operational and financial activities of the Company
PAN Xin (潘欣)	31	Supervisor	November 21, 2016	November 21, 2016	monitoring the operational and financial activities of the Company
XU Jingxian (許靜嫻) . . .	41	Supervisor (Employee Representative Supervisor)	August 3, 1998	November 17, 2016	responsible for the monitoring and audit of the Company, and establishment and management of corporate culture
ZHANG Jian (張建)	51	Supervisor (Employee Representative Supervisor)	June 1, 1994	November 17, 2016	responsible for the establishment and management of corporate culture

The following table sets forth certain information regarding the senior management of our Company.

Name	Age	Position	Date of joining our Group	Date of appointment as a senior management member	Principal roles and responsibilities
TANG Fawei (唐發維) . . .	49	Executive Director and General Manager	November 21, 2016	December 9, 2016	fully directing various work of our Company
ZOU Zhiquan (鄒志全) . . .	50	Chief Engineer	April 25, 2016	December 9, 2016	assisting the General Manager, and managing the engineering technology department
WANG Xiao (王曉)	46	Executive Director and Deputy General Manager	April 1, 2006	December 9, 2016	assisting the General Manager, and managing the general management department
LUO Dan (羅丹)	51	Executive Director and Chief Accountant	August 1, 1998	December 9, 2016	in charge of financial matters, assisting the General Manager, and managing the finance department and contract management department
SU Bing (蘇兵)	50	Deputy General Manager	April 1, 2004	June 8, 2017	assisting the General Manager, and managing the safety management department

Name	Age	Position	Date of joining our Group	Date of appointment as a senior management member	Principal roles and responsibilities
YANG Jingdong (楊敬東) . . .	50	Deputy General Manager	July 8, 2010	December 9, 2016	assisting the General Manager, and managing the audit and supervision department
JIANG Zhuanping (蔣專平) . . .	48	Deputy General Manager	March 8, 2011	December 9, 2016	assisting the General Manager, managing the investment development department, and operation management department
ZHANG Guangwen (張光文) . . .	43	Secretary to our Board and Joint Company Secretary	June 21, 2016	December 9, 2016	managing the office of our Board and responsible for the daily work of the Board

DIRECTORS

Executive Directors

Mr. TANG Fawei (唐發維), age 49, has served as an Executive Director of our Company since November 2016. Since December 2016, he has served as the General Manager of our Company, mainly responsible for fully directing various works of our Company, acting as the chairman of the Strategy and Development Committee. Prior to joining our Company, Mr. Tang served as a teacher at Longquan Junior High School, Longquanyi District, Chengdu, Sichuan province, from August 1989 to September 1990. He served as a teacher, as well as a sole duty deputy secretary of the Communist Youth League, at Luodai Middle School, Chengdu City, Sichuan province from September 1990 to March 1993. He worked at the Department of Secondary School Education, Board of Education, Longquanyi District, Chengdu City, Sichuan province, acting as the officer of vocational education, responsible for vocational education and student recruitment of the whole area, as well as a deputy director of Vocational Education Center Admissions Office in Chengdu Economic and Technological Development Zone from March 1993 to October 1998. He served as the vice president of Xihe Vocational and Technical Secondary School of Sichuan from October 1998 to October 2001. He served as the deputy

director of the integrated office of Work Committee and Management Committee of Chengdu Economic and Technological Development Zone from October 2001 to December 2006, during which he took a temporary post and received training in Department of Commerce of Sichuan province from October 2001 to October 2002. He took a temporary post and received training in Foreign Investment Division of Ministry of Commerce from September 2005 to October 2006. Mr. Tang was involved in the preparation of transportation in Chengdu from December 2006 to March 2007. He has also served as the secretary of the Communist Party Committee and general manager of Sichuan Xing Shu Railway Company (四川興蜀鐵路公司) from March 2007 to April 2018. Mr. Tang also served as the chairman of supervisory committee of Chengmianle Railway Passenger Line Company (成綿樂鐵路客運專綫公司) from February 2012 to November 2016. Mr. Tang served as the director and general manager of Chengdu Expressway Company from February 2015 to November 2016, the chairman of Xinqiong High-Grade Road Company (新邛高等級公路公司), Chengren High-Grade Road Company (成仁高等級公路公司), Qiongming High-Grade Road Company (邛名高等級公路公司), Qingyun High-Grade Road Company (青雲高等級公路公司) and Dashuang High-Grade Road Company (大雙高等級公路公司) from February 2015 to November 2016, the executive director and general manager of Sichuan Chengjian Expressway Development Company Limited (四川成簡快速路發展有限公司) from February 2015 to November 2016 and the chairman of Hongsheng Logistics Company (宏盛物流公司) from February 2015 to November 2016.

Mr. Tang took junior college courses at Chengdu Education College (成都教育學院) from September 1992 to June 1995, majoring in politics and history education. He studied the undergraduate courses in education management at Sichuan Education College (四川省教育學院) from September 1997 to June 2000. He also took the postgraduate courses in education and economics at Beijing Normal University from July 2000 to July 2002.

Mr. Tang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Mr. ZHANG Dongmin (張冬敏), aged 56, has served as an executive Director of our Company since June 2018. Prior to joining our Company, Mr. Zhang was a soldier in the Chinese People's Liberation Army Ground Force XI Corps (中華人民共和國解放軍陸軍第十一軍團) from October 1979 to April 1982, the group leader of Construction Headquarter in Chengdu Sixth Water Work (成都市自來水六廠建設指揮部) from May 1982 to September 1998, the section chief in the Chengdu "Five Road One Bridge" Office (成都"五路一橋") from October 1998 to June 2003, the manager in Chengdu Road and Bridge Operation Management Company (成都市路橋經營管理公司) from June 2003 to December 2009, the department head of land security department in Chengdu Communications from December 2009 to May 2017. Mr. Zhang has served as the general manager of Chengwenqiong Expressway Company since May 2017 and the Chairman of the board of directors of Chengwenqiong Expressway Company since May 2018.

Mr. Zhang graduated from Correspondence College of Communist Party School of Sichuan Provincial Committee in June 2001 majoring in economic management. Mr. Zhang received his economist certificate in December 2006.

Mr. Zhang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Ms. WANG Xiao (王曉), aged 46, has served as an Executive Director of our Company since November 2016 and Deputy General Manager of our Company since December 2016, mainly responsible for assisting the General Manager, managing the general management department, and acting as a member of the Strategy and Development Committee. Prior to joining our Company, Ms. Wang served as a staff in Agriculture Machine Bureau of Pujiang County, Sichuan province from July 1990 to April 1996, the deputy department head of the communication management department of the Chengdu Municipal Transportation Bureau from May 1996 to January 1998, the minister office director of the Communications News of the Chengdu Municipal Transportation Bureau from February 1998 to September 2002. She completed the traffic and transportation planning and management course organized by Southwest Jiaotong University from September 1999 to July 2001. She served as deputy general manager and general manager of the Chengdu Shixianghu Traffic Hotel from September 2002 to April 2006. Ms. Wang served as a deputy general manager of Chengpeng Expressway Company from April 2006 to June 2010 and the deputy general manager of Chengguan Expressway Company from July 2010 to May 2014. Ms. Wang has served as the general manager of Chengdu Airport Expressway Company since May 2014 and the chairman of board of directors of Chengdu Airport Expressway Company since May 2018.

Ms. Wang graduated from the Graduate School of the Central Party School of the Communist Party of China in July 2011 majoring in economics (economic management).

Ms. Wang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Mr. LUO Dan (羅丹), aged 51, has served as an Executive Director of our Company since November 2016 and the Chief Accountant of our Company since December 2016, mainly responsible for financial matters, assisting the General Manager, managing the finance department, contract management department, and acting as a member of the Remuneration and Evaluation Committee. Prior to joining our Company, Mr. Luo served successively as the accountant, deputy section chief and financial manager of Chengdu Chemical Engineering Company (成都市化工公司) from July 1985 to July 1998. During the period from August 1998 to June 2010, Mr. Luo served multiple positions in Chengguan Expressway Company, including manager of finance department from August 1998 to January 1999, assistant to general manager and manager of finance department from February 1999 to November 2000, and deputy general manager from December 2000 to June 2010. Mr. Luo has served as a deputy general manager and the chairman of the labor union of Chengwenqiong Expressway Company since July 2010 and a director without executive functions of Chengpeng Expressway Company since May 2015.

Mr. Luo graduated from Chengdu Finance and Trade School in July 1985 majoring in business accounting and statistics and graduated from the Correspondence College of the Party College of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院) in December 2004 with a bachelor degree in economic management.

Mr. Luo is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Non-executive Directors

Mr. XIAO Jun (肖軍), aged 52, has served as our Chairman and Director of our Company since April 2016 and served as our Chairman and Non-executive Director as well as the chairman of the Nomination Committee since November 2016. Prior to joining our Company, Mr. Xiao served as the operation group leader and deputy secretary of the Communist Party Committee and was responsible for road condition survey, exploration and design in the road situation team under the Road Administration Office of Department of Transportation of Sichuan Province (四川省交通廳公路局路況隊) from July 1988 to May 1992 and from May 1994 to September 1997 respectively and served as a deputy team leader of the technical team of the road construction project in Republic of Yemen aided by the PRC (中國援建也門人民共和國阿拉公路技術組) from May 1992 to May 1994. Mr. Xiao served as a staff and was responsible for coordination of construction of Chengya Expressway and Chengpeng Expressway in the office of important construction projects in Chengdu Traffic Management Bureau and served as the site commander of the Chengpeng Expressway Construction Command (成彭高速公路建設指揮部) from September 1997 to November 2000, and served as a deputy chief of the Road Administration Office of Chengdu Traffic Management Bureau from November 2000 to July 2004. Mr. Xiao served successively as the director, deputy executive general manager and general manager of Chengdu Expressway Company from July 2004 to March 2007. Mr. Xiao served successively as the chief engineer and deputy general manager of Chengdu Communications from March 2007 to August 2014, and has served as the director and chief engineer of Chengdu Communications from August 2014 to December 2017, and has served as vice chairman of Chengdu Communications since December 2017.

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

Mr. Xiao is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Mr. YANG Bin (楊斌), aged 52, has served as a Non-executive Director of our Company since May 2018 and served as the member of the Audit and Risk Management Committee. Prior to joining our Company, Mr. Yang served as the deputy manager of asset management department in Chengdu Expressway Company from December 1998 to July 2000, the deputy manager in Chengdu Xiling Snow Hill Tourism Development Co., Ltd. (成都西嶺雪山旅遊開發有限責任公司) from July 2000 to July 2002, the deputy manager and manager in Chengdu Jinsha Transport Co., Ltd. (成都金沙運業有限公司) from July 2002 to May 2014, the director and general manager in Chengpeng Expressway Company from May 2014 to April 2016, the director and general manager in Chengdu Communications Investment Tourism Transportation Development Co., Ltd (成都交投旅遊運業發展有限公司) from April 2016 to November 2016, the head of the Communist Party Committee in Chengdu Communications from November 2016 to March 2018. Mr. Yang has served as the director, general manager and deputy chairman of the board of directors in Chengbei Exit Expressway Company since March 2018.

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

Mr. Yang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Independent Non-executive Directors

Mr. SHU Wa Tung, Laurence (舒華東), aged 46, has served as an Independent non-executive Director of our Company since November 2016, served as the chairman of the Audit and Risk Management Committee, a member of the Strategy and Development Committee. Mr. Shu has over 20 years of experience in audit, corporate finance and financial management. Mr. Shu worked at Deloitte Touche Tohmatsu and successively served as accountant, semi-senior accountant of assurance & advisory department, senior accountant of corporate advisory services department, and senior accountant, associate manager and manager of reorganization services group from March 1994 to October 2000. He served as a manager at Deloitte Touche Corporate Finance Ltd (a corporate finance service company of Deloitte Touche Tohmatsu) from July 2001 to November 2002. He served as an associate director of Goldbond Capital (Asia) Limited from November 2002 to April 2005. Mr. Shu served as the chief financial officer and company secretary to the board of Texhong Textile Group Limited (a company listed on the Stock Exchange, stock code: 2678) from May 2005 to July 2008, overseeing the group's financial management functions. He served as the chief financial officer of Jiangsu Rongsheng Heavy Industries Co., Ltd* (江蘇熔盛重工有限公司) from July 2008 to June 2010, the chief financial officer of Petro-king Oilfield Services Limited (a company listed on the Stock Exchange, stock code: 2178) from July 2010 to July 2018. Mr. Shu is an independent non-executive director of Riverine China Holdings Limited (a company listed on the Stock Exchange, stock code: 1417) and Twintek Investment Holdings Limited (a company listed on the Stock Exchange, stock code: 6182) since November 2017 and December 2017 respectively. He is the chief financial officer of Top Dynamic International Holdings Limited (a company listed on the Stock Exchange, stock code: 2203) since August 2018.

Mr. Shu graduated from Deakin University, Australia in September 1994 and obtained his bachelor's degree in business majoring in accounting, and completed his CFO Programme at China Europe International Business School (中歐國際工商學院) in November 2009. Mr. Shu was accredited as a certified public accountant by Australian Society of Certified Practising Accountants in May 1997 and accredited as a certified public accountant associate by Hong Kong Society of Accountants in September 1997.

Save as disclosed above, Mr. Shu is not and has not been appointed as a director/supervisor of any other listed company in the past three years.

Mr. YE Yong (葉勇), aged 44, has served as an Independent non-executive Director of our Company since November 2016, and is mainly responsible for acting as a member of the Audit and Risk Management Committee, the chairman of the Remuneration and Evaluation Committee, a member of the Nomination Committee. Mr. Ye is a professor and the head of Department of Accounting in Southwest Jiaotong University. Mr. Ye consecutively served as a technician and the secretary of Communist Youth League general branch of Pangang Group Company from July 1994 to July 1997, associate professor in School of Management Science and Engineering, Guizhou University of Finance and Economics from July 2005 to July 2006, associate professor in School of Information Management, Chengdu University of Technology from July 2006 to March 2007, and associate professor and professor in School of Economics and Management, Southwest Jiaotong University since March 2007. Mr. Ye has provided consulting services in Sichuan Haizhi Sci-Tech Co., Ltd. (四川海之科技股份公司) and Sichuan Great Technology Co., Ltd. (四川格瑞特科技公司) successively since January 2006. In addition, Mr. Ye has extensive experience in participating in the science projects for example, projects of National Natural Science Foundation, including taking charge of the project of research and case study on the effect of invisible ultimate controlling rights of listed companies from January 2007 to December 2009; taking charge of the project of study on corporate governance of large state-owned enterprises after the share-trading reform from September 2007 to December 2009; and participating in the project of improvement of presentation of financial statements in the PRC based on salience theory from January 2014 to December 2017.

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

Mr. Ye is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Mr. LI Yuanfu (李遠富), aged 56, has served as an Independent non-executive Director of our Company since November 2016, and is mainly responsible for acting as a member of the Nomination Committee and the Remuneration and Evaluation Committee. Mr. Li is a professor and head of teacher development center in Southwest Jiaotong University. Mr. Li served as a teaching assistant in Southwest Jiaotong University from July 1983 to September 1987, and served successively as a lecturer, deputy department head, assistant to the dean and associate professor in School of Civil Engineering, Southwest Jiaotong University from September 1987 to June 2001. Mr. Li served as the associate dean of School of Civil Engineering, Southwest Jiaotong University from July 2001 to December 2009; served as the professor in School of Civil Engineering, Southwest Jiaotong University from July 2001 to February 2014; served as the executive deputy head of the teacher development center of Southwest Jiaotong University from March 2014 to May 2016; and has served as the head of the teacher development center of Southwest Jiaotong University since May 2016. Mr. Li has extensive experience in science research, including the Second Prize of Science Technology Advancement awarded by Ministry of Railways in December 1997 and the First Prize of Science Technology Achievement awarded by China Highway and Transportation Society in December 2011.

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

Mr. Li is not and has not been appointed as a director/supervisor of any listed company in the past three years.

SUPERVISORS

Ms. JIANG Yan (蔣燕), aged 47, has served as a Supervisor since May 2018, performing the responsibilities of Supervisors. Prior to joining our Group, Ms. Jiang served as an accountant in Chongqing Yongchuan Cocoon Silk Group Company (重慶永川蚕絲集團公司) from August 1991 to June 1993, the loan officer and deputy chief of cashier's department in Jintang sub-branch, Chengdu branch of Bank of Communications from June 1993 to December 1995, a director of small local branch and deputy chief of accounting division in Jintang sub-branch, Sichuan branch of Industrial and Commercial Bank of China Limited from

December 1995 to August 2004, the financial manager in Sichuan Jieshijie New Material Limited Co. Ltd. (四川杰事杰新材料有限公司) from August 2004 to March 2008, the supervisor of investment finance department in Chengdu Modern Agricultural Logistics Investment and Development Co., Ltd (成都市現代農業物流業發展投資有限公司) from March 2008 to March 2009, a deputy general manager of Board Office in Chengdu Urban and Rural Commercial Logistics Investment and Development Group Co., Ltd. (成都城鄉商貿物流投資(集團)有限公司) from March 2009 to November 2010, the vice president of Chengdu Sino Gas Environmental Technology Co., Ltd (中油潔能(成都)環保科技有限公司) from February 2011 to May 2011, the CFO and vice general manager of Chengdu Energy Development Co., Ltd from May 2011 to April 2016 and the vice general manager of Chengdu Communications Investment Tourism Transportation Development Co., Ltd (成都交通投資旅遊運輸發展有限公司) from April 2016 to February 2017. She served as the deputy department head of the management department in Chengdu Communications from February 2017 to March 2018 and has been serving as the deputy department head of the capital operation department in Chengdu Communications since March 2018.

Ms. Jiang finished her diploma courses at Sichuan Business College majoring in planning and statistics in July 1991 and graduate from Correspondence College of Party School of Sichuan Provincial Committee in December 1997 majoring in economic management. Ms. Jiang received her economist certificate from the People's Republic of China Ministry of Personnel in October 1996.

Ms. Jiang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Ms. WU Haiyan (吳海燕), aged 47, has served as a supervisor of Chengguan Expressway Company since April 2015, and has served as a Supervisor since November 2016, performing the responsibilities of Supervisors. Ms. Wu served as an accountant in Chengdu Expressway Company from December 1997 to February 2007 and an accountant in Chengdu Communications from February 2007 to January 2008. Ms. Wu served successively as the manager and deputy general manager of finance department of Chengdu Transportation Hub and Station Construction Management Company Limited (成都交通樞紐場站建設管理有限公司) from January 2008 to February 2015. Ms. Wu has served as the head of finance department of Chengdu Communications since February 2015.

Ms. Wu finished her junior college courses at Southwest University of Finance and Economics majoring in accounting in June 1993 and graduated from Correspondence College of Party School of Sichuan Provincial Committee in June 2009 majoring in administration management. Ms. Wu was recognized as a senior accountant by Chengdu Reform of Professional Title Leading Group in May 2016.

Ms. Wu is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Mr. PAN Xin (潘欣), aged 31, has served as a Supervisor since November 2016, performing the responsibilities of Supervisors. Prior to joining our Company, Mr. Pan served as a director at investment and development of Chengdu Communications from July 2013 to August 2016. He has served as a manager at investment development department of Chengdu Expressway Company since September 2016.

Mr. Pan graduated from traffic transportation profession of Southwest Jiaotong University with a bachelor's degree in engineering in June 2010, and obtained his master's degree in engineering from Southwest Jiaotong University majoring in transportation planning and management in June 2013. Mr. Pan was recognized as a logistician by China Federation of Logistics Purchasing and the National Logistics Standardization Technical Committee in December 2011.

Mr. Pan is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Ms. XU Jingxian (許靜嫻), aged 41, has served as manager of accounting and financial department and an employee representative supervisor of our Company since November 2016, performing the responsibilities of Supervisors. Prior to joining our Company, Ms. Xu served as an accountant of Chengguan Expressway Company from August 1998 to April 2009, and has served as the manager of finance department of Chengguan Expressway Company from April 2009 to November 2016. She has served as the supervisor of Chengwenqiong Expressway Company, Chengpeng Expressway Company and Chengdu Airport Expressway Company since May 2018.

Ms. Xu graduated at Sichuan Provincial Fiscal School in July 1998 majoring in finance and accounting, and graduated at Sichuan University majoring in marketing in June 2005. Ms. Xu was recognized as a semi-senior accountant by Sichuan province personnel department in October 2009.

Ms. Xu is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Mr. ZHANG Jian (張建), aged 51, has served as the Communist Party Committee Human Resources Manager and an Employee Representative Supervisor of our Company since November 2016, performing the responsibilities of Supervisors. Mr. Zhang served successively as leader of inspection team, assistant to station master and department manager of Chengwenqiong Expressway Company from June 1994 to May 2018 and an employee representative director without executive functions of Chengwenqiong Expressway Company since May 2015.

Mr. Zhang graduated with a major in economic management from the Correspondence College of the Party College of Sichuan Provincial Committee of the Communist Party of China in June 1995.

Mr. Zhang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

SENIOR MANAGEMENT

Mr. TANG Fawei (唐發維), aged 49, is the Executive Director and General Manager of our Company. For biography of Mr. Tang, please refer to the paragraph headed "Directors" in this section.

Mr. ZOU Zhiquan (鄒志全), aged 50, has served as the Chief Engineer of our Company since December 2016, assisting the works of the General Manager, managing the engineering technology department. Prior to joining our Company, Mr. Zou served successively as a technician, technical manager and construction manager in the construction sites such as Chengyu Expressway, Xinjin Leshan Dajian Road and Dongzikou Overpass from July 1991 to November 1993. He served successively as project manager and chief engineer in the construction sites such as Liyutan Bridge of Liugui Expressway, Chengdu Laonanmen Bridge, A Contract Section of Longna Expressway, Chengmian Expressway Overpass of Chengdu Sanhuan Road and Hubei Huangshi Changjiang Highway Bridge, and served as a deputy director of the Sixth Engineering Division of the Provincial Bridge Engineering Company from August 1998 to March 2003. During the period from November 2004 to August 2007, Mr. Zou served multiple positions in Chengdu Road and Bridge Operation Management Company Limited (成都市路橋經營管理有限責任公司), including person in charge of bridge in engineering department, manager of quality management department, head of general engineering department, manager of engineering management department and manager of contract and cost management department of such company from November 2004 to August 2007; deputy general manager of such company from August 2007 to February 2015; director, general manager and secretary of the Communist Party Committee of such company from February 2015 to April 2016. Mr. Zou has served as a director the general manager and the secretary of the Communist Party Committee of Chengpeng Expressway Company since April 2016 and the chairman of the board of directors of Chengpeng Expressway Company since May 2018.

Mr. Zou graduated from Nanjing College of Navigation Engineering in July 1991 majoring in construction management and engineering (foreign construction), and was recognized as a senior engineer by Chengdu Reform of Professional Title Leading Group in March 2005.

Mr. Zou is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Ms. WANG Xiao (王曉), aged 46, is the Executive Director and Deputy General Manager of our Company. For biography of Ms. Wang, please refer to the paragraph headed "Directors" in this section.

Mr. LUO Dan (羅丹), aged 51, is the Executive Director and Chief Accountant of our Company. For biography of Mr. Luo, please see "Directors" in this section.

Mr. SU Bing (蘇兵), aged 50, has served as a Deputy General Manager of our Company since June 2017, assisting in the works of the General Manager and managing the safety management department. Prior to joining our Company, Mr. Su served as a staff of Chengdu Long-distance Transport Company (成都長途運輸公司) from September 1987 to October 1990, officer and section chief of Chengdu Traffic Management Bureau from November 1990 to September 2004. Mr. Su joined Chengpeng Expressway Company from October 2004 to March 2014, served as a deputy general manager of Chengwenqiong Expressway Company since April 2014 and is responsible for managing safety, toll and supervision. He has also served as a committee member of Chengdu Traffic Union (成都交通工會) from September 2014 to May 2018, a committee of Chengdu Communications.

Mr. Su graduated from the Party College of Sichuan Provincial Committee of the Communist Party of China majoring in law in July 2001 and graduated with a the Correspondence College of the Party College of Sichuan Provincial Committee of the Communist Party of China majoring in administration management. Mr. Su was recognized as an engineer by Chengdu Reform of Professional Title Leading Group in December 2007.

Mr. Su is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Mr. YANG Jingdong (楊敬東), aged 50, has served as a Deputy General Manager of our Company since December 2016, assisting in the works of the General Manager, managing the audit and supervision department. Prior to joining our Company, Mr. Yang served successively as a technician and manager of Chengdu Towel and Bed Sheet Factory from July 1990 to January 1995, a valuation staff and valuer in Chengdu Shudu Accounting Firm (成都市蜀都會計師事務所) from January 1995 to September 1999, the head of valuation department of Sichuan Hengde Accounting Firm (四川恒德會計師事務所) from September 1999 to April 2002, the head of valuation department of Sichuan Chengzi Accounting Firm Company Limited (四川成咨會計師事務所) from April 2002 to June 2006, and technical director of Sichuan Erfenmingyue Real Estate Valuation Company Limited (四川二分明月房地產評估有限公司) from June 2006 to August 2007. Mr. Yang served successively as the manager of asset management department and head of general department of Chengdu Communications from February 2007 to July 2010. Mr. Yang served as a deputy general manager and the president of labor union of Chengpeng Expressway Company since July 2010.

Mr. Yang graduated from Chongqing University in July 1990 majoring in mechanical manufacture technology and equipment with a bachelor's degree in engineering. Mr. Yang was recognized as an engineer by Chengdu Reform of Professional Title Leading Group in July 1995; recognized as a PRC registered asset valuer by China Appraisal Society in June 1999; recognized as a registered real estate valuer by Ministry of Construction of the People's Republic of China in August 2000; recognized as a PRC land valuer by Ministry of Land and Resources of the People's Republic of China in September 2003; and recognized as a judicial asset appraiser by Department of Justice of Sichuan Province in January 2007.

Mr. Yang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Mr. JIANG Zhuanping (蔣專平), aged 48, has served as a Deputy General Manager of Chengguan Expressway Company since March 2011, assisting in the works of the General Manager, managing the investment development department, operation management department. He also serves as a director without executive functions of Chengwenqiong Expressway Company since May 2015. Prior to joining our Company, Mr. Jiang served as a teacher in Huoju Middle School in Tongjiang County, Sichuan province from August 1988 to September 1993, and served as a teacher in Yangbo Middle School in Tongjiang from September 1993 to September 1994. From September 1994 to September 2000, he served as a teacher in Xinchang Middle School in Tongjiang. Mr. Jiang worked in Road Administration Office of Chengdu Traffic Management Bureau from July 2003 to May 2006 and was responsible for implementation of policies relating to construction, maintenance and toll of urban and rural roads in Chengdu. Mr. Jiang served as deputy chief of Chengdu High-Grade Road Operation Management Office from May 2006 to March 2011.

Mr. Jiang graduated from Sichuan Normal University majoring in Chinese language and literature in December 1993 and graduated from Southwest University of Political Science & Law majoring in economic law in July 2003. Mr. Jiang was awarded the legal profession qualifications by the Ministry of Justice of the People's Republic of China in February 2008.

Mr. Jiang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

Mr. ZHANG Guangwen (張光文), aged 43, has served as the Secretary to the Board of our Company since December 2016, managing the office of the Board. Prior to joining our Company, Mr. Zhang served as an accountant and sales support staff of Sichuan Tire Rubber Group Company Limited from July 1998 to October 2003, and served as an auditor in Sichuan Zhongfa CPA Co., Ltd. from October 2003 to June 2007. Mr. Zhang served as an auditor in Chengdu Communications from June 2007 to December 2008. He consecutively served as the deputy manager and manager of finance department of Chengdu Communications Investment Property Company Limited from January 2009 to June 2016. Mr. Zhang served as a Deputy General Manager of Chengguan Expressway Company from June 2016 to December 2016.

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

Mr. Zhang is not and has not been appointed as a director/supervisor of any listed company in the past three years.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors, Supervisors and senior management members that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors, Supervisors and senior management members that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date, including that each of our Directors, Supervisors and senior management members (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with other Directors, senior management members or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, each of our Directors did not have any interest in the H Shares or the Domestic Shares within the meaning of Part XV of the SFO.

JOINT COMPANY SECRETARIES

Mr. ZHANG Guangwen (張光文), aged 43, is the Secretary and Joint Company Secretary of our Company. For biography of Mr. Zhang, please refer to "– Senior Management" in this section.

Ms. KWONG Yin Ping, Yvonne (鄺燕萍), has served as the Joint Company Secretary of our Company since November 2017. Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Stock Exchange, including (1) a company secretary in Auto Italia Holdings Limited (stock code: 720), HC Group Inc. (stock code: 2280) and Hospital Corporation of China Limited (stock code: 3869), and (2) a joint company secretary in Aowei Holding Limited (stock code: 1370), Beijing Urban Construction Design & Development Group Co., Limited (stock code: 1599), BOCOM International Holdings Company Limited (stock code: 3329), Central China Securities Co., Ltd. (stock code: 1375), China Datang Corporation Renewable Power Co., Limited (stock code: 1798), China Merchants Securities Co., Ltd. (stock code: 6099), Guorui Properties Limited (stock code: 2329), Guotai Junan Securities Co., Ltd. (stock code: 2611), Huatai Securities Co., Ltd. (stock code: 6886), IGG Inc (stock code: 799), Shengjing Bank Co., Ltd. (stock code: 2066), Yida China Holdings Limited (stock code: 3639) and Zhenro Properties Group Limited (stock code: 6158).

The Directors have considered Ms. Kwong's concurrent service as company secretary and joint company secretary of various companies listed on the Stock Exchange and are satisfied with Ms. Kwong's ability to devote sufficient time to act as our joint company secretary having regard to all the relevant factors including:

(a) Ms. Kwong has sufficient knowledge and experience in discharging her duties as joint company secretary through her past working experience and her services as a company secretary or joint company secretary in different listed companies. She has sufficient understanding in her role as the company secretary or joint company secretary of these companies and in estimating the time required for attending to the affairs of each listed company;

(b) Ms. Kwong has confirmed that she has not found any difficulty in devoting and managing her time to the numerous listed companies that she is involved in and none of the listed companies that she served has questioned or complained about her time devoted to the listed companies;

(c) Ms. Kwong's primary duty is to work closely with Mr. Zhang Guangwen, the other joint company secretary of our Company, in providing assistance to Mr. Zhang so as to enable Mr. Zhang to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as a company secretary, including but not limited to communicating regularly with Mr. Zhang on matters relating to corporate governance, the Listing Rules, as well as the applicable Hong Kong laws and regulations which are relevant to our Company; and

(d) Ms. Kwong has confirmed to our Company that she has the capability and committed to devote sufficient time to discharge her duties and responsibilities as a joint company secretary of our Group, taking into account of her experience in acting as the joint company secretary of a number of listed companies and the time she is required to devote to each of these listed companies.

Taking into account of the reasons mentioned by the Company above and the due diligence interview conducted with Ms. Kwong, nothing has come to the attention of the Sole Sponsor to cause it to disagree with the Company that Ms. Kwong will be able to devote sufficient time to act as our company secretary in light of her roles as a company secretary for various listed companies.

Ms. Kwong received a bachelor's degree in accounting from Hong Kong Polytechnic University in November 1997. She has been a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators since December 2012.

Pursuant to Rule 3.28 of the Listing Rules, an issuer shall appoint a person as its company secretary who, from the view of the Stock Exchange, is capable of performing the duties of company secretary by virtue of her academic or professional qualifications or relevant experience. We have applied to the Stock Exchange, and the Stock Exchange has granted us from strict compliance with the provisions of Rules 3.28 and 8.17 of the Listing Rules. For details on this waiver, please see "Waivers from Compliance with the Listing Rules – Appointment of Joint Company Secretaries" in this prospectus.

BOARD COMMITTEES

Our Board has delegated certain of its duties to various committees. In accordance with the relevant PRC laws and regulations and the corporate governance practice prescribed in the Listing Rules and the Articles of Association, our Company has established four Board committees, namely the Nomination Committee, the Remuneration and Evaluation Committee, the Audit and Risk Management Committee and the Strategy and Development Committee.

Nomination Committee

We have established the Nomination Committee with written terms of reference. The terms of reference are in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Xiao Jun, Mr. Li Yuanfu and Mr. Ye Yong. Mr. Xiao Jun currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

(a) reviewing the structure, number of members and composition of our Board at least once a year, and advising on any changes made by our Board in response to our Company's strategies;

(b) studying and advising on the standards, procedures and methods for the election of Directors and senior management members;

(c) searching for qualified candidates for Directors and senior management members;

(d) evaluating the eligibility of candidates for Directors and senior management members, reporting to our Board its opinions and advising on the relevant appointment to our Board;

(e) reviewing the independence of our independent non-executive Directors;

(f) advising to our Board on the appointment or re-appointment of Directors and senior management members, as well as the succession plan for Directors and senior management members (especially Chairman and general manager);

(g) reporting its decisions or opinions to our Board, unless otherwise restricted by laws or regulations;

(h) other relevant requirements for powers and duties of the Committee according to the regulatory rules of the place where the shares of the Company are listed as amended from time to time; and

(i) other duties and responsibilities authorized by our Board.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference. The terms of reference are in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration and Evaluation Committee consists of three Directors, namely Mr. Ye Yong, Mr. Luo Dan and Mr. Li Yuanfu, two of whom are independent non-executive Directors. Mr. Ye Yong currently serves as the chairman of the Remuneration and Evaluation Committee. The primary duties of the Remuneration and Evaluation Committee include, but are not limited to, the following:

(a) advising to the Board on the overall remuneration policy and framework for Directors and senior management members, and on the establishment of standardized and transparent remuneration policy formulation procedures;

(b) studying assessment criteria, performance evaluation procedures, remuneration and rewards and punishment policies for Directors and senior management members and submitting it to the Board for approval;

(c) formulating the management rules on performance evaluation of Directors and senior management members of our Company, preparing the evaluation plan and determining the evaluation objectives;

(d) reviewing and approving proposals on senior management's remuneration in accordance with our Company's guidelines and targets approved by our Board;

(e) formulating and advising to the Board the remuneration packages for Directors and senior management members and submitting the same to the Board for approval;

(f) reviewing and approving the compensation for the loss or termination of the office or appointment of the executive Directors and senior management members to ensure that it is consistent with relevant contract terms; in case of any inconsistency, such compensation shall be fair, reasonable and not excessive;

(g) reviewing and approving the compensation arrangements with regard to the dismissal or removal of Directors due to their misconduct to ensure that they are consistent with relevant company terms; in case of any inconsistency, such compensation shall be proper and reasonable;

(h) ensuring any Director or their contacts not to determine by themselves, or be involved in determining, their remuneration;

(i) supervising the implementation of our Company's remuneration policies;

(j) studying and advising to our Company's equity incentive proposal and submitting the same to the Board for approval;

(k) reporting to the Board on their decisions or recommendations, unless as restricted by laws or regulations;

(l) other matters authorized by the Board; and

(m) other relevant requirements for powers and duties of the Committee according to the regulatory rules of the place where the shares of the Company are listed as amended from time to time.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions.

Audit and Risk Management Committee

We have established the Audit and Risk Management Committee with written terms of reference. The terms of reference are in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit and Risk Management Committee consists of three Directors, namely Mr. Shu Wa Tung, Laurence, Mr. Ye Yong, both of them are independent non-executive Directors and Mr. Yang Bin, a non-executive Director. Mr. Shu currently serves as the chairman of the Audit and Risk Management Committee, who has a professional qualification in accountancy. The primary duties of the Audit and Risk Management Committee include, but are not limited to, the following:

(a) advising to the Board on the appointment, renewal, change or dismissal of external auditors and submitting the same to the Board for approval; approving and reviewing audit fees and appointment terms of external auditors; handling any issues related to the resignation or dismissal of external auditors, taking appropriate measures to supervise the work of external auditors and reviewing the report of external auditors;

(b) reviewing and supervising the independence and objectivity of the external auditors and the effectiveness of the audit procedures, and discussing issues related to the nature, category and reporting responsibility of auditing with external auditors before the auditing work starts according to applicable standards;

(c) formulating and implementing policies of non-audit services provided by external auditors, reporting and advising to the Board the actions they deem necessary and matters to be improved;

(d) reviewing and supervising the completeness of our Company's financial statements, annual reports and accounts, interim reports and quarterly reports (if any), and reviewing the important opinions on the financial reporting recorded in the financial statements and financial reports;

(e) reviewing our Company's financial control, internal control and risk management system and monitoring the implementation of such system on an on-going basis, and ensuring that the effectiveness of our Group's risk management and internal control system is reviewed at least once a year;

(f) reviewing the compliance of our Company with the applicable corporate governance code and the disclosure of corporate governance report as required by the regulatory rules at the place where the Shares are listed;

(g) discussing on the risk management and internal control system with the management of our Company to ensure the establishment of an effective internal control system, supervising the effective implementation of internal control and the self-assessment of internal control, and coordinating internal control audit and other related matters;

(h) ensuring co-ordination between the internal and external auditors, ensuring that the internal audit department is adequately resourced and has appropriate standing within our Company, and reviewing and supervising the effectiveness of the internal audit department;

(i) examining our Company's financial and accounting policies and practices;

(j) reviewing the Explanatory Letter of Review Matters issued by the external auditor to our Company's management, any material queries raised by the external auditor to management about accounting records, financial accounts or internal control system and management's response;

(k) confirming the list of our Company's related/connected parties and reporting to our Board and our Supervisory Committee; conducting a preliminary review of the related/connected transactions to be submitted to our Board for consideration; and reviewing the reasonableness and necessity of major related transactions;

(l) reporting to the Board annual report on our Company's overall risk management, and reviewing the risk management strategies and material risks management solutions of our Company and submitting the same to the Board for approval, and managing resolution proposals;

(m) reviewing internal control valuation report reported by internal audit department;

(n) supervising and controlling the risks that our Company is affected by the overseas sanction laws to ensure a timely, complete and accurate disclosure of information related to transactions subject to sanctions in accordance with such laws;

(o) other duties authorized by our Board;

(p) to serve as the key representative body for overseeing the Company's relations with the external audit firm;

(q) on its own initiative or as assigned by the Board, to consider material results of investigations of internal control matters and the feedback thereon by management to such results;

(r) to ensure that the Board timely gives feedback on the matters raised by the external audit firm in its audit reports;

(s) to review arrangements staff of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;

(t) to review the judgment criteria or the judgment mechanism related to major decision-makings, major risks, major events and important business procedures, as well as the risk assessment report of major decisions;

(u) to consider the establishment of the risk management organizations, and proposals of their responsibilities, and approved by the board;

(v) to report to the Board on related issues within the scope of the Committee's duties; and report to the Board about the committee's decisions or recommendations, except those which cannot be reported according to the laws or regulatory restrictions; and

(w) other relevant requirements for powers and duties of the Committee according to the regulatory rules of the place where the shares of the Company are listed as amended from time to time.

Strategy and Development Committee

We have established the Strategy and Development Committee with written terms of reference. The Strategy and Development Committee consists of three Directors, including Mr. Tang Fawei, Ms. Wang Xiao and Mr. Shu Wa Tung, Laurence. Mr. Tang currently serves as the chairman of the Strategy and Development Committee. The primary duties of the Strategy and Development Committee include, but are not limited to, the following:

(a) establishing the basic framework for our Company's strategy-making procedures, studying and advising on our Company's medium and long-term strategic development plan;

(b) studying and advising on major financing and investment plans which, according to the Articles of Association, should be approved by the Board or at the general meeting;

(c) auditing and advising on our Company's annual business plan;

(d) conducting study and advising on major capital operation and asset management project which are required to be approved by the Board or at the general meeting according to the Articles of Association;

(e) studying and advising on the plans for corporate reorganization, mergers and acquisitions, equity transfer, restructuring, organizational restructuring which, according to our Articles of Association, should be approved by the Board or at the general meeting, and making suggestions;

(f) studying and advising on other major events which may have influence in our Company's development;

(g) conducting post-investment project assessments;

(h) supervising the implementation of the above matters; and

(i) other duties and responsibilities authorized by our Board.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

For the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2018, the total remuneration paid by our Group to our directors during the relevant periods (including fees, salaries, pension schemes contributions, allowances and benefits in kind) were approximately RMB0.57 million, RMB1.27 million, RMB1.12 million and RMB0.95 million, respectively.

For the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2018, the total remuneration paid by our Group to our supervisors during the relevant periods (including fees, salaries, pension schemes contributions, allowances and benefits in kind) were approximately RMB0.18 million, RMB0.44 million, RMB0.43 million and RMB0.29 million, respectively.

The five highest paid individuals of our Group for the years ended December 31, 2015, 2016 and 2017, and for the six months ended June 30, 2018 included one, two, two and two directors, respectively, whose remuneration is included in the total remuneration we paid to the relevant directors as set out above. For the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2018, the aggregate amount of remuneration paid by our Group to the remaining four, three, three and three individuals of our Company (including fees, salaries, pension schemes contributions, allowances and benefits in kind were approximately RMB1.43 million, RMB0.99 million, RMB1.12 million and RMB0.72 million, respectively. Further information on the remuneration of each director and supervisor during the Track Record Period is set out in the Accountants' Report in Appendix I to this prospectus.

Save as disclosed above, for the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2018, none of our Directors, Supervisors or the five highest paid employees has waived or agreed to waive any emoluments; no remuneration was paid by our Group to our Directors, Supervisors or the five highest paid employees as an inducement to join or upon joining our Group or as compensation for loss of office.

According to the arrangements in force as of the Latest Practicable Date, we estimate that the total remuneration to be paid and granted by our Group to our Directors and Supervisors for the year ending December 31, 2018 will be approximately RMB2.62 million. The remuneration granted to our Directors and Supervisors by us may be adjusted based on salary standards issued by the relevant regulatory authorities.

Before we determine the remuneration of our Directors, Supervisors and senior management members, we will take into account such factors as the remuneration standard set by relevant regulators, salaries paid by comparable companies, time input and responsibilities assumed by Directors, Supervisors and senior management members, employment conditions of our Company's other positions, and availability of performance-based compensation.

EMPLOYEES

As of the Latest Practicable Date, we had a total of 1,639 full-time employees. The remuneration packages of our employees primarily consist of salaries and discretionary bonuses. As required by the relevant PRC laws and regulations, we participate in various pension schemes for our employees, including those organized by provincial or municipal governments as well as supplemental pension schemes. Please refer to "Business – Employees" in this prospectus for a description of the mandatory pension plans and social insurance contribution plans we participate in. Bonuses are generally discretionary and based on the personal performance of employees and the overall performance of our business.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, and we consider that we have maintained and will continue to maintain good relationship with our employees.

COMPLIANCE ADVISER

We have appointed Alliance Capital Partners Limited as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction within the meaning of the Listing Rules, is contemplated under the Listing Rules, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that is detailed in this prospectus or where our business activities, developments or results of our Company deviate from any forecast, estimate or other information contained in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, our compliance adviser will, in a timely manner, inform us of any amendments or supplements to the Listing Rules that are announced by the Stock Exchange. Our compliance adviser will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

THE COMMUNIST PARTY COMMITTEE

In accordance to the Constitution of the Communist Party of China (中國共產黨章程), we have established the Committee of the Communist Party of the Company (the "Communist Party Committee"). Its main duties and responsibilities are:

(i) to study and convey the principles and policies and the laws and regulations of the Communist Party of China (the "Party") and the State, to research and formulate the measures to thoroughly promote and carry out such principles and policies, and to solve any issues arising out of the implementation;

(ii) to study the building of an honest and clean administration within the Party and to promote the anti-corruption work;

(iii) to study, consider and discuss matters on the reform, development and stability of the Company, and other key issues concerning the vital interests of the employees, and provide relevant suggestions;

(iv) to enhance the construction of the Communist Party Committee, continuously improving the education of the employees to help them better understand and adhere to the requirements under the spirit of the Party, and to help cultivate the Company's corporate culture; and

(v) to support the Board, the board of Supervisors and the management in their performance of duties and responsibilities.

In addition, the Communist Party Committee at our Company, most of the members of which also serve on our Board or senior management, oversees our compliance with applicable laws and policies, supervises our internal control systems, analyzes our key staffing decisions, and scrutinizes the feasibility and potential financial impact of our key operating decisions. For more details of the Communist Party Committee of our Company, please refer to the subsection headed "Directors, Supervisors and Senior Management – the Communist Party Committee" in this prospectus.

In accordance with the Guiding Opinions of the CPC Central Committee and the State Council on Deepening the Reform of State-owned Enterprises (《中共中央、國務院關於深化國有企業改革的指導意見》), the communist party committee, as the political core of the State-owned enterprises including our Company, shall require its members to act in a disciplined way. It also provides that the communist party committee shall protect the workers' legitimate rights and interests and to provide political, organizational and spiritual support for the reform and development of State-owned enterprises. Pursuant to the Certain Opinions of the General Office of the CPC Central Committee on Upholding the Party's Leadership and Strengthening the Party Construction in Deepening the Reform of State-owned Enterprises (《中共中央辦公廳關於在深化國有企業改革中堅持黨的領導加強黨的建設的若干意見》), the State-owned enterprises, including our Company, shall endeavor for the simultaneous development of the Party and the reform of the State-owned enterprises.

So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option), the following persons will have an interest or short position in Shares or underlying shares of our Company, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital
Chengdu Communications[(1)]	Beneficial owner/Interest of a controlled corporation	Domestic Shares	1,200,000,000	100%	75%
Chengdu Expressway Company	Beneficial owner	Domestic Shares	900,000,000	75%	56.3%
Xin Yue Company Limited	Beneficial owner	H Shares	100,000,000	25%	6.3%
Chengdu Financial Holding Group Co., Ltd	Beneficial owner	H Shares	50,000,000	12.5%	3.1%

Note:

(1) As of the Latest Practicable Date, Chengdu Communications directly held 25% equity interest in our Company and indirectly held 75% equity interest in our Company through its wholly-owned subsidiary, Chengdu Expressway Company.

Except as disclosed above, we are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

As of the Latest Practicable Date, save as disclosed herein, we are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

As of the Latest Practicable Date, the registered share capital of our Company is 1,200,000,000 divided into 1,200,000,000 Shares with a nominal value of RMB1.00 per Share.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximately percentage of issued share capital *(%)*
1,200,000,000	Domestic Shares*(Note)*	75
400,000,000	H Shares to be issued under the Global Offering	25
1,600,000,000	Total	100%

Note: Such Domestic Shares can be converted into H Shares. Please refer to "Share Capital-Conversion of Our Domestic Shares into H Shares" in this section for further details.

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximately percentage of issued share capital *(%)*
1,200,000,000	Domestic Shares*(Note)*	72.3
400,000,000	H Shares to be issued under the Global Offering	24.1
60,000,000	H Shares to be issued upon full exercise of Over-allotment Option	3.6
1,660,000,000	Total	100%

Note: Such Domestic Shares can be converted into H Shares. Please refer to "Share Capital – Conversion of Our Domestic Shares into H Shares" in this section for further details.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules require there be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that: (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of the listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK$50.0 million.

Our Company undertakes that it will meet the public float requirement under the Listing rules at the time of Listing and after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

The above tables assume the Global Offering becomes unconditional and is completed.

OUR SHARES

Our Domestic Shares and H Shares are all ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars (except for the H Shares which are eligible shares under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and can be traded in Renminbi) between legal or natural persons of Hong Kong, Macao, Taiwan or any country or jurisdiction other than the PRC and qualified domestic institutional investors of the PRC. Domestic Shares, on the other hand, may only be traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC, as well as certain PRC qualified investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and transferred between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

Under the PRC Company Law, promoter shares may not be sold within a period of one year from the incorporation of the joint stock company, in our case, from December 21, 2016, on which we were converted into a joint stock company with limited liability. This lock-up period has expired on December 20, 2017. The PRC Company Law further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing shall be subject to this statutory restriction and shall not be transferred for a period of one year from the date of Listing.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix VI to this prospectus, our Domestic Shares and our H Shares will rank pari passu with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering. As of the Latest Practicable Date, no general mandate has been granted to the Board to allot and issue Domestic Shares and/or H Shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

Upon the completion of the Global Offering, we will have two classes of ordinary shares, H Shares and Domestic Shares. All of our Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted H Shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares are to be converted and to be traded as H Shares on the Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on our H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

As confirmed by our PRC Legal Adviser, the Articles of Association are not inconsistent with the relevant PRC laws and regulations on the conversion of domestic shares.

Mechanism and Procedures for Conversion

The relevant procedural requirements for the conversion of Domestic Shares into H Shares are as follows:

- The holder of Domestic Shares shall obtain the requisite approval of the CSRC or the authorised securities regulatory authorities of the State Council for the conversion of all or part of its Domestic Shares into H Shares.

- The holder of Domestic Shares shall issue to us a removal request in respect of a specified number of Shares attaching the relevant documents of title.

- Subject to the Company being satisfied with the authenticity of the documents and with the approval of our Board, we would then issue a notice to our H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holders with H Share certificates for such specified number of Shares.

- The relevant Domestic Shares will be withdrawn from the Domestic Shares register and re-registered on our H Share register maintained in Hong Kong on the condition that:

  (i) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant Shares on the H Share register and the due dispatch of Share certificates; and

  (ii) the admission of the H Shares (converted from the Domestic Shares) to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time.

- Upon completion of the conversion, the shareholding of the relevant holder of Domestic Shares in our Domestic Share register will be reduced by such number of Domestic Shares converted and the number of H Shares in the H Share register will correspondingly increase by the same number of Shares.

- We will comply with the Listing Rules to inform Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

So far as our Directors are aware, none of our existing Shareholders currently proposes to convert any of our Domestic Shares held by it into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the Hong Kong public offering of a company, the shares issued by a company prior to the Hong Kong public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon listing.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, set out in Appendix I to this prospectus. Our audited consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Historical results are not indicative of future performance.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in "Risk Factors" in this prospectus. Furthermore, our future results could differ materially from projected forward-looking statements. See "Forward-looking Statements" in this prospectus.

OVERVIEW

We are principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan province. As of the Latest Practicable Date, our expressway network includes four expressways: Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway. In addition, we also hold 40% of the equity interests in, Chengbei Exit Expressway. The expressways we operate and invest in are all strategically located and form an integral part of the expressway network around Chengdu, connecting various areas with rich industrial, natural and cultural resources along the way.

Sichuan province is an economic hub in western China, with unique geographical advantages. As the provincial capital of Sichuan province, Chengdu accounted for approximately 37.8% of the total nominal GDP of Sichuan province and ranked second among all the provincial capitals in China in terms of nominal GDP in 2017, according to the Frost & Sullivan Report. Aiming to build itself as an economic, technology, cultural and diplomatic center and transportation hub in western China, Chengdu's GDP has witnessed substantial growth in recent years. We expect that the overall economy and the tourism industry in Chengdu to maintain a rapid growth momentum in the future, which calls for the current capacity and connectivity of road network around Chengdu to continue to improve. According to the Sichuan Provincial Development Plan, the mileage of expressways in Sichuan province will exceed 8,000 kilometers by 2020. Benefiting from favorable government policies, we believe our results of operations and the expressway industry in Sichuan province in general will continue to maintain a high growth rate.

Our daily operations focus on toll collection and the management and maintenance of the expressways we operate. During the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, the total daily weighted-average traffic volume recorded on the expressways we operate was approximately 158,599, 170,475, 157,026 and 147,935 vehicles, respectively. During the same period, our total revenue was RMB785.1 million, RMB1,185.2 million, RMB1,784.3 million and RMB1,279.7 million, of which revenue generated from toll collection amounted to RMB778.4 million, RMB787.6 million, RMB840.4 million and RMB435.4 million, respectively. Other than our toll revenue, we also generated construction revenue in respect of our service concession arrangements during the Track Record Period, the amount of which was the same as the cost of construction during the same periods. In 2015, 2016, 2017 and the six months ended June 30, 2018, our overall gross profit was RMB482.9 million, RMB458.8 million, RMB498.7 million and RMB262.7 million, respectively, which equals the gross profit of our toll collection operation.

BASIS OF PRESENTATION

Our Company and our subsidiaries now comprising our Group underwent the Reorganization as defined and set out in "History and Corporate Structure" in this prospectus. Following the Reorganization in June 2016, our Company became the holding company of the companies now comprising our Group. These companies remained under the common control of our ultimate controlling shareholder before and after the Reorganization. Accordingly, our historical financial information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

Our consolidated financial information has been prepared in accordance with IFRS. Our consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018 include the results and cash flows of all companies of which our Group is comprised, from the earliest date presented or since the date when our subsidiaries and/or businesses first came under the common control of our controlling shareholders. Our consolidated statements of financial position as of December 31, 2015, 2016, 2017 and June 30, 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from our controlling shareholders' perspective. No adjustments have been made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in our subsidiaries and/or businesses held by parties other than our controlling shareholders, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting. All intra-group transactions and balances have been eliminated on consolidation.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and we expect they will continue to be, affected by a number of factors, including those set forth below, some of which are beyond our control:

Toll Rates

All toll rates for the expressways we operate or invest in are set by relevant government authorities. Adjustments of tolls require approval by the Sichuan Provincial Government, Sichuan Provincial Development and Reform Commission and Department of Transportation of Sichuan Province. When setting toll rates, government authorities take into account factors including traffic volume, the construction, operation and maintenance costs of the expressways, inflation rate, and the affordability of tolls. While we can propose or apply for toll rate changes, there is no assurance that such requests can be approved in a timely manner or at all, or that the tolls will not be lowered by relevant governmental authorities. As approved and in accordance with the Toll Increase Notice and the Reopening Notice, we raised the toll rate applicable to passenger vehicles on Chengpeng Expressway in July 2018. The toll increase may favorably affect our results of operations. For details of the toll rates applicable to Chengpeng Expressway, see "Business – Pricing" in this prospectus.

In order to alleviate the pressure of traffic congestion in all districts and counties of Chengdu, achieve a balanced allocation of and optimize the utilization of road resources, the Chengdu Municipal Government implemented a policy in February 2008 allowing Chengdu local vehicles to use expressways in urban areas free of charge. As a result, during the Track Record Period, we adopted the Batch Payment Model for passenger vehicles with Local Licenses using the Chengpeng Expressway and vehicles with Local Licenses using the Chengwenqiong Expressway, respectively. The relevant toll entitlement subject to the Batch Payment Model for these two expressways was initially settled through annual, lump sum fees by the relevant local government authorities (with each relevant authority being allocated with a pre-determined proportion). Such fee arrangement is set out in the agreements entered into between the relevant local district/county level government authorities and Chengpeng Expressway Company and Chengwenqiong Expressway Company, as applicable (the "Old Batch Payment Model"). The Old Batch Payment Model takes into consideration, among other factors, traffic volume information and its growth trend in the coming years. For details of the terms of Old Batch Payment Model, see "Business – Our Business Operations – Toll Collection" in this prospectus.

In accordance with the Notice of Approval by the Leaders of the Chengdu Municipal People's Government (Cheng Fu Ban [2017] No. 5-8-57), Chengpeng Expressway and Chengwenqiong Expressway both entered into New Batch Payment Agreements in June 2017. The New Batch Payment Agreements, which took effect on July 1, 2017, contain a revised calculation method for the batch payment fee, taking into account real time traffic information and the current toll fee standards of relevant toll roads, as well as factors affecting future traffic

volumes, such as economic growth and consumption level forecasts as well as changes in road network conditions and potential upside impacts on traffic volume under the New Batch Payment Model. Under the New Batch Payment Model, the total amount of batch payment fees are calculated as follows:

Chengpeng Expressway	**Chengwenqiong Expressway**
Monthly traffic volume of passenger vehicles with Local Licenses × toll rates per vehicle × 70%	Monthly traffic volume of vehicles with Local Licenses × toll rates per vehicle × 70%

The discount rate of 70% is determined by the Chengdu Municipal Government based on factors affecting future traffic volumes, such as forecasts in economic growth and consumption level, changes in road layout, and the potential upside impact on traffic volume under the New Batch Payment Model.

Based on the decision of Chengdu Municipal Government in May 2017, the Standard Toll Collection Model was restored for Chengpeng Expressway in July 2018 after the completion of its expansion project.

Traffic Volume and Mix

Our toll revenue is principally dependent on the number of vehicles using our expressways. Traffic volume is directly and indirectly affected by a number of factors, including but not limited to (i) toll rates, (ii) fuel prices, (iii) vehicle prices and the cost of owning and operating vehicles, (iv) population growth, vehicle ownership growth and the size of population over the driving age, (v) the availability, quality and proximity of our expressways compared to alternative roads and other competing modes of transportation, (vi) the general economic development of areas served by our expressways, and (vii) the need to close off sections of the expressways for any major repairs or expansion projects, such as the Chengpeng Expressway expansion project. While we believe the overall traffic volume on our expressways will grow further in the foreseeable future, this projection may differ from the actual traffic volume. We also monitor the traffic volume on our expressways closely in order to promptly address any issue that may adversely affect traffic volume.

In addition, because our toll rates differ depending on the vehicles' classifications (for passenger vehicles) and weight (for freight vehicles), our toll revenue also depend on the mix of vehicles using our expressways, which hinges on the growth of the (i) local economy, (ii) level of business activities, and (iii) level of private vehicle ownership. Therefore, changes in our toll revenue are not always exactly in line with the changes in traffic volume. During the Track Record Period, passenger traffic accounted for the majority of our daily weighted-average traffic volume. We expect this trend to continue in the foreseeable future.

Toll Operation Expenses and Capital Expenditures

We are responsible for the repair and maintenance of our expressways. Costs related to the routine maintenance and repairs of expressways are generally recognized as our cost of sales and funded through our working capital, while costs related to upgrades or expansion work are generally capitalized and funded through bank loans and other borrowings, in addition to our own funding. For the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, we incurred road maintenance and repair expenses of RMB35.8 million, RMB41.1 million, RMB27.8 million and RMB8.3 million, respectively, accounting for 4.6%, 5.2%, 3.3% and 1.9% of our toll revenue generated from our expressway business during the corresponding period.

In addition, we incur additional capital expenditures for upgrades and expansion projects undertaken for our expressways. For example, we commenced an expansion project of Chengpeng Expressway in October 2016. Following the completion of the expansion project, Chengpeng Expressway has become a six-lane expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and an eight-lane expressway for the road section between Chengdu No. 2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway. We incurred costs of RMB4.6 million, RMB120.7 million, RMB943.9 million and RMB966.0 million, in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, for this expansion project, including expenses of construction and installation works, land acquisition and compensation for the relocation of local residents.

We make annual budgets for our expressways, taking into account estimated toll operation expenses, repair and maintenance costs and any other capital expenditure. During the Track Record Period, there has been no incidence of material budget overruns or material unforeseen capital expenditure requirements. We also focus on the routine maintenance of our expressways, which we believe will reduce the overall maintenance costs and alleviates the risks of requiring any major repairs. Due to the nature of our business, going forward, we expect that our results of operations and financial conditions will continue to be affected by our toll operation expenses and future capital expenditure requirements.

Economic Growth and Change of Economic Condition in the PRC and Sichuan province

Our revenue is largely derived from Sichuan province. Therefore, the economic conditions of Sichuan province and the PRC in general have a direct effect on our operations. The GDP growth rates of the PRC have generally slowed down in recent years and remain subject to downward pressure. There are also substantial uncertainties in relation to the economic development of areas nearby our expressways. Nonetheless, during the Track Record Period, the nominal GDP of Sichuan province was in a leading position in southwest China. In addition, driven by the economic development in regions surrounding Sichuan province, the traffic flow of our expressways has experienced significant growth during the Track Record Period.

Regulatory Environment

Our operations are subject to changes in policies related to provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles, expressway operation rights, toll regime as well as the planning, construction and operations of expressways in the PRC. In general, we believe that the growth of traffic flow will depend on the continued economic growth of the PRC, which is partially driven by the government's development policies. For example, major initiatives of the PRC Government place an emphasis on enhancing the economic cooperation within and outside China as well as improving the transportation infrastructure and road network connectivity. Therefore, we expect that our expressway will benefit from these favorable policies. For more information, see "Regulatory Environment" in this prospectus. We cannot assure you that changes in such policies and regulations would not have an adverse effect on our revenue or results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 3.1, 3.2 and 3.3 to the Accountants' Report included in Appendix I to this prospectus.

Revenue Recognition

Toll Revenue

We recognize toll revenue from the operations of expressways when the relevant services have been provided and we receive the payment or the right to receive payment has been established. We recognize toll revenue from toll roads under the Old Batch Payment Model and New Batch Payment Model in the same manner as those subject to the Standard Toll Collection Model. Below are the details of how we recognize toll revenues under Standard Toll Collection Model, the Old Batch Payment Model and the New Batch Payment Model.

Accounting Treatment and Practices under the Standard Toll Collection Model

Under the Standard Toll Collection Model, our toll revenue is recognized as (i) the toll road services relating to the vehicle use are provided, (ii) the amount of relevant revenue and cost of providing the service can be measured reliably, and (iii) the economic benefit relating to the service can flow into us. This generally means that the relevant toll revenue is recognized as the services relating to the toll road use by vehicles are provided and the related toll revenue amount we are entitled to has been confirmed with the Sichuan Expressway Settlement Center.

Under the Standard Toll Collection Model, the Sichuan Expressway Settlement Center will record the road path and mileage information of each vehicle which had accessed our toll roads through the inter-network toll collection system. It will then formulate and provide a notice containing the total traffic volume and toll entitlement information to our corresponding expressway companies for us to confirm.

Accounting Treatment and Practices under the Old Batch Payment Model

Under the Old Batch Payment Model, we recognize toll revenue on a straight-line basis as services are provided to vehicles covered by the Old Batch Payment Agreements. The batch payment fee, which is determined when we entered into the Old Batch Payment Agreements with relevant government authorities, takes into consideration, among other factors, traffic volume information and its growth trend in the coming years, regardless of the actual traffic volume during the respective periods.

Accounting Treatment and Practices under the New Batch Payment Model

Our revenue from the operations of toll roads under the New Batch Payment Model is recognized in the same manner as those subject to the Standard Toll Collection Model. The Sichuan Expressway Settlement Center is responsible for the collection of traffic volume data of all expressways under the inter-network toll collection system and for providing the relevant traffic volume data and information on the toll amounts to the group companies, although it does not participate in the toll allocation and collection process for the New Batch Payment Model.

Revenue from Construction and Upgrade Services

We recognize revenue from construction and upgrade services provided under the service concession arrangements using the input method. For more information, see "– Construction and Upgrade Services under Service Concession Arrangements" below.

Construction and Upgrade Services under Service Concession Arrangements

We recognize income and expenses associated with construction and upgrade services provided under the service concession arrangements in accordance with IFRS 15 Revenue from Contracts with Customers.

We measure revenue generated from construction and upgrade services at the fair value of the consideration received or receivable. The consideration represents the right to attain an intangible asset.

We use the input method to determine the appropriate amount of income and expenses to be recognized in a given period, provided that the revenue, the costs incurred and the estimated costs of completion can be measured reliably. The stage of completion is measured by reference to the construction costs of the related project incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Provision is made for foreseeable losses as soon as they are anticipated by our management.

Service Concession Arrangements

Our rights to charge users of the public service we provide are set out in the service concession arrangements which we entered into with the relevant government authorities. 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 amortization and any impairment losses.

During the construction phase of the arrangement, the operator's contract asset (representing its accumulating right to be paid for providing construction services) is presented as an intangible asset.

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, we capitalize the expenditures as an additional cost of service concession arrangements.

Amortization of service concession arrangements 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 we are granted the right to operate those service concession arrangements.

We regularly review the projected total traffic volume throughout the concession periods of the respective service concession arrangements. If we consider it appropriate, we will arrange independent professional traffic studies to be performed. Appropriate adjustments will be made should there be a material change in the projected total traffic volume.

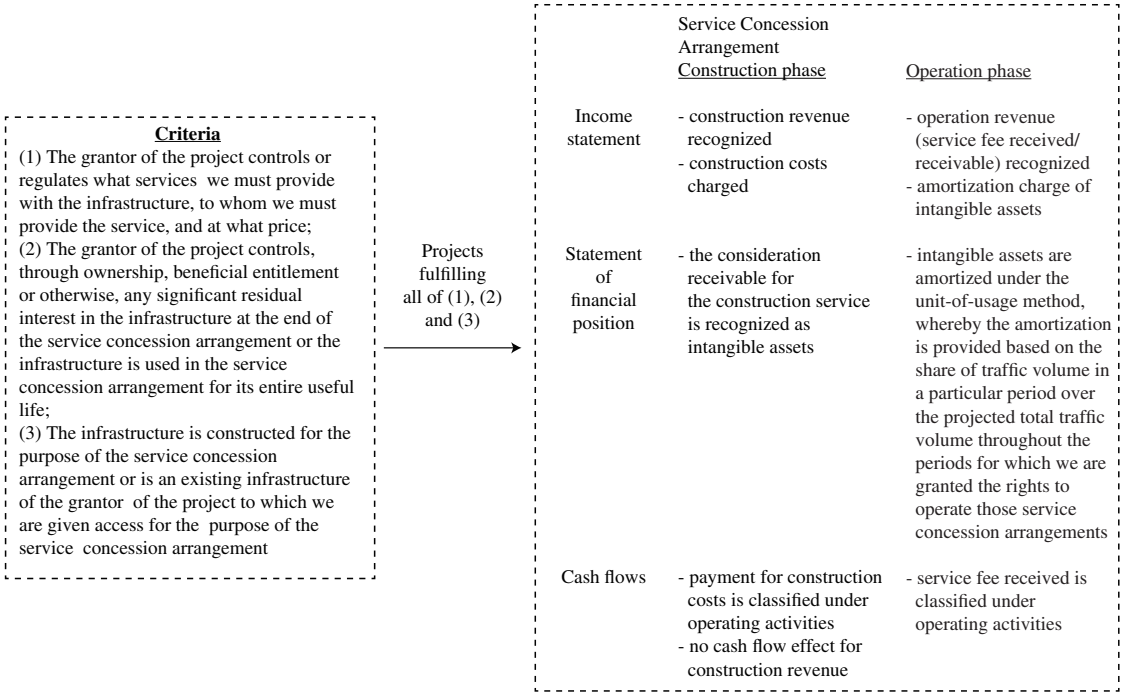
We record costs incurred during the construction period of the underlying assets of a service concession arrangement, which will be amortized upon the commencement of operation of the service concession arrangement.

Amortization of costs of service concession arrangements

We calculate amortization of costs of service concession arrangements under the unit-of-usage method, whereby the amortization is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which we are granted the right to operate those service concession arrangements. The projected total traffic volume over the respective concession periods could change significantly. We regularly review the projected total traffic volume throughout the operating periods of the respective service concession arrangements. If we consider it appropriate, we will arrange for independent professional traffic studies will be performed. We will also make appropriate adjustments should there be a material change in the projected total traffic volume.

Impact of the accounting treatment for service concession arrangements

The accounting treatment of service concession arrangements involves judgment and affects the presentation of our results of operation. The following chart sets forth a summary of the accounting treatment of our service concession arrangements under IFRS.



For projects accounted for as service concession arrangements, we recognize revenue during both the construction phase and the operation phase. Therefore, there is a mismatch between our revenue and the underlying cash flows for such projects, as we generally do not receive actual cash payments during the construction phase but during the operation phase. The

non-cash revenue during the construction phase appears on our financial statements as "construction revenue in respect of service concession arrangements". Our revenue is affected by the estimated fair value of the construction work of those projects and the stage of completion. Advances in the progress of construction projects would lead to an increase of our construction service revenue. In particular, our non-cash revenue in respect of the service concession arrangements of Chengpeng Expressway during the construction phase of the Chengpeng expansion project was recognized based on the estimated fair value of the construction work. The key assumptions we adopted in relation to the recognition of the service concession arrangements in respect of the Chengpeng Expressway expansion are: (i) the daily weighted-average traffic volume on Chengpeng Expressway is expected to increase after the completion of its expansion project, which would add two additional lanes on the section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and four additional lanes on the section between Chengdu No.2 Ring Expressway and the Chengdu Toll Plaza of Chengpeng Expressway, thereby improving the capacity of Chengpeng Expressway; (ii) the toll rates applicable to Chengpeng Expressway is expected to increase after the completion of the expansion project in light of our communication with in-charge government authorities; (iii) the social and economic development in areas nearby Chengpeng is expect to remain sustainable. For more information, please refer to "– Revenue recognition – Revenue from Construction and Upgrade Services."

Impairment of Receivables

We estimate impairment of receivables based on the evaluation of collectability and aging analysis of trade and other receivables and judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their abilities to make payments, additional allowances may be required.

Impairment of non-financial assets

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other 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, we 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.

Provision for Maintenance and Resurfacing Obligations

Provisions for maintenance and resurfacing of the toll roads are recognized when: our Group have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of toll roads operated by our Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events involve estimates. Such estimates are developed based on our Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the market rate which can reflect the time value of money and the risks specific to the obligation.

As the all expressways of our Group meet the obligation to maintain the toll road infrastructure to a specified level of serviceability under the service concessions, there was no provision for maintenance and resurfacing obligations at the end of each of the Relevant Periods.

Adoption of IFRS 9 and IFRS 15

Our Group had adopted IFRS 15 and IFRS 9 on a consistent basis throughout the Track Records Period. Having assessed the effects of (i) adopting IFRS 9 on the Historical Financial Information as compared to the adoption of IAS 39; and (ii) adopting IFRS 15 as compared to the adoption of IAS 11 and IAS 18 on the Historical Financial Information, save for the change in classification of financial assets at fair value through profit or loss in the consolidated statements of financial position of the Group attributable to the adoption of IFRS 9 and IFRS 15, our Directors considered that the adoption of IFRS 9 and IFRS 15 would not have a significant impact on our financial position and performance.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

The table below presents items of our consolidated income statements as well as their percentage to the total revenues for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
							(unaudited)			
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*	
Revenue	785,090	100.0	1,185,201	100.0	1,784,298	100.0	558,868	100.0	1,279,704	100.0
Cost of sales	(302,148)	(38.5)	(726,378)	(61.3)	(1,285,629)	(72.1)	(329,859)	(59.0)	(1,017,031)	(79.5)
Gross profit	482,942	61.5	458,823	38.7	498,669	27.9	229,009	41.0	262,673	20.5
Other income and gains	144,488	18.4	106,534	9.0	29,591	1.7	12,812	2.3	14,790	1.2
Administrative expenses	(42,612)	(5.4)	(39,146)	(3.3)	(46,978)	(2.6)	(19,828)	(3.5)	(22,487)	(1.8)
Other expenses	(2,777)	(0.4)	(2,745)	(0.2)	(2,590)	(0.1)	(635)	(0.1)	(756)	(0.1)
Interest expenses	(221,821)	(28.3)	(149,743)	(12.6)	(72,112)	(4.0)	(36,449)	(6.5)	(32,901)	(2.6)
Share of profits of an associate	–	–	7,074	0.6	21,798	1.2	12,669	2.3	13,834	1.1
Profit before tax	360,220	45.9	380,797	32.1	428,378	24.0	197,578	35.4	235,153	18.4
Income tax expense	(54,472)	(6.9)	(56,447)	(4.8)	(60,588)	(3.4)	(27,768)	(5.0)	(32,076)	(2.5)
Profit for the year/period	305,748	38.9	324,350	27.4	367,790	20.6	169,810	30.4	203,077	15.9
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year/period	305,748	38.9	324,350	27.4	367,790	20.6	169,810	30.4	203,077	15.9
Profit and total comprehensive income attributable to:										
Owners of the Company	244,937	31.2	278,456	23.5	338,916	19.0	155,698	27.9	187,442	14.7
Non-controlling interests	60,811	7.7	45,894	3.9	28,874	1.6	14,112	2.5	15,635	1.2
	305,748	38.9	324,350	27.4	367,790	20.6	169,810	30.4	203,077	15.9

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate revenue from the operation of our expressways, which include Chengguan Expressway, Chengpeng Expressway, Chengdu Airport Expressway and Chengwenqiong Expressway. The table below sets forth a breakdown of our revenues by expressway both in absolute amount and as a percentage of our total revenue for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
							(unaudited)			
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*	
Chengguan Expressway	265,137	33.8	294,312	24.8	310,882	17.4	140,414	25.1	162,820	12.7
Chengpeng Expressway	107,196	13.7	106,433	9.0	66,537	3.7	51,373	9.2	13,668	1.1
Chengwenqiong Expressway	261,086	33.3	259,437	21.9	320,333	18.0	130,505	23.4	189,106	14.8
Chengdu Airport Expressway	144,944	18.5	127,376	10.7	142,626	8.0	69,531	12.4	69,781	5.4
Total toll revenue	778,363	99.1	787,558	66.4	840,378	47.1	391,823	70.1	435,375	34.0
Construction revenue in respect of service concession arrangements	6,727	0.9	397,643	33.6	943,920	52.9	167,045	29.9	844,329	66.0
Total revenue	785,090	100.0	1,185,201	100.0	1,784,298	100.0	558,868	100.0	1,279,704	100.0

During the Track Record Period, our toll revenue accounted for 99.1%, 66.4%, 47.1% and 34.0% of our total revenue for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively.

We employ both the Standard Toll Collection Model, which is used on all of our expressways, and the Batch Payment Model, which is applied to passenger vehicles with Local Licenses under Chengpeng Expressway and to all vehicles with Local Licenses under Chengwenqiong Expressway, to collect tolls in our daily operations. For more information, see "– Significant Factors Affecting Our Results of Operations – Toll Rates" and "Business – Our Business Operations – Toll Collection" in this prospectus. The table below sets forth a breakdown of our toll revenue by collection model for the periods indicated.

		For the year ended December 31,						For the six months ended June 30,			
		2015		2016		2017		2017		2018	
								(unaudited)			
		Amount	% of revenue of each express way	Amount	% of revenue of each express way	Amount	% of revenue of each express way	Amount	% of revenue of each express way	Amount	% of revenue of each express way
		RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chengguan Expressway	Standard Toll Collection Model	265,137	100	294,312	100	310,882	100	140,414	100	162,820	100
Chengpeng Expressway	Standard Toll Collection Model	37,083	35	36,182	34	22,394	34	16,250	32	5,843	43
	Batch Payment Model	70,113	65	70,251	66	44,143	66	35,123	68	7,825	57
Chengwenqiong Expressway	Standard Toll Collection Model	74,116	28	72,166	28	77,287	24	36,847	28	37,997	20
	Batch Payment Model	186,970	72	187,271	72	243,046	76	93,658	72	151,109	80
Chengdu Airport Expressway	Standard Toll Collection Model	144,944	100	127,376	100	142,626	100	69,531	100	69,781	100
Total		778,363		787,558		840,378		391,823		435,375	

In addition, during the Track Record Period, we provided upgrade and expansion services to Chengguan Expressway, Chengwenqiong Expressway and Chengpeng Expressway through subcontracting the construction work to third party subcontractors. Construction revenue from the upgrade services provided under the service concession arrangements during the Track Record Period was included as additions to service concession arrangements. Such additions will be amortized following the completion of the upgrade and expansion of the respective

expressways. We incurred RMB6.7 million, RMB397.6 million, RMB943.9 million and RMB844.3 million construction costs and interest expenses in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
							(unaudited)			
	Amount		Amount		Amount		Amount		Amount	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chengguan Expressway	2,093	31.1	–	–	–	–	–	–	–	–
Chengpeng Expressway	4,634	68.9	120,708	30.4	943,920	100.0	167,045	100.0	844,329	100.0
Chengwenqiong Expressway	–	–	276,935	69.6	–	–	–	–	–	–
	6,727	100.0	397,643	100.0	943,920	100.0	167,045	100.0	844,329	100.0

Cost of Sales

During the Track Record Period, our cost of sales primarily consists of (i) employee benefit expense, (ii) amortization of service concession arrangements, (iii) repairs and maintenance cost, (iv) depreciation, (v) road cleaning and greening, (vi) operating lease of land, (vii) others and (viii) construction costs. The table below sets forth a breakdown of our cost of sales by nature for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
							(unaudited)			
	Amount		Amount		Amount		Amount		Amount	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	107,187	35.5	121,238	16.7	135,360	10.5	63,745	19.3	74,851	7.4
Amortization of service concession arrangements	97,205	32.2	108,023	14.9	116,425	9.1	59,046	17.9	62,412	6.1
Repairs and maintenance cost	35,764	11.8	41,057	5.7	27,827	2.2	10,144	3.1	8,334	0.8
Depreciation	16,918	5.6	16,649	2.3	15,432	1.2	7,175	2.2	7,997	0.8
Road cleaning and greening	24,139	8.0	24,389	3.4	27,456	2.1	13,173	4.0	11,179	1.1
Operating lease of land	–	–	1,652	0.2	3,608	0.3	1,652	0.5	1,902	0.2
Others	14,208	4.7	15,727	2.2	15,601	1.2	7,879	2.4	6,027	0.6
Construction costs	6,727	2.2	397,643	54.7	943,920	73.4	167,045	50.6	844,329	83.0
Total cost of sales	302,148	100	726,378	100	1,285,629	100	329,859	100	1,017,031	100

Employee benefit expenses. Employee benefit expenses primarily comprise (i) wages, salaries and bonuses and (ii) other social security costs, housing benefits and other employee benefits, for our employees.

Amortization of service concession arrangements. Amortization of service concession arrangements 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 we are granted to operate those service concession arrangements.

Repairs and maintenance cost. Repair and maintenance cost primarily represents routine repair and maintenance costs for our expressways.

Depreciation. Depreciation primarily represents depreciation of road and toll plaza facilities and equipment related to our expressways. Depreciation is calculated on a straight-line basis to write of the cost of each item of property, plant and equipment to its residual value of 5% over its estimated useful life.

Road cleaning and greening. Road cleaning and greening cost primarily comprises road cleaning expenses and road greening expenses we paid to third-party contractors.

Operating lease of land. Operating lease of land after 2016 represents rent paid during the period relating for certain leased land we use for our expressways.

Others. Others primarily consist of services fees to the Sichuan Expressway Settlement Center, costs related to toll plazas, and costs related to use of vehicles.

Construction Cost. Construction cost primarily represents the cost related to upgrade and expansion services we provided to Chengguan Expressway, Chengpeng Expressway and Chengwenqiong Expressway. See "– Critical Accounting Policies and Estimates – Construction and Upgrade under Service Concession Arrangements" and "– Description of Major Line Items in our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Revenue" above.

The table below sets forth the cost of sales of each of our expressways, excluding construction costs for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			RMB'000		
Chengguan Expressway	78,911	89,461	94,373	43,890	45,987
Chengpeng Expressway	41,809	42,021	38,178	19,320	16,619
Chengwenqiong Expressway	121,108	129,113	143,328	67,163	81,009
Chengdu Airport Expressway	53,593	68,140	65,830	32,441	29,087
Total	295,421	328,735	341,709	162,814	172,702

Gross Profit and Gross Profit Margin

We generated a gross profit of RMB482.9 million, RMB458.8 million, RMB498.7 million and RMB262.7 million for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, representing the gross profit of our toll collection operation. During the same period, our overall gross profit margin was 61.5%, 38.7%, 27.9% and 20.5%, respectively, and the gross profit margin of our toll collection operation remained stable, amounting to 62.0%, 58.3%, 59.3% and 60.3%, respectively. The table below sets forth the toll collection gross profit and the gross profit margin of each of our expressways for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
							(unaudited)			
	Amount		Amount		Amount		Amount		Amount	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chengguan Expressway	186,226	70.2	204,851	69.6	216,509	69.6	96,524	68.7	116,833	71.8
Chengpeng Expressway	65,387	61.0	64,412	60.5	28,359	42.6	32,053	62.4	(2,951)	(21.6)
Chengwenqiong Expressway	139,978	53.6	130,324	50.2	177,005	55.3	63,342	48.5	108,097	57.2
Chengdu Airport Expressway	91,351	63.0	59,236	46.5	76,796	53.8	37,090	53.3	40,694	58.3
Total	482,942	62.0	458,823	58.3	498,669	59.3	229,009	58.4	262,673	60.3

We generated construction revenue in respect of our service concession arrangements of RMB6.7 million, RMB397.6 million, RMB943.9 million and RMB844.3 million in 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively, the amount of which was the same as the cost of construction during the same periods. The fair value of construction work provided under the service concession arrangements that should be recognized as construction revenue generally equals the costs incurred plus a reasonable mark-up. Given the intense competition in the local project management market, profit that is likely to be derived from construction work provided under the service concession arrangements is typically very limited. Moreover, we subcontract the actual construction work to third party contractors, the costs of which are usually close to the estimated revenue from the construction project. Based on the above, we did not recognize profit from construction activities during the Track Record Period.

Other Income and Gains

During the Track Record Period, our other income and gains mainly consisted of (i) interest income from loans to related parties, (ii) bank interest income from our bank deposits, (iii) compensation income for damage to our roads by car accidents, (iv) rental income from properties billboards we rent to related parties and third parties along our expressways, (v) deferred income released to profit or loss in relation to our leasing income received from third parties for occupying our land along our expressways and (vi) miscellaneous items. The table below sets forth a breakdown of our other income and gains for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
							(unaudited)			
	Amount		Amount		Amount		Amount		Amount	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Interest income from loans to related parties	123,123	85.2	78,990	74.1	–	–	–	–	–	–
Bank interest income	3,029	2.1	7,551	7.1	10,753	36.3	4,187	32.7	6,162	41.7
Compensation income for damage	3,481	2.4	4,675	4.4	3,320	11.2	1,077	8.4	1,193	8.1
Rental income	11,340	7.8	10,485	9.8	9,884	33.4	4,956	38.7	4,961	33.5
Deferred income released to profit or loss	2,271	1.6	2,874	2.7	4,062	13.7	2,031	15.8	2,031	13.7
Miscellaneous	1,244	0.9	1,959	1.8	1,572	5.3	561	4.4	443	3.0
Total	144,488	100	106,534	100	29,591	100	12,812	100.0	14,790	100.0

Interest income from loans to related parties. In 2015 and 2016, being a subsidiary within the group of Chengdu Communications, we leveraged our premium assets and sound operations to provide loans that we obtained from banks and other financial institutions to our Controlling Shareholder, Chengdu Communications, and another related party, Chengdu Traffic Hub Station Construction Management Co., Ltd.. These related parties paid us the interests for such loans, the amount of which was exactly the same as the interest payable to the banks by us. Such interest expenses directly attributable to our related parties were recorded as our interest expense. For better corporate governance practice and optimized management among related parties, Chengdu Communications and Chengdu Junction had repaid all outstanding loans to us in 2016. In 2015, 2016, 2017 and the six months ended June 30, 2018, we had interest income from loans to related parties of RMB123.1 million, RMB79.0 million, nil and nil, respectively. Accordingly, we had interest expense from loans to related parties of RMB123.1 million, RMB79.0 million, nil and nil, respectively during the same periods.

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of employee benefit expenses, office expenses, depreciation and amortization of our administrative equipment and facilities, other tax expensed, listing fees, fees for third-party agents and others which primarily include security expenses and other administrative expenses. The table below sets forth a breakdown of our administrative expenses during the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
							(unaudited)			
	Amount		Amount		Amount		Amount		Amount	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	22,341	52.4	24,433	62.4	27,483	58.5	13,788	69.5	14,448	64.2
Office expenses	4,196	9.8	4,305	11.0	4,786	10.2	2,437	12.3	2,128	9.5
Depreciation and amortization	962	2.3	1,104	2.8	995	2.1	388	2.0	672	3.0
Other tax expenses	8,641	20.3	3,932	10.0	2,164	4.6	773	3.9	1,257	5.6
Listing fees	–	–	533	1.4	1,871	4.0	115	0.6	1,257	5.6
Fees for third-party agents	2,049	4.8	319	0.9	4,245	9.0	327	1.6	299	1.3
Others	4,423	10.4	4,520	11.5	5,434	11.6	2,000	10.1	2,426	10.8
Total	42,612	100.0	39,146	100.0	46,978	100.0	19,828	100.0	22,487	100.0

Other Expenses

During the Track Record Period, we incurred other expenses, including rental expenses, bank charges, net loss on disposal of fixed assets and others, in the amount of RMB2.8 million, RMB2.7 million, RMB2.6 million and RMB0.8 million for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively.

Interest Expenses

During the Track Record Period, we had interest expenses of RMB221.8 million, RMB149.7 million, RMB72.1 million and RMB32.9 million for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, which include (i) interest expenses directly attributable to loans to related parties of RMB123.1 million, RMB79.0 million, nil and nil in 2015, 2016 and 2017, respectively, and (ii) interest expenses incurred on our bank and other borrowings of RMB98.7 million, RMB76.9 million, RMB72.3 million and RMB34.2 million, respectively, during the same periods.

Share of Profits of an Associate

We had a share of profits of an associate in the amount of RMB7.1 million, RMB21.8 million and RMB13.8 million for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, respectively, attributable to our 40% equity interests in Chengbei Exit Expressway. We did not have any share of profits of an associate for the year ended December 31, 2015 as we acquired our equity interests in Chengbei Exit Expressway in 2016.

Income Tax Expense

During the Track Record Period, we had income tax expenses of RMB54.5 million, RMB56.4 million, RMB60.6 million and RMB32.1 million for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, consisting of current PRC corporate income tax and deferred tax. Except for Chengpeng Expressway Company, our Company, subsidiaries and associate were entitled to a preferential income tax rate of 15% (as opposed to a 25% statutory income tax rate) during the Track Record Period. Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western China Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58) (the "Circular"), the tax preferential treatments are valid until 2020. According to the Circular, "from January 1, 2011 to December 31, 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in certain western regions and whose principal businesses are prescribed in the Catalogue of Encouraged Industries in the Western Region, provided that income from the encouraged business account for more than 70% of the total income of such enterprises."

For the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, our Company, Chengwenqiong Expressway Company, Chengdu Airport Expressway Company, and Chengbei Exit Expressway Company, an associate of our Company, all met the requirements above and enjoyed the 15% preferential tax rate. Chengpeng Expressway Company met the requirements for the preferential tax treatment for the years ended December 31, 2015 and 2016 but did not meet the 70% threshold and was therefore subject to the 25% statutory tax rate for the year ended December 31, 2017 and for the six months ended June 30, 2018 as Chengpeng Expressway received government grant of RMB200.0 million and RMB100.0 million during the periods, respectively.

For the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, the aggregate tax effect of preferential tax treatment was RMB36.0 million, RMB38.1 million, RMB41.7 million and RMB24.7 million, respectively. Our effective tax rates for years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 were 15.1%, 14.8%, 14.1% and 13.6%, respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Revenue

Our total revenue increased by 129.0% from RMB558.9 million in the six months ended June 30, 2017 to RMB1,279.7 million in the six months ended June 30, 2018, primarily attributable to the significant increase in our construction revenue in respect of our service concession arrangements from RMB167.0 million in the six months ended June 30, 2017 to RMB844.3 million in the six months ended June 30, 2018 due to the expansion project of Chengpeng Expressway. Our total toll revenue across our expressways also increased by 11.1% from RMB391.8 million in the six months ended June 30, 2017 to RMB435.4 million in the six months ended June 30, 2018.

Chengguan Expressway. Our toll revenue from Chengguan Expressway increased by 16.0% from RMB140.4 million in the six months ended June 30, 2017 to RMB162.8 million in the six months ended June 30, 2018, primarily due to increase in the daily weighted-average traffic volume as a result of natural growth of traffic flow driven by the economic growth of Sichuan province, additional traffic flow diverted from Chengpeng Expressway due to the partial road closure for its expansion project.

Chengpeng Expressway. Our toll revenue from Chengpeng Expressway decreased by 73.4% from RMB51.4 million in the six months ended June 30, 2017 to RMB13.7 million in the six months ended June 30, 2018, due to the partial road closure caused by its expansion project which was re-opened for operation in July 2018.

Chengwenqiong Expressway. Our toll revenue from Chengwenqiong Expressway increased by 44.9% from RMB130.5 million in the six months ended June 30, 2017 to RMB189.1 million in the six months ended June 30, 2018, primarily attributable to an increase in revenue generated under the New Batch Payment Model and, to a lesser extent, an increase in revenue generated under Standard Toll Collection Model. Revenue generated from the Batch Payment Model increased to RMB151.1 million in the six months ended June 30, 2018 from RMB93.6 million in the six months ended June 30, 2017, primarily due to the adoption the New Batch Payment Model on July 1, 2017, which took into account the real-time traffic volume for vehicles with Local License. Revenue generated under the Standard Toll Collection Model increased slightly to RMB38.0 million in the six months ended June 30, 2018 from RMB36.8 million in the six months ended June 30, 2017.

Chengdu Airport Expressway. Our toll revenue from Chengdu Airport Expressway increased slightly between the six months ended June 30, 2017 and the six months ended June 30, 2018, consistent with the steady daily weighted-average traffic volume.

Construction revenue in respect of our service concession arrangements. Our construction revenue in respect of our service concession arrangements increased significantly by 405.5% from RMB167.0 million in the six months ended June 30, 2017 to RMB844.3 million in the six months ended June 30, 2018, due to the expansion project that Chengpeng Expressway undertook.

Cost of Sales

Our cost of sales increased by 208.3% from RMB329.9 million in the six months ended June 30, 2017 to RMB1,017.0 million in the six months ended June 30, 2018, primarily due to construction costs in respect of our service concession arrangements incurred in relation to the expansion of Chengpeng Expressway, which was the same as our construction revenue in respect of service concession arrangements. The total cost for our toll collection operations increased slightly by 6.1%, mainly as a result of increased costs of toll collection operations for Chengguan Expressway and Chengwenqiong Expressway, partially offset by a decreased cost of toll collection operations for Chengpeng Expressway and Chengdu Airport Expressway. The specific reasons for the changes in the cost of toll collection operations of each our expressways are set out below.

Chengguan Expressway. Cost of sales for Chengguan Expressway increased by 4.8% from RMB43.9 million in the six months ended June 30, 2017 to RMB46.0 million in the six months ended June 30, 2018, primarily due to increases in employee benefit expenses as a result of an increase in employee salary level and the number of employees and increases in the amortization of our service concession arrangements as a result of higher traffic volume.

Chengpeng Expressway. Cost of sales for Chengpeng Expressway decreased by 14.0% from RMB19.3 million in the six months ended June 30, 2017 to RMB16.6 million in the six months ended June 30, 2018, primarily due to decreases in the amortization of our service concession arrangements as a result of reduced traffic volume caused by the expansion project, partially offset by increases in employee benefit expenses as a result of an increase in employee salary level.

Chengwenqiong Expressway. The costs of sales for Chengwenqiong Expressway increased by 20.6%, from RMB67.2 million in the six months ended June 30, 2017 to RMB81.0 million in the six months ended June 30, 2018, primarily due to increases in employee benefit expenses as a result of an increase in employee salary level and bonuses and increases in the amortization of our service concession arrangements as a result of higher traffic volume.

Chengdu Airport Expressway. The costs of sales for Chengdu Airport Expressway decreased by 10.3%, from RMB32.4 million in the six months ended June 30, 2017 to RMB29.1 million in the six months ended June 30, 2018, primarily due to a decrease in maintenance, greening and cleaning costs as certain targeted greening and maintained projects in the first six months of 2017, which did not reoccur in 2018.

Gross Profit and Gross Profit Margin

Gross profit for Chengguan Expressway increased by increased by 21.0% from RMB96.5 million in the six months ended June 30, 2017 to RMB116.8 million in the six months ended June 30, 2018, and its gross profit margin was 68.7% and 71.8% in the six months ended June 30, 2017 and 2018, respectively.

Chengpeng Expressway had a gross loss of RMB2.95 million in the six months ended June 30, 2018 and a gross loss margin of 21.6% during the same period, and a decrease in revenue as a result of the expansion project. In the six months ended June 30, 2017, Chengpeng Expressway had a gross profit of RMB32.1 million and gross profit margin of 62.4%. The fluctuation was primarily driven by the decrease in toll revenue as a result of partial road closure caused by its expansion project as stated above. The expansion project was completed in June 2018 and the previously-closed part of the road was reopened in July 2018.

Gross profit for Chengwenqiong Expressway increased by 70.7% from RMB63.3 million in the six months ended June 30, 2017 to RMB108.1 million in the six months ended June 30, 2018, and its gross profit margin was 48.5% and 57.2% in the six months ended June 30, 2017 and 2018, respectively. The increase in Chengwenqiong Expressway's gross profit margin was primarily attributable to the increase in revenue generated under the New Batch Payment Model, which took effect on July 1, 2017.

Gross profit for Chengdu Airport Expressway increased by 9.7% from RMB37.1 million in the six months ended June 30, 2017 to RMB40.7 million in the six months ended June 30, 2018, and its gross profit margin was 53.3% and 58.3%, respectively, primarily attributable to a decrease in costs of sales mainly as a result of a reduction in maintenance, greening and cleaning costs for certain projects which only occurred in first half of 2017.

There is no gross profit or gross profit margin for construction in respect of our service concession arrangements. Our overall gross profit increased by 14.7% from RMB229.0 million in the six months ended June 30, 2017 to RMB262.7 million in the six months ended June 30, 2018. Our overall gross profit margin of our toll collection operations remained stable with a slight increase from 58.4% in the six months ended June 30, 2017 to 60.3% in the six months ended June 30, 2018.

Other Income and Gains

Our other income increased by 15.4% from RMB12.8 million in the six months ended June 30, 2017 to RMB14.8 million in the six months ended June 30, 2018, primarily due to an increase in our bank interest income from RMB4.2 million in the six months ended June 30, 2017 to RMB6.2 million in the six months ended June 30, 2018.

Administrative Expenses

Our administrative expenses increased by 13.4% from RMB19.8 million in the six months ended June 30, 2017 to RMB22.5 million in the six months ended June 30, 2018, primarily due to increases in listing fee expenses incurred in relation to the Global Offering and employee benefit expenses in the six months ended June 30, 2018.

Other Expenses

Our other expenses remained stable at RMB0.6 million in the six months ended June 30, 2017 and RMB0.8 million in the six months ended June 30, 2018.

Interest Expenses

Our interest expenses decreased by 9.7% from RMB36.4 million in the six months ended June 30, 2017 to RMB32.9 million in the six months ended June 30, 2018, primarily because we repaid certain of our bank and other borrowings in the six months ended June 30, 2018.

Share of Profits of an Associate

Our share of profits of Chengbei Exit Expressway increased by 9.2% from RMB12.7 million in the six months ended June 30, 2017 to RMB13.8 million in the six months ended June 30, 2018, primarily as Chengbei Exit Expressway's operating profits increased by 9.2%, mainly attributable to the increased traffic volume as a result of natural growth of traffic flow and additional traffic flow diverted from Chengpeng Expressway due to the partial road closure for its expansion project in the first half of 2018.

Income Tax Expenses

Our income tax expenses increased by 15.5% from RMB27.8 million in the six months ended June 30, 2017 to RMB32.1 million in the six months ended June 30, 2018, which was mainly attributable to an increase in our profits before tax.

Net Profit

As a result of the foregoing, our net profit increased by 19.6% from RMB169.8 million in the six months ended June 30, 2017 to RMB203.1 million in the six months ended June 30, 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our total revenue increased by 50.5% from RMB1,185.2 million in 2016 to RMB1,784.3 million in 2017, primarily attributable to the significant increase in our construction revenue in respect of our service concession arrangements from RMB397.6 million in 2016 to RMB943.9 million in 2017 due to the expansion project undertaken in respect of Chengpeng Expressway. Our total toll revenue across our expressways also increased by 6.7% from RMB787.6 million in 2016 to RMB840.4 million in 2017.

Chengguan Expressway. Our toll revenue from Chengguan Expressway increased by 5.6% from RMB294.3 million in 2016 to RMB310.9 million in 2017, primarily due to (i) a 6.2% increase in our daily weighted-average traffic volume from 37,860 vehicles in 2016 to 40,196 vehicles in 2017 as a result of natural growth of traffic flow driven by the economic growth of Sichuan province and additional traffic flow diverted from Chengpeng Expressway due to the partial road closure for its expansion project in the second half of 2017 and (ii) the effects of traffic mix.

Chengpeng Expressway. Our toll revenue from Chengpeng Expressway decreased by 37.5% from RMB106.4 million in 2016 to RMB66.5 million in 2017, due to decreases in both revenue generated under the Batch Payment Model and revenue generated under our Standard Toll Collection Model as a result of partial road closure caused by its expansion project. Revenue generated from the Batch Payment Model decreased to RMB44.1 million in 2017 from RMB70.3 million in 2016 primarily due to the decrease in revenue in the second half of 2017 when the New Batch Payment Model took effect on July 1, 2017 and real-time traffic volume for passenger vehicles with Local Licenses was taken into account. Revenue generated under our Standard Toll Collection Model decreased to RMB22.4 million in 2017 from RMB36.2 million in 2016 because daily weighted-average traffic volume for non-Local License vehicles decreased by 41.9% from 9,813 vehicles in 2016 to 5,702 vehicles in 2017 under the Standard Toll Collection Model for the reason stated above.

Chengwenqiong Expressway. Our toll revenue from Chengwenqiong Expressway increased by 23.5% from RMB259.4 million in 2016 to RMB320.3 million in 2017, primarily attributable to an increase in revenue generated under the Batch Payment Model and, to a lesser extent, an increase in revenue generated under Standard Toll Collection Model. Revenue generated from the Batch Payment Model increased to RMB243.0 million in 2017 from RMB187.3 million in 2016 primarily due to the increase in revenue in the second half of 2017 when the New Batch Payment Model took effect on July 1, 2017 and real-time traffic volume for vehicles with Local License was taken into account. Revenue generated under the Standard Toll Collection Model increased to RMB77.3 million in 2017 from RMB72.2 million in 2016 as a result of (i) increased daily weighted-average traffic volume for vehicles without Local Licenses from 5,493 vehicles in 2016 to 5,843 vehicles in 2017 primarily due to the improved road quality after the upgrade project of Chengwenqiong Expressway completed in 2016, and (ii) effect of traffic mix.

Chengdu Airport Expressway. Our toll revenue from Chengdu Airport Expressway increased by 12.0% from RMB127.4 million in 2016 to RMB142.6 million in 2017, attributable to (i) a 11.0% increase in daily weighted-average traffic volume from 38,864 vehicles in 2016 to 43,147 vehicles in 2017 as a result of the economic growth of Sichuan province and, in particular, the increased traffic inflow and outflow to and from Chengdu Shuangliu Airport and (ii) an increase in traffic flow of private vehicles to which a higher toll rate is applied compared to the taxi toll rate.

Construction revenue in respect of our service concession arrangements. Our construction revenue in respect of our service concession arrangements increased significantly by RMB546.3 million, from RMB397.6 million in 2016 to RMB943.9 million in 2017, due to the expansion project that Chengpeng Expressway undertook.

Cost of Sales

Our cost of sales increased by 77.0% from RMB726.4 million in 2016 to RMB1,285.6 million in 2017, primarily due to construction costs in respect of our service concession arrangements incurred in relation to the expansion of Chengpeng Expressway, which was the same as our construction revenue in respect of service concession arrangements. The total cost for our toll collection operations increased slightly by 3.9%, mainly as a result of increased costs of toll collection operations for Chengguan Expressway and Chengwenqiong Expressway partially offset by a decreased cost of toll collection operations for Chengpeng Expressway and Chengdu Airport Expressway. The specific reasons for the changes in the cost of toll collection operations of each our expressways are set out below.

Chengguan Expressway. Cost of sales for Chengguan Expressway increased by 5.5% from RMB89.5 million in 2016 to RMB94.4 million in 2017, primarily due to increases in employee benefit expenses as a result of an increase in employee salary level and the number of employees and increases in the amortization of our service concession arrangements as a result of higher traffic volume.

Chengpeng Expressway. Cost of sales for Chengpeng Expressway decreased by 9.1% from RMB42.0 million in 2016 to RMB38.2 million in 2017, primarily due to decreases in the amortization of our service concession arrangements as a result of reduced traffic volume caused by the expansion project and decreased repairs and maintenance, greening and cleaning costs, partially offset by increases in employee benefit expenses as a result of an increase in employee salary level.

Chengwenqiong Expressway. The costs of sales for Chengwenqiong Expressway increased by 11.0%, from RMB129.1 million in 2016 to RMB143.3 million in 2017, primarily due to increases in employee benefit expenses primarily due to an increase in our employee salary level, amortization of service concession arrangements as a result of higher traffic volume and increased repairs and maintenance costs relating to a special maintenance project for the West River Bridge.

Chengdu Airport Expressway. The costs of sales for Chengdu Airport Expressway decreased by 3.4%, from RMB68.1 million in 2016 to RMB65.8 million in 2017, as we did not incur the one-off repair and maintenance costs for toll plazas which we incurred in 2016. This decrease was partially offset by an increased amortization of our service concession arrangements, employee benefit expenses, and greening costs in relation to the local government's request for us to increase the greenery expenditure for the Chengdu Airport Expressway.

Gross Profit and Gross Profit Margin

Gross profit for Chengguan Expressway increased by 5.7% from RMB204.9 million in 2016 to RMB216.5 million in 2017 and gross profit margin was 69.6% for both years.

Gross profit for Chengpeng Expressway decreased by 56.0% from RMB64.4 million in 2016 to RMB28.4 million in 2017 and gross profit margin was 60.5% and 42.6% in 2016 and 2017, respectively, primarily driven by the decrease in toll revenue as a result of partial road closure caused by its expansion project as stated above. The expansion project was completed in June 2018 and the previously-closed part of the road was reopened in July 2018.

Gross profit for Chengwenqiong Expressway increased by 35.8% from RMB130.3 million in 2016 to RMB177.0 million in 2017 and gross profit margin was 50.2% and 55.3% in 2016 and 2017, respectively, primarily attributable to the increase in revenue generated under the New Batch Payment Model effective starting from the second half of 2017.

Gross profit for Chengdu Airport Expressway increased by 29.6% from RMB59.2 million in 2016 to RMB76.8 million in 2017 and gross profit margin was 46.5% and 53.8% in 2016 and 2017, respectively, primarily attributable to an increase in traffic volume coupled with a decrease in the costs of sales mainly as a result of the non-recurrence of an one-off maintenance costs, which occurred in 2016.

There is no gross profit or gross profit margin for construction in respect of our service concession arrangements. Our overall gross profit increased by 8.7% from RMB458.8 million in 2016 to RMB498.7 million in 2017. Our gross profit margin of our toll collection operations remained stable with a slight increase from 58.3% in 2016 to 59.3% in 2017.

Other Income and Gains

Our other income decreased significantly by 72.2% from RMB106.5 million in 2016 to RMB29.6 million in 2017, primarily due to the fact our related parties repaid outstanding loans to us in 2017, reducing our interest income attributable to such loans, partially offset by (i) an increase in our bank interest income to RMB10.8 million in 2017 from RMB7.6 million in 2016 and (ii) an increase in deferred income released to profit or loss to RMB4.1 million in 2017 from RMB2.9 million in 2016.

Administrative Expenses

Our administrative expenses increased by 20.0% from RMB39.1 million in 2016 to RMB47.0 million in 2017, primarily due to increases in employee benefit expenses and listing fee expenses incurred in relation to the Global Offering in 2017.

Other Expenses

Our other expenses remained stable at RMB2.7 million in 2016 and RMB2.6 million in 2017.

Interest Expenses

Our interest expenses decreased by 51.8% from RMB149.7 million in 2016 to RMB72.1 million in 2017, primarily because we repaid all loans directly attributable to our related parties after they repaid us and certain of our bank and other borrowings in 2017.

Share of Profits of an Associate

Our share of profits of Chengbei Exit Expressway increased significantly by 208.1% from RMB7.1 million in 2016 to RMB21.8 million in 2017, primarily due to the fact that the equity interest in Chengbei Exit Expressway was transferred to us in mid-2016 so we were only entitled to its profit for six months in 2016 as opposed to a full year effect in 2017. In addition, Chengbei Exit Expressway's operating profits increased by 25.0% from 2016 to 2017, mainly attributable to the natural growth of traffic flow and additional traffic flow diverted from Chengpeng Expressway due to the partial road closure for its expansion project in the second half of 2017.

Income Tax Expenses

Our income tax expenses increased by 7.3% from RMB56.4 million in 2016 to RMB60.6 million in 2017, which was mainly attributable to an increase in our profits before tax.

Net Profit

As a result of the foregoing, our net profit increased by 13.4% from RMB324.4 million in 2016 to RMB367.8 million in 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our total revenue increased by 51.0% from RMB785.1 million in 2015 to RMB1,185.2 million in 2016 primarily attributable to the significant increases in our construction revenue in respect of our service concession arrangements from RMB6.7 million in 2015 to RMB397.6 million in 2016 due to the road upgrade and expansion projects undertaken by Chengpeng Expressway and Chengwenqiong Expressway. Our total toll revenue increased by 1.2% from RMB778.4 million in 2015 to RMB787.6 million in 2016.

Chengguan Expressway. Our toll revenue from Chengguan Expressway increased by RMB29.2 million, or 11.0%, from RMB265.1 million in 2015 to RMB294.3 million in 2016, primarily due to a 11.5% increase in daily weighted-average traffic volume from 33,966 vehicles in 2015 to 37,860 vehicles in 2016 driven primarily by the natural growth of traffic flow along with the economic growth and, in particular, the development of Dujiangyan, a major city where the expressway leads to.

Chengpeng Expressway. Our toll revenue from Chengpeng Expressway decreased slightly from RMB107.2 million in 2015 to RMB106.4 million in 2016. Revenue from Batch Payment Model remained stable and was RMB70.1 million and RMB70.3 million in 2015 and 2016, respectively. Revenue from Standard Toll Collection Model decreased slightly from RMB37.1 million in 2015 to RMB36.2 million in 2016 mainly as a result of a slight decrease in daily weighted-average traffic volume for vehicles under the Standard Toll Collection Model from 10,113 vehicles in 2015 to 9,813 vehicles in 2016 as it started expansion work in October 2016.

Chengwenqiong Expressway. Our toll revenue from Chengwenqiong Expressway remained stable at RMB259.4 million in 2016 as compared to RMB261.1 million in 2015. Revenue from Batch Payment Model remained stable and was RMB187.0 million and RMB187.3 million in 2015 and 2016, respectively. Revenue from Standard Toll Collection Model decreased slightly from RMB74.1 million in 2015 to RMB72.2 million in 2016 because toll rates for fright vehicles dropped slightly in 2016 while our daily weighted-average traffic volume for vehicles under the Standard Toll Collection Model remained stable between 5,478 vehicles in 2015 and 5,493 vehicles in 2016.

Chengdu Airport Expressway. Our toll revenue from Chengdu Airport Expressway decreased by RMB17.5 million, or 12.1%, from RMB144.9 million in 2015 to RMB127.4 million in 2016, primarily due to the adoption of lower toll rates effective from January 1, 2016, partially offset by an increase of traffic volume with our daily weighted-average traffic volume of 32,271 vehicles and 38,864 in 2015 and 2016, respectively. See "Business – Pricing" in this prospectus.

Construction revenue in respect of service concession arrangements. Our construction revenue in respect of our service concession arrangements increased significantly by RMB390.9 million, from RMB6.7 million in 2015 to RMB397.6 million in 2016, primarily due to the road upgrade and expansion projects in the amount of RMB120.7 million and RMB276.9 million, undertaken by Chengpeng Expressway and Chengwenqiong Expressway, respectively.

Cost of Sales

Our cost of sales increased significantly by 140.4% from RMB302.1 million in 2015 to RMB726.4 million in 2016, primarily due to increased construction costs as a result of the road upgrade and expansion projects undertaken by Chengpeng Expressway and Chengwenqiong Expressway. The total cost for our toll collection operations increased by 11.3%, mainly as a result of increased costs of toll collection operations for Chengguan Expressway and Chengdu Airport Expressway. The specific reasons for the changes in the cost of toll collection operations of each our expressways are listed below.

Chengguan Expressway. The cost of sales for Chengguan Expressway increased by 13.4% from RMB78.9 million in 2015 to RMB89.5 million in 2016. This was primarily due to increases in employee benefit expenses and increases in the amortization of our service concession arrangements as a result of higher traffic volume.

Chengpeng Expressway. The cost of sales for Chengpeng Expressway increased slightly by 0.5% from RMB41.8 million in 2015 to RMB42.0 million in 2016 as a result of increased employee benefit expenses as a result of an increase in employee salary level, partially offset by a decrease in maintenance, greening and cleaning costs as a result of the start of the expansion project.

Chengwenqiong Expressway. The cost of sales for Chengwenqiong Expressway increased by 6.6%, from RMB121.1 million in 2015 to RMB129.1 million in 2016, primarily due to increases in employee benefit expenses and amortization of our service concession arrangements as a result of new additions to the service concession for renovation costs of the expressway in 2016 in relation to our upgrade project conducted in 2016, partially offset by a decrease in maintenance costs.

Chengdu Airport Expressway. The cost of sales for Chengdu Airport Expressway increased by 27.1%, from RMB53.6 million in 2015 to RMB68.1 million in 2016, primarily due an increase in maintenance costs in respect of one-off maintenance of toll plazas and increased amortization of service concession arrangements.

Gross Profit and Gross Profit Margin

Gross profit for Chengguan Expressway increased by 10.0% from RMB186.2 million in 2015 to RMB204.9 million in 2016 and gross profit margin was 70.2% and 69.6% in 2015 and 2016, respectively.

Gross profit for Chengpeng Expressway remained stable and was RMB65.4 million in 2015 and RMB64.4 million in 2016 and gross profit margin was 61.0% and 60.5% in 2015 and 2016, respectively.

Gross profit for Chengwenqiong Expressway decreased by 6.9% from RMB140.0 million in 2015 to RMB130.3 million in 2016 and gross profit margin was 53.6% and 50.2% in 2015 and 2016, respectively.

Gross profit for Chengdu Airport Expressway decreased by 35.2% from RMB91.4 million in 2015 to RMB59.2 million in 2016 and gross profit margin was 63.0% and 46.5% in 2015 and 2016, respectively primarily due to the adoption at lower toll rates in 2016.

Our overall gross profit decreased by 5.0% from RMB482.9 million in 2015 to RMB458.8 million in 2016. The gross profit margin of our toll collection operations decreased from 62.0% in 2015 to 58.3% in 2016, primarily attributable to the increase in cost of sales for Chengguan Expressway and Chengdu Airport Expressway as stated above.

Other Income and Gains

Our other income decreased by 26.3% from RMB144.5 million in 2015 to RMB106.5 million in 2016, primarily attributable to decrease in interest income from loans to our related parties due to repayment of such loans in 2016, partially offset by increased bank interest income and one-off compensation income for road damage caused by car accidents.

Administrative Expenses

Our administrative expenses decreased by 8.2% from RMB42.6 million in 2015 to RMB39.1 million in 2016, primarily due to decreases in other tax expenses, partially offset by increases in employee benefit expenses.

Other Expenses

Our other expenses remained stable at RMB2.8 million in 2015 and RMB2.7 million in 2016.

Interest Expenses

Our interest expenses decreased by 32.5% from RMB221.8 million in 2015 to RMB149.7 million in 2016, primarily due to our (i) repayment of loans directly attributable to our related parties after they repaid us and (ii) repayment of our bank and other borrowings in 2016.

Share of Profits of an Associate

We recorded a share of profits of Chengbei Exit Expressway Company in the amount of RMB7.1 million in 2016, after we obtained 40% equity interests in Chengbei Exit Expressway Company in June 2016. We did not have any share of profits of an associate for the year ended December 31, 2015.

Income Tax Expenses

Our income tax expenses increased by 3.5% from RMB54.5 million in 2015 to RMB56.4 million in 2016, mainly attributable to an increase in our profits.

Net Profit

As a result of the foregoing, our net profit increased by 6.1% from RMB305.7 million in 2015 to RMB324.4 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are to fund our working capital. We also utilize cash to purchase property, plant and equipment and to expand or upgrade our expressways. To date, we have primarily financed our operational expenditures through cash generated from our operating activities and external borrowings. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operating activities, external borrowings, proceeds from the Global Offering and potential additional equity and debt financing.

We recorded net cash flows from operating activities of RMB470.2 million, RMB552.4 million and RMB353.2 million in 2015, 2016 and 2017, respectively. We recorded net cash flow used in operating activities of RMB103.7 million for the six months ended June 30, 2018. The following table sets forth our cash flows for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
				(unaudited)	
			RMB'000		
Net cash flows (used in)/from operating activities	470,239	552,356	353,212	164,282	(103,656)
Net cash flows (used in)/from investing activities	(655,148)	2,015,442	43,970	36,070	(18,420)
Net cash flows (used in)/from financing activities	1,112,304	(2,268,167)	(758,611)	(521,938)	148,372
Net increase/(decrease) in cash and cash equivalents	927,395	299,631	(361,429)	(321,586)	26,296
Cash and cash equivalents at beginning of the year	274,354	1,201,749	1,501,380	1,501,380	1,139,951
Cash and cash equivalents at the end of the year	1,201,749	1,501,380	1,139,951	1,179,794	1,166,247

Net Cash Flows from Operating Activities

In the six months ended June 30, 2018, our net cash flows used in operating activities were RMB103.7 million. This amount represented our profit before tax of RMB235.2 million, adjusted primarily for (1) additions to our service concession arrangements of RMB843.0 million in relation to the expansion of Chengpeng Expressway, (2) amortization of our service concession arrangements of RMB62.4 million; (3) interest expenses of RMB32.9 million, and (4) operating cash inflow from working capital items including an increase in trade payables of RMB463.9 million, primarily as a result of the expansion of Chengpeng Expressway and partially offset by an increase in other receivables of RMB20.4 million.

In 2017, our net cash flows from operating activities were RMB353.2 million. This amount represented our profit before tax of RMB428.4 million, adjusted primarily for (1) additions to our service concession arrangements of RMB943.7 million in relation to the expansion of Chengpeng Expressway, (2) amortization of our service concession arrangements of RMB116.4 million; (3) interest expenses of RMB72.1 million, and (4) operating cash inflow from working capital items including an increase in trade payables of RMB567.2 million, primarily as a result of the expansion of Chengpeng Expressway partially offset by an increase in trade receivables of RMB17.4 million, which was the toll receivables of Chengwenqiong Expressway under the New Batch Payment Model as of December 31, 2017 and subsequently settled in 2018.

In 2016, our net cash flows from operating activities were RMB552.4 million. This amount represented our profit before tax of RMB380.8 million, adjusted mainly for (1) additions to our service concession arrangements of RMB391.5 million primarily as a result of the road upgrade and expansion projects for Chengpeng Expressway and Chengwenqiong Expressway, (2) amortization of service concession arrangements of RMB108.0 million, (3) interest expenses of RMB149.7 million, and (4) operating cash inflow from working capital items including (i) a decrease in trade receivables of RMB372.9 million, primarily as a result of the collection of receivables from local governments under the Batch Payment Model, and (ii) an increase in trade payables of RMB124.5 million, primarily as a result of the expansion of Chengpeng Expressway, partially offset by a decrease in other payables and accruals in the amount of RMB58.4 million primarily attributable to return of deposits for contraction work.

In 2015, our net cash flows from operating activities were RMB470.2 million. This amount represented our profit before tax of RMB360.2 million, adjusted primarily for (1) amortization of service concession arrangements of RMB97.2 million, (2) interest expenses of RMB221.8 million and (3) operating cash outflow from working capital items including an increase in trade receivables of RMB77.9 million, comprising primarily of trade receivables from local governments pursuant to the batch payment arrangements, partially offset by (a) an increase in other payables and accruals of RMB29.9 million as a result of compensation received from the relative local government and (b) a decrease in other receivables of RMB1.4 million.

Net Cash Flows from/(Used in) Investing Activities

In the six months ended June 30, 2018, our net cash flows used in investing activities were RMB18.4 million, as a result of purchase of certain property, equipment and software.

In 2017, our net cash flows from investing activities were RMB44.0 million, primarily attributable to repayment of loans received from related parties in the amount of RMB55.8 million and dividend received from Chengbei Exit Expressway Company in the amount of RMB15.6 million, partially offset by the purchase of certain property, equipment and software in the amount of RMB27.4 million.

In 2016, our net cash flows from investing activities were RMB2,015.4 million, primarily attributable to (i) repayment of loans from related parties in the amount of RMB1,896.2 million, (ii) proceeds from disposal items of service concession arrangements in prior years in the amount of RMB101.7 million in connection with the disposal of the Old Chengguan Road, and (iii) interests received from related parties in the amount of RMB80.5 million and dividends received from Chengbei Exit Expressway Company in the amount of RMB11.4 million, partially offset by the purchase of certain property, equipment and software in the amount of RMB19.7 million and loans granted to related parties in the amount of RMB80.9 million.

In 2015, our net cash flows used in investing activities were RMB655.1 million, primarily due to loans granted to Chengdu Communications of RMB2,232.4 million, which was partially offset by the repayment of loans from related parties of RMB1,425.4 million mainly by Chengdu Communications.

Net Cash Flows from/(Used in) Financing Activities

In the six months ended June 30, 2018, our net cash flows from financing activities were RMB148.4 million, primarily due to proceeds from bank loans of RMB353.0 million, partially offset by repayment of bank and other borrowing of RMB170.5 million and interest paid of RMB34.1 million.

In 2017, our net cash flows used in financing activities were RMB758.6 million, primarily due to (i) the repayment of an interest free loan granted by a related party of RMB375.0 million, (ii) repayment of bank and other borrowing of RMB265.9 million, (iii) dividends distribution of RMB116.9 million and (iv) interest paid of RMB72.6 million, partially offset by proceeds from bank loans of RMB110.0 million.

In 2016, our net cash flows used in financing activities were RMB2,268.2 million, primarily due to (i) the repayment of bank loans of RMB925.7 million, (ii) repayment of other borrowings of RMB1,555.9 million, primarily attributable to the repayment of the financial lease liabilities with Huaxia Financial Leasing Co., Ltd. (華夏金融租賃有限公司) and Kunlun Financial Leasing Co., Ltd. (昆侖金融租賃有限責任公司) and (iii) interest paid of RMB114.2 million, partially offset by (a) proceeds from bank loans of RMB166.0 million and (b) proceeds from an interest-free loan granted by our Controlling Shareholder of RMB125.0 million.

In 2015, our net cash flows from financing activities were RMB1,112.3 million, primarily due to (i) proceeds from other borrowings of RMB1,550.0 million, attributable to the execution of the financial leases with Huaxia Financial Leasing Co., Ltd. and Kunlun Financial Leasing Co., Ltd., (ii) proceeds from bank loans of RMB615.0 million, partially offset by (a) the repayment of bank and other borrowing of RMB770.7 million, (b) interest paid of RMB211.7 million and (c) dividends paid to owners of the Company of RMB89.7 million.

CURRENT ASSETS AND CURRENT LIABILITIES

We had net current assets of RMB2,042.4 million, RMB606.7 million and RMB10.3 million as of December 31, 2015, 2016 and 2017. We had net current liabilities of RMB432.3 million and RMB83.7 million as of June 30, 2018 and October 31, 2018, respectively.

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
					(unaudited)
			RMB'000		
Current assets					
Inventory	7	–	–	–	–
Trade receivables	387,970	15,032	32,396	39,516	30,572
Prepayments, deposits and other receivables	2,003,826	65,260	13,418	33,774	355,352
Cash and cash equivalents	1,201,749	1,501,380	1,139,951	1,166,247	1,036,350
Total current assets	3,593,552	1,581,672	1,185,765	1,239,537	1,422,274
Current Liabilities					
Tax payables	36,177	32,469	20,362	13,436	4,967
Trade payables	57,952	182,454	749,686	1,317,584	1,178,305
Other payables and accruals	454,742	522,338	160,449	80,798	77,698
Interest-bearing bank and other borrowings	1,002,252	237,727	245,000	260,000	245,000
Total current liabilities	1,551,123	974,988	1,175,497	1,671,818	1,505,970
Net current assets/(liabilities)	2,042,429	606,684	10,268	(432,281)	(83,696)

Our current liabilities increased to RMB1,671.8 million as of June 30, 2018, resulting in net current liabilities of RMB432.3 million as of June 30, 2018, primarily due to increase in trade payables to RMB1,317.6 million relating to the construction work of Chengpeng Expressway, partially offset by decreases in other payables and accruals and tax payables. As of October 31, 2018, our current assets increased to RMB1,422.3 million and our current liabilities decreased to RMB1,506.0 million, resulting in net current liabilities of RMB83.7 million, primarily due to increases in other receivables relating to government subsidies we expect to receive and decreases in trade payables as a result of payments made relating to the construction work of Chengpeng Expressway.

Our net current assets decreased significantly from RMB606.7 million as of December 31, 2016 to RMB10.3 million as of December 31, 2017, primarily due to increases in trade payables primarily in relation to the expansion project in Chengpeng Expressway.

Our net current assets decreased from RMB2,042.4 million as of December 31, 2015 to RMB606.7 million as of December 31, 2016, primarily due to a significant decrease in amounts due from related parties as we received repayment of loans to related parties which we repaid to banks, part of which was reflected in the decrease in non-current portion of interest-bearing bank and other borrowings in 2016, a decrease in trade receivables as we collected batch payment receivables from local government and an increase in our trade payables, partially offset by an increase in cash and cash equivalents.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Service Concession Arrangements

Our service concession arrangements represent our rights to charge passengers for using the expressways we operate with the relevant local governments. As of December 31, 2015, 2016, 2017 and June 30, 2018, our service concession arrangements amounted to RMB2,343.4 million, RMB2,633.1 million, RMB3,460.6 million and RMB4,242.5 million, respectively, representing 91.6%, 91.3%, 92.8% and 91.4% of our total non-current assets, respectively. Our service concession arrangements increased by 12.4% to RMB2,633.1 million as of December 31, 2016 from RMB2,343.4 million as of December 31, 2015, primarily attributable to the road upgrade and expansion projects undertaken by Chengwenqiong Expressway and expansion projects undertaken by Chengpeng Expressway, and further increased by 31.4% and 22.6% as of December 31, 2017 and June 30, 2018 due to the expansion project of Chengpeng Expressway.

We have accounted for all the arrangements above as service concession arrangements under IFRIC 12 Service Concession Arrangements, because (i) the local government controls and regulates the services that we must provide at a pre-determined service charge; and (ii) upon the expiration of concession right approval, the infrastructure has to be transferred to the local government at nil consideration.

The following table sets forth the movement of our service concession arrangements as of the dates indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000			
Cost:				
At beginning of the year/period	3,174,464	3,181,191	3,578,834	4,522,754
Additions	6,727	391,508	943,685	842,992
Interest expenses capitalized	–	6,135	235	1,337
At end of the year/period	3,181,191	3,578,834	4,522,754	5,367,083
Accumulated amortization:				
At beginning of the year/period	740,538	837,743	945,766	1,062,191
Charged for the year/period	97,205	108,023	116,425	62,412
At end of the year/period	837,743	945,766	1,062,191	1,124,603
Net carrying amount:				
At beginning of the year/period	2,433,926	2,343,448	2,633,068	3,460,563
At end of the year/period	2,343,448	2,633,068	3,460,563	4,242,480

The table below sets forth the net carrying amount of the expressways we operate at the end of the periods indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000			
Chengguan Expressway	629,000	605,281	579,166	564,537
Chengpeng Expressway	355,833	464,100	1,401,174	2,243,959
Chengwenqiong Expressway	1,083,781	1,318,730	1,268,113	1,238,233
Chengdu Airport Expressway	274,834	244,957	212,110	195,751
Total	2,343,448	2,633,068	3,460,563	4,242,480

During the Track Record Period, we provided upgrade and expansion services for Chengguan Expressway, Chengpeng Expressway and Chengwenqiong Expressway through subcontracting the construction work to third party subcontractors. Construction revenue from the upgrade services provided under the service concession arrangements during the Track Record Period was recorded as additions to service concession arrangements. Such additions will be amortized following the completion of the upgrade and expansion of the respective expressways. We incurred RMB6.7 million, RMB397.6 million, RMB943.9 million and RMB844.3 million construction costs and interest expenses in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively.

In accordance with our accounting policies, an impairment assessment of non-current assets is required if there are any events or changes in circumstances that would indicate that the carrying amount of the assets may exceed their recoverable amounts. If there are any events or changes in circumstances indicating that carrying amounts of our service concession arrangements may not be fully recoverable, an estimate of the recoverable amounts of our service concession arrangements shall be made.

Based on our assessment in accordance with IAS 36, the carrying amount of the Cash Generating Unit ("CGU") of Chengpeng Expressway, which consists of service concession arrangement of Chengpeng Expressway and related property, plant and equipment, may exceed the recoverable amount, given the significant amount of capital expenditure incurred for the expansion project of Chengpeng Expressway and uncertainties with regard to future traffic volume following the restoration of the Standard Toll Collection Model with increased toll rates. No impairment indicator has been identified for other expressways we operate, all of which maintained stable and growing traffic volume and revenue contribution during the Track Record Period. Accordingly, we performed impairment tests for Chengpeng Expressway as of December 31, 2017 and June 30, 2018.

The recoverable amount of the CGU of Chengpeng Expressway was determined based on a value in use calculation using cash flow projections up to the end of the service concession arrangement period. Key assumptions used for the value in use calculation are as follows:

Toll rate – The estimated toll rate of each type of passengers vehicles before June 30, 2018 was based on the toll rate set by relevant government authorities at the time. An increase of the tolls rate for each type of vehicle by 58%, which was adopted in July 2018 following the completion of the expansion project, had been conditionally approved at the time.

Traffic volume – The estimated future traffic volume was made with reference to the traffic volume forecast in the traffic consultant report available to our Directors as at the date of impairment work performed.

Discount rate – The weighted average cost of capital ("WACC") reflects risks relating to the relevant units, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain public listed companies conducting business in the PRC expressway industry.

The relevant components of discount rates used in the value in use calculation for the CGU of Chengpeng Expressway as of December 31, 2017 and June 30, 2018 are as follows:

	December 31, 2017	June 30, 2018
Risk free rate	3.6%	3.6%
After-tax WACC	8.98%	8.98%
Pre-tax WACC	11.55%	11.58%

The values assigned to key assumptions on the market development of the CGU and discount rate are consistent with external information sources.

The table below sets forth the sensitivity analysis and headroom for the key parameters used in the impairment test for the CGU of Chengpeng Expressway as of December 31, 2017 and June 30, 2018. Based on our analysis, we do not believe that a reasonably possible change in the key parameters would cause the carrying amount of the CGU to exceed its recoverable amount. We have reassessed the impairment test for the CGU of Chengpeng Expressway as of June 30, 2018 based on the Traffic Consultant Report. There was no significant impact on the impairment result that would cause the carrying amount of the CGU to exceed its recoverable amount.

Impairment assessment of the Chengpeng Expressway's CGU as of December 31, 2017

	Recoverable amount	Carrying amount of service concession arrangement	Carrying amount of property, plant and equipment	Carrying amount of service concession arrangement and property, plant and equipment	Headroom
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Base case	1,471,508	1,201,174	8,037	1,209,211	262,297
Traffic volume increased by 5%	1,566,972	1,201,174	8,037	1,209,211	357,761
Traffic volume decreased by -5%	1,373,369	1,201,174	8,037	1,209,211	164,158
WACC of 9.98%	1,347,069	1,201,174	8,037	1,209,211	137,858
WACC of 10.98%	1,234,961	1,201,174	8,037	1,209,211	25,750
WACC of 7.98%	1,609,925	1,201,174	8,037	1,209,211	400,714
WACC of 6.98%	1,764,220	1,201,174	8,037	1,209,211	555,009
Toll rate increment rate increased by 5%	1,502,856	1,201,174	8,037	1,209,211	293,645
Toll rate increment rate decreased by 5%	1,440,160	1,201,174	8,037	1,209,211	230,949

Impairment assessment of the Chengpeng Expressway's CGU as of June 30, 2018

	Recoverable amount	Carrying amount of service concession arrangement	Carrying amount of property, plant and equipment	Carrying amount of service concession arrangement and property, plant and equipment	Headroom
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Base case	2,340,270	1,943,959	129,096	2,073,055	267,215
Traffic volume increased by 5%	2,440,373	1,943,959	129,096	2,073,055	367,318
Traffic volume decreased by -5%	2,238,264	1,943,959	129,096	2,073,055	165,209
WACC of 9.98%	2,210,361	1,943,959	129,096	2,073,055	137,306
WACC of 10.98%	2,092,346	1,943,959	129,096	2,073,055	19,291
WACC of 7.98%	2,483,604	1,943,959	129,096	2,073,055	410,549
WACC of 6.98%	2,642,119	1,943,959	129,096	2,073,055	569,064
Toll rate increment rate increased by 5%	2,372,950	1,943,959	129,096	2,073,055	299,895
Toll rate increment rate decreased by 5%	2,311,884	1,943,959	129,096	2,073,055	238,829

Trade Receivables

As of December 31, 2015, 2016, 2017 and June 30, 2018, our trade receivables were RMB388.0 million, RMB15.0 million, RMB32.4 million and RMB39.5 million, respectively. The following table sets forth our trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000			
Batch payment arrangements	375,820[(1)]	3,630[(1)]	25,738[(2)]	31,420[(2)]
Inter-network toll collection and ETC receivables	12,150	11,402	6,658	8,096
Impairment	–	–	–	–
Total trade receivables	387,970	15,032	32,396	39,516

Notes:

(1) Under the Old Batch Payment Model.

(2) Under the New Batch Payment Model.

Our trade receivables mainly arose from our toll income receivables under the Batch Payment Agreements that we entered into with local governments in 2014, as amended in July 2017. We seek to maintain strict control over the outstanding receivables to minimize our credit risk. Our management reviews the overdue balances regularly. Our trade receivables are non-interest-bearing.

Our trade receivables decreased significantly as of December 31, 2016 to RMB15.0 million from RMB388.0 million as of December 31, 2015 primarily due to (i) a decrease in toll income receivables under the Old Batch Payment Agreements, the majority of which had been collected in 2016 and the remaining was fully collected in 2017, and (ii) a decrease in inter-network toll collection and ETC receivables to RMB11.4 million as of December 31, 2016 from RMB12.2 million as of December 31, 2015. Our trade receivables increased to RMB32.4 million as of December 31, 2017, primarily due to increased toll income receivables under the New Batch Payment Agreements from the relevant local government agencies with respect to Chengwenqiong Expressway incurred in the last month of 2017, partially offset by a decrease in inter-network toll collection and ETC receivables to RMB6.7 million as of December 31, 2017 from RMB11.4 million as of December 31, 2016. Our trade receivables further increased to RMB39.5 million as of June 30, 2018, primarily due to (i) an increase in toll income receivables under the New Batch Payment Agreements to RMB31.4 million and (ii) an increase in inter-network toll collection and ETC receivables to RMB8.1 million.

The table below sets forth, as of the dates indicated, an aging analysis of our trade receivables based on the transaction date and net of provisions for impairment of trade receivables:

	As of December 31,			As of June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000			
Within 3 months	70,377[(1)]	15,032	32,396	39,516
3 to 6 months	54,598[(2)]	–	–	–
6 to 12 months	87,335[(2)]	–	–	–
Over one year	175,660[(2)]	–	–	–
	387,970	15,032	32,396	39,516

Notes:

(1) Approximately RMB58,227,000 of which were trade receivables due from relevant local governments under the Old Batch Payment Agreements, which were collected in 2016.

(2) Representing trade receivables due from relevant local governments under the Old Batch Payment Agreements, which were collected in 2016.

The table below sets forth our average trade receivables turnover days for the periods indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
Trade receivables turnover days	182	7	14	16

Note:

(1) Trade receivables turnover days are calculated by dividing the ending balance of trade receivables as of the end of the period by the toll revenue of the relevant year and then multiplying the number of days during the period, i.e. 365 days for the years ended December 31, 2015, 2016 and 2017 or 181 days for six months ended June 30, 2018.

During the Track Record Period, we experienced delays in payments from local governments who are parties to the Old Batch Payment Agreements. We optimized the management of batch payment toll collection receivables from the local governments since 2016. We did not have any trade receivables past due as of December 31, 2016 and 2017. Accordingly, our trade receivables turnover days decreased from 182 days in 2015, to 7 days, 14 days and 16 days in 2016, 2017 and June 30, 2018, respectively. The trade receivables for our toll revenue generated from the Batch Payment Model was RMB375.8 million, RMB3.6 million, RMB25.7 million and RMB31.4 million as of December 31, 2015, 2016, 2017 and June 30, 2018, respectively. All outstanding amounts as of June 30, 2018 had been fully settled as of the Latest Practicable Date.

We did not impair our trade receivables under the Batch Payment Model during the Track Record Period. Our Directors are of the view, based on past experience, that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. We did not hold any collateral or other credit enhancements over these balances.

Prepayments, Deposits and Other Receivables

As of December 31, 2015, 2016, 2017 and June 30, 2018, we had prepayments, deposits and other receivables of RMB2,084.8 million, RMB65.3 million, RMB13.4 million and RMB33.8 million, respectively. The following table sets forth our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000			
Current portion				
Prepayments to suppliers	446	1,946	2,921	1,773
Due from related parties	1,974,709	56,141	301	900
Deposit for a bidding of a parcel of land[(1)]	26,350	–	–	–
Deferred listing fees[(2)]	–	5,334	6,697	23,621
Leasing income receivable	–	–	1,290	3,900
Others[(3)]	3,572	3,175	4,959	6,330
Sub-total	2,005,077	66,596	16,168	36,524
Impairment[(4)]	(1,251)	(1,336)	(2,750)	(2,750)
Total current portion	2,003,826	65,260	13,418	33,774
Non-current portion				
Security deposits[(5)]	80,984	–	–	–
Total	2,084,810	65,260	13,418	33,774

Notes:

(1) Representing the deposit paid for our biding for a parcel of land, which was fully refunded to us in 2016 as we did not succeed in the bid.

(2) Representing legal and other professional fees relating to the listing, which will be deducted from our equity when we complete the Global Offering.

(3) Primarily consisting of deposits, compensation received from certain land appropriation by the local government, refunded payment for purchase of properties and prepaid social insurance.

(4) Representing impairment of certain of our prepayment that we expected cannot be collected during the ordinary course of business.

(5) Representing refundable security deposits we made to obtain certain long-term borrowings, which have since been refunded following our early repayment in full of the respective borrowings in 2016.

Due from Related Parties

Our amounts due from related parties decreased significantly from RMB1,974.7 million as of December 31, 2015 to RMB56.1 million as of December 31, 2016, primarily due to the repayment of loans of RMB1,861.7 million by one of our Controlling Shareholders, Chengdu Communications, in 2016. This further decreased to RMB0.5 million as of December 31, 2017, primarily due to the repayment of loans of RMB53.4 million from another of our Controlling Shareholders, Chengdu Expressway Company.

As of June 30, 2018, we had amounts due from related parties of RMB1.1 million, of which RMB0.9 million is related to the rental receivables from Zhongyou Energy under the Zhongyou Leasing Agreement, a fully-exempted continuing connected transaction, and RMB0.2 million is related to prepaid rent to Chengdu Traffic Hub Station Construction Management Co., Ltd. under the Property Leasing Framework Agreement, a partially-exempted continuing connected transaction. See "Connected Transactions – Fully Exempt Continuing Connected Transactions – Zhongyou Leasing Agreement" and "Connected Transactions – Partially-Exempt Continuing Connected Transactions – Property Leasing Framework Agreement" in this prospectus. Except for the rental receivables from Zhongyou Energy and the prepaid rent to Chengdu Traffic Hub Station Construction Management Co., Ltd., all the outstanding balances with related parties have been settled prior to listing.

Trade Payables

As of December 31, 2015, 2016, 2017 and June 30, 2018, we had trade payables of RMB58.0 million, RMB182.5 million, RMB749.7 million and RMB1,317.6 million, respectively.

Our trade payables are non-interest-bearing. Except for retention money payable from expansion and upgrade services, which is normally settled between six months and one year, credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts. Retention monies are amounts of billings that are not paid and withheld by us until defects have been rectified or upon the expiry of the defect liability period. As of December 31, 2015, 2016, 2017 and June 30, 2018, our retention money payable amounted to RMB20.7 million, RMB20.8 million, RMB37.9 million and RMB34.9 million, respectively. Our trade payables increased significantly to RMB182.5 million as of December 31, 2016, mainly due to increased payables for the upgrade work undertaken by Chengwenqiong Expressway, and further increased significantly to RMB749.7 million and RMB1,317.6 million as of December 31, 2017 and June 30, 2018 in relation to increased payables for the expansion work undertaken by Chengpeng Expressway.

The table below sets forth, as of the dates indicated, an aging analysis of our trade payables based on the invoice date:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000			
Within three months	18,591	148,284	519,187	636,612
Three to six months	908	5	22,894	344,145
Six to twelve months	1,339	2,274	174,857	289,611
Over one year	37,114	31,891	32,748	47,216
Total	57,952	182,454	749,686	1,317,584

The table below sets forth our average trade payables turnover days for the periods indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
Trade payables turnover days[(1)]	70	92	213	234

Note:

(1) Trade payables turnover days are calculated by dividing the ending balance at the end of the period by the cost of sales during the relevant year and then multiplying the number of days during the period, i.e. 365 days for the years ended December 31, 2015, 2016 and 2017 or 181 days for 6 months ended June 30, 2018.

Our turnover days of trade payables were approximately 70 days, 92 days, 213 days and 234 days in 2015, 2016, 2017 and the six months ended June 30, 2018, respectively. The relatively high turnover days of trade payables in 2017 and the six months ended June 30, 2018 was mainly due to the increased balance of trade payables in 2017 and the six months ended June 30, 2018 related to the expansion project of Chengpeng Expressway.

Approximately RMB1,178.3 million of our trade payables as of June 30, 2018 had not yet been settled as of October 31, 2018.

Other Payables and Accruals

As of December 31, 2015, 2016, 2017 and June 30, 2018, we had other payables and accruals of RMB521.0 million, RMB584.5 million, RMB418.6 million and RMB436.9 million, respectively.

The table below sets forth our other payables and accruals during the periods indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000			
Other Payables and Accruals included: current				
Payroll and welfare payables	915	9,363	9,506	2,818
Taxes and surcharge payables	23,948	26,004	26,487	25,802
Due to a related party	250,000	375,000	–	–
Inter-network toll collection payable	144,295	19,020	85,728	5,389
Deposits	14,328	72,027	17,900	20,402
Listing fees	–	909	853	6,853
Interest payable	5,279	2,276	2,065	2,175
Deferred income	2,281	4,062	4,062	4,062
Others	13,696	13,677	13,848	13,297
Sub-total	454,742	522,338	160,449	80,798
Other Payables and Accruals included: non-current				
Deferred income	66,225	62,196	258,134	356,103
Total	520,967	584,534	418,583	436,901

Our other payables and accruals are unsecured, non-interest-bearing and have no fixed terms of repayment. It primarily consist of advances from customers, payroll and welfare payables, taxes and surcharge payables, due to a related party, inter-network toll collection payable, deposits, listing fees, interest payable, deferred income and others. Others primarily consist of fee payable to certain local government in relation to the construction work of Chengwenqiong Expressway.

Due to a Related Party

Our amounts due to a related party increased from RMB250.0 million as of December 31, 2015 to RMB375.0 million as of December 31, 2016 primarily due to an additional loan of RMB125.0 million provided by one of our Controlling Shareholders, Chengdu Communications in 2016 for working capital purposes and decreased to nil as of December 31, 2017 and June 30, 2018 as we fully repaid the loans in the aggregate amount of RMB375.0 million to Chengdu Communications in 2017.

Inter-network Toll Collection Payable

Inter-network toll collection payable represents expressway tolls collected by us on behalf of and are to be allocated to other expressway operators through Sichuan Expressway Settlement Center.

Deferred Income

Our deferred income consists of leasing income received from third parties in advance for occupying our land along our expressways and government grants. Leasing income we received in advance reduced gradually and were RMB68.5 million, RMB66.3 million and RMB62.2 million and RMB60.2 million as of December 31, 2015, 2016, 2017 and June 30, 2018. We received government grants of RMB200.0 million in 2017 and RMB100.0 million in the six months ended June 30, 2018 in relation to the expansion project of Chengpeng Expressway, which has been deducted from the carrying amount of the service concession arrangements following the completion of the expansion project of Chengpeng Expressway and released to profit or loss by way of a reduced amortization charged in July 2018.

Working Capital

We finance our working capital needs primarily through cash generated from our operations as well as external borrowings. In addition, we had credit facility commitments of RMB1,967.7 million from China Construction Bank and had available facilities of RMB1,358.7 million as of the Indebtedness Date, being October 31, 2018.

Our ability to obtain additional funding required for future increases in capital expenditure is subject to a variety of uncertainties, including future results of our operations, our financial conditions and cash flows and economic, political and other conditions in China, especially in relation to the market in which we compete. Taking into account the financial resources available to us, including cash generated from our operating activities, the committed, unutilized credit facilities available to us and the estimated net proceeds from the Global Offering, our Directors, after due and careful inquiry, are of the view that we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

Our Directors further confirm that, during the Track Record Period, we did not have any material default in the payment of our trade and other payables or bank and other borrowings, nor did we breach any material financial covenants.

Interest-bearing Bank and Other Borrowings

We incurred interest-bearing bank loans and other borrowings to finance our working capital and capital expenditure requirements. The table below sets forth the maturity profile of our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
			RMB'000		
Bank loans					
Secured	1,116,720	646,000	681,000	968,000	1,014,000
Guaranteed	813,500	–	–	–	–
Unsecured	–	524,500	444,500	390,000	374,500
Sub-total	1,930,220	1,170,500	1,125,500	1,358,000	1,388,500
Other borrowings					
Secured and guaranteed	1,300,965	–	–	–	–
Secured	610,000	430,000	330,000	280,000	280,000
Unsecured	13,636	10,909	–	–	–
Sub-total	1,924,601	440,909	330,000	280,000	280,000
Total	3,854,821	1,611,409	1,455,500	1,638,000	1,668,500

As of December 31, 2015, 2016 and 2017 and June 30, 2018, the outstanding balances of our bank loans were RMB1,930.2 million, RMB1,170.5 million, RMB1,125.5 million, and RMB1,358.0 million, respectively, bearing weighted average interest rates of approximately 5.85%, 5.99%, 4.42% and 4.49%, respectively. As of October 31, 2018, the outstanding balance of our bank loans was RMB1,388.5 million, bearing weighted average interest rates of approximately 4.66%.

As of December 31, 2015, 2016 and 2017 and June 30, 2018, the outstanding balance of our other borrowings were RMB1,924.6 million, RMB440.9 million, RMB330.0 million, and RMB280.0 million, respectively, bearing weighted average interest rates of approximately 5.23%, 4.59%, 4.86% and 4.90%, respectively. During the Track Record Period, sources of our other borrowings include financial leasing companies, trust financing companies, national debt and on-lent loans from Transportation Commission. As of October 31, 2018, we had one other borrowing of RMB280.0 million from the on-lent loan from Chengdu Transportation Commission it financed from National Development Bank.

We utilized the proceeds of the bank and other borrowings to mainly support the upgrade and expansion work of our expressways and also provided a certain amount of the proceeds to our related parties during the Track Record Period. See "– Due from Related Parties" and "– Material Related Party Transitions" in this prospectus. As of December 31, 2015, 2016, 2017 and June 30, 2018, amounts due from related parties were RMB1,974.7 million, RMB56.1 million, RMB0.5 million and RMB1.1 million, respectively. Our related parties had fully repaid us the relevant loans provided to them which we had also repaid to the banks and other financial institutions as of the Latest Practicable Date.

As of December 31, 2015, 2016, 2017 and June 30, 2018, all of our bank and other borrowings were secured by certain of our assets, including the service concession rights of our expressways and certain of our property, plant and equipment, and/or guaranteed by certain of our subsidiaries, one of our Controlling Shareholders, Chengdu Communications, and Chengdu Finance Bureau. As of the Latest Practicable Date, all guarantees provided by our related parties have been released. Going forward, we may continue to utilize bank borrowings for our further upgrade on expansion plans.

Indebtedness Statement

As of October 31, 2018, being the latest practicable date for the purpose of the indebtedness statement, our total bank and other borrowings amounted to RMB1,668.5 million. As of the same date, all interest-bearing financial liabilities were denominated in Renminbi.

As of the Indebtedness Date, we had unutilized bank credit facilities of RMB1,358.7 million, of which RMB1,128.7 million was for the expansion project of Chengpeng Expressway and RMB230.0 million was for the refinancing of an existing loan by Chengwenqiong Expressway, respectively. These credit facilities were committed and without uncommon restrictions on draw-down.

Our Directors confirm that there has not been any material increase in our indebtedness since October 31, 2018 to the date of this prospectus. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank loans, we do not have plans for other material external debt financing.

MATERIAL RELATED PARTY TRANSACTIONS

Transactions with Related Parties

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions pursuant to which we (i) provided loans to our Controlling Shareholders and some other related parties, (ii) borrowed a loan from one of our Controlling Shareholders, (iii) received interest income from our related parties for the loans we provided, which we recognized as other income and gains, (iv) received land leasing income from a related party, which we recognized as other income and gains, and (v) leased properties from a related party, which we recognized as cost of administrative expenses. For more details about our related party transactions, see Note 30 to the Accountant's Report in Appendix I to this prospectus.

Amounts due from Related Parties

As of December 31, 2015 and 2016, amounts due from our Controlling Shareholders were RMB1,974.2 million, RMB55.8 million, respectively. We had no amounts due from our Controlling Shareholders as of December 31, 2017 and June 30, 2018.

As of December 31, 2015, 2016, 2017 and June 30, 2018, amounts due from a related party other than Controlling Shareholders were RMB0.5 million, RMB0.4 million, RMB0.5 million and RMB1.1 million, respectively.

Amounts due to a Related Party

As of December 31, 2015 and 2016, amounts due to one of our Controlling Shareholders, Chengdu Communications were RMB250.0 million, RMB375.0 million, respectively. We had no amounts due to our Controlling Shareholders as of December 31, 2017 and June 30, 2018.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and that these transactions did not distort our results of operations or make our historical results not reflective of our future performance.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures consisted primarily of (i) expenditures on purchases of items for property, plant and equipment and (ii) costs related to upgrade and expansion of our expressways. The table below sets forth our capital expenditures for the periods indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000			
Property, plant and equipment	11,313	19,725	26,853	122,359
Service concession arrangements	6,727	397,643	943,920	844,329
Total capital expenditures	18,040	417,368	970,773	966,688

We funded our capital expenditure requirements during the Track Record Period mainly through bank and other borrowings, cash generated from our operations and loans from a related party. Going forward, we do not expect to obtain loans from our related parties in the future. For the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, we had capital expenditures of RMB18.0 million, RMB417.4 million, RMB970.8 million and RMB966.7 million, respectively.

We expect our cash payment for such capital expenditure to be approximately RMB864.4 million for 18 months ending December 31, 2019. We intend to fund our planned capital expenditures using cash flows generated from our operating activities, bank loans and other borrowings and the net proceeds received from the Global Offering.

Going forward, our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC and globally, the availability of financing on acceptable terms and other factors. We may also pursue further developments of our business through acquisitions of existing operations, investments in other businesses, or joint ventures with third parties.

Operating Lease Arrangements

As lessor, we lease certain of our office buildings and service zones under operating lease arrangements, with leases terms ranging from one to 20 years. As of December 31, 2015, 2016, 2017 and June 30, 2018, we had total future minimum lease receivables under non-cancellable operating leases with our tenants due as follows:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000			
Within one year	644	1,020	843	958
In the second to fifth years, inclusive	1,516	2,165	2,211	2,003
After five years	3,753	3,359	2,964	2,757
Total	5,913	6,544	6,018	5,718

We negotiated leases for land with a term of 8.5 to 18.6 years. As of December 31, 2015, 2016, 2017 and June 30, 2018, we had total future minimum lease payments under non-cancellable operating leases due as follows:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000			
Within one year	–	1,706	3,803	4,517
In the second to fifth years, inclusive	–	13,651	15,213	15,213
After five years	–	36,073	34,351	33,400
Total	–	51,430	53,367	53,130

Capital Commitments

We had capital commitments of RMB362.0 million, RMB1,184.4 million, RMB780.9 million and RMB9.7 million as of December 31, 2015, 2016, 2017 and June 30, 2018, due to various upgrade and expansion projects of our expressways.

KEY FINANCIAL RATIOS

The following tables set forth certain of our key financial ratios as of the dates and for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2015	2016	2017	2018
Current ratio[(1)]	231.7%	162.2%	100.9%	74.1%
Gearing ratio[(2)]	229.4%	78.4%	64.2%	66.3%
Return on equity[(3)]	18.2%	15.8%	16.2%	N.A.
Return on total assets[(4)]	5.0%	7.3%	7.5%	N.A.

Notes:

(1) Calculated as current assets divided by current liabilities as of the end of the period.

(2) Calculated as total bank and other borrowings, divided by total equity, multiplied by 100%.

(3) Calculated as net profit for the period divided by total equity, multiplied by 100%. For the six months ended June 30, 2018, the calculation of return on equity is not applicable since the calculation is on a full-year basis.

(4) Calculated as net profit for the period divided by total assets, multiplied by 100%. For the six months ended June 30, 2018, the calculation of return on total assets is not applicable since the calculation is on a full-year basis.

Current Ratio

Our current ratio decreased from 231.7% as of December 31, 2015 to 162.2% as of December 31, 2016 primarily due to a decrease in prepayments, deposits and other receivables as a result of the repayment of loans by our related parties to us. Our current ratio further decreased to 100.9% as of December 31, 2017, primarily due to a decrease in cash and cash equivalents due to repayment of bank and other borrowings, a decrease in trade receivables as we collected batch payments receivables from the relevant local governments and an increase in trade payables relating to the construction work of our expansion project of Chengpeng Expressway in 2017. Our current ratio further decreased to 74.1% as of June 30, 2018, primarily due to an increase in trade payables relating to the expansion project of Chengpeng Expressway.

Gearing Ratio

Our gearing ratio decreased from 229.4% as of December 31, 2015 to 78.4% as of December 31, 2016 and further decreased to 64.2% as of December 31, 2017, primarily due to our repayment of interest bearing bank and other borrowings in 2016 and 2017. Our gearing ratio increased slightly to 66.3% as of June 30, 2018 as a result of increased bank and other borrowings.

Return on Equity

Our return on equity decreased from 18.2% as of December 31, 2015 to 15.8% as of December 31, 2016 given an increase in our equity in 2016 as 40% equity interest in Chengbei Exit Expressway Company was transferred to us at nil consideration in 2016. Our return on equity remained relatively stable at 16.2% as of December 31, 2017.

Return on Total Assets

Our return on total assets increased from 5.0% as of December 31, 2015 to 7.3% in 2016, primarily due to a decrease in our total assets as our related parties repaid their outstanding loans to us in 2016. Our return on total assets remained stable in 2017.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Our principal financial instruments comprise interest-bearing bank and other borrowings, trade receivables, other receivables, cash and cash equivalents, trade and other payables. The main purpose of these financial instruments is to raise capital for our operations. Our policy is not to undertake any trading in financial instruments.

The main risks arising from our financial instruments are interest rate risk, liquidity risk and credit risk. Our Board of Directors reviews and approves policies for managing each of these risks as summarized below:

Interest Rate Risk

The interest rates and terms of repayment of interest-bearing bank and other borrowings, and interest-bearing loans from related parties are disclosed in Note 22 and Note 30(b)(1), respectively, to the Accountants' Report included in Appendix I to this prospectus.

We do not have any significant exposure to risks of changes in market interest rates as we do not have any long-term receivables and loans which are subject to floating interest rates.

Credit Risk

The carrying amounts of cash and cash equivalents, trade receivables and financial assets included in prepayments, deposits and other receivables represent our maximum exposure to credit risk in relation to these financial assets. Substantially all of our cash and cash equivalents are held in major financial institutions located in China, which our management believes are of high credit quality. We control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the credit exposure to a single financial institution to an acceptable level.

As a majority of our receivable is derived from government agencies, we believe that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. Our senior management reviews and assesses the creditworthiness of our existing customers on an ongoing basis.

Further quantitative data in respect of our exposure to credit risk arising from trade receivables is disclosed in Note 17 to the Accountants' Report included in Appendix I to this prospectus.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets and projected cash flows from our operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

Our liquidity is primarily dependent on our ability to maintain adequate cash flows from our operations to meet our debt obligations as they fall due.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDENDS AND DIVIDEND POLICY

During the years ended December 31, 2015, 2016 and 2017, we declared and paid dividends in the amounts of approximately RMB156.0 million, RMB71.9 million, RMB155.1 million, respectively. Our historical dividend distributions are not indicative of our future dividend policy or distribution. As resolved by the Board and our shareholders, we paid a dividend of approximately RMB222.0 million for the year ended December 31, 2017 to Chengdu Communications and Chengdu Expressway Company, our existing shareholders in October 2018. We resolved and plan to distribute approximately 60.0% to 70.0% of our distributable profits for the year ended December 31, 2018 as annual dividend to all our shareholders after Listing.

After the completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare. We expect to distribute approximately 60.0% to 70.0% of our annual distributable profits as dividend in the future. However, there is no assurance that we will be able to distribute dividend of such amount or any amount in every year or any year in the future. We will decrease our dividend payment ratio accordingly, if we have significant investment or acquisition plan for the same year. The payment and the amount of dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any substantial payment of dividends in the future will utilize and reduce cash available to us on annual basis.

PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. We and our subsidiaries are required under PRC Company Law to appropriate 10% of our after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. PRC laws also require our subsidiaries in the PRC to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions may also be restricted if we or any of our subsidiaries incur debt or losses or in accordance with any restrictive covenants in our bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2018, we had distributable reserves of RMB524.0 million.

LISTING EXPENSES

Listing expenses consist primarily of underwriting commission and professional fees, and are estimated to be approximately RMB75.5 million (based on an Offer Price of HK$2.20 per H Share, being the offer price stated in this prospectus), listing expenses of approximately RMB27.3 million were incurred on or before June 30, 2018, of which RMB3.7 million was charged to our consolidated profit or loss, while the remaining amount of RMB23.6 million was recorded as prepayment and will be subsequently charged to equity upon completion of the Global Offering. We estimate we will further incur underwriting commissions and other listing expenses of approximately RMB48.2 million after June 30, 2018, of which RMB8.0 million will be charged to our consolidated income statements, and RMB40.2 million is expected to be accounted for as a deduction from equity upon the completion of Global Offering.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2018, being the date on which our latest audited consolidated financial information were prepared, and there is no event since June 30, 2018 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE LIABILITIES OF OUR GROUP

The following unaudited pro forma statement of adjusted net tangible liabilities of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible liabilities of our Group attributable to equity owners of our Company as of June 30, 2018 as if the Global Offering had taken place on June 30, 2018.

This unaudited pro forma statement of adjusted net tangible liabilities has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of our Group as of June 30, 2018 or at any future dates following the Global Offering. It is prepared based on the audited consolidated net tangible liabilities of our Group as of June 30, 2018 as set out in the Accountants' Report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible liabilities does not form part of the Accountants' Report.

	Audited consolidated net tangible liabilities of our Group attributable to owners of our Company as of June 30, 2018[(1)]	**Estimated net proceeds from the Global Offering[(2)]**	**Unaudited pro forma adjusted net tangible liabilities attributable to owners of our Company**	**Unaudited pro forma adjusted net tangible liabilities per Share[(3)(4)(5)]**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on the Offer Price of HK$2.20 per Share	(1,919,614)	699,924	(1,219,690)	(0.76)	(0.87)

Notes:

(1) The audited consolidated net tangible liabilities attributable to the equity owners of our Company as of June 30, 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the equity owners of our Company as of June 30, 2018 of approximately RMB2,323.4 million with an adjustment for the intangible assets as of June 30, 2018 of RMB4,243.0 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.20 per Offer Share. After deduction of the estimated underwriting fees and other related expenses payable by our Company and takes no account of any shares which may fall to be issued upon the exercise of Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible liabilities per Share has been arrived at after having made the adjustments referred to in the preceding paragraphs and on the basis of a total of 1,600,000,000 Shares in issue, but without taking into account any H Shares which may fall to be issued upon the exercise of the Over-allotment Options.

(4) For the purpose of this unaudited pro forma adjusted net tangible liabilities, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.88111.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible liabilities of our Group to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible liabilities of our Group has not taken into account a dividend of approximately RMB221,988,800 for the year ended December 31, 2017. The unaudited pro forma adjusted consolidated net tangible liabilities per Share would have been RMB(0.90) (equivalent to HK$(1.02)) per Share based on the Offer Price of HK$2.20 per Offer Share, if the dividend of approximately RMB221,988,800 for the year ended December 31, 2017 had been taken into account.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, at the Offer Price for certain number of our Offer Shares (the "**Cornerstone Placing**").

The total number of H Shares to be subscribed for by the Cornerstone Investors would be 150,000,000, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 37.5% of the H Shares in issue upon completion of the Global Offering; and (ii) 9.38% of the Shares in issue upon completion of the Global Offering.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to their respective cornerstone investment agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of the Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in the Company, nor will any of the Cornerstone Investors become a substantial shareholder of the Company (as defined under the Hong Kong Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors may be adjusted by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback" in this prospectus.

To the best knowledge of our Company, each of the Cornerstone Investors and their respective ultimate beneficial owners is independent of each other, independent of our Company, its connected persons and their respective associates, and not an existing Shareholder or close associates of our Company.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of the allotment results of the Company to be published on or around January 14, 2019.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors:

			Based on the Offer Price of HK$2.20			
			Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering		Approximate percentage of the Shares in issue immediately following the completion of the Global Offering	
Cornerstone Investors	Investment Amount (in HK$ millions)	Number of H Shares to be Subscribed for	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is fully exercised	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is fully exercised
Xin Yue Company Limited (新粵有限公司)	220.0	100,000,000	25%	21.74%	6.25%	6.02%
Chengdu Financial Holding Group Co., Ltd (成都金融控股集團有限公司)	110.0	50,000,000	12.5%	10.87%	3.13%	3.01%

We set out below a brief description of our Cornerstone Investors.

Xin Yue Company Limited

Xin Yue Company Limited (新粵有限公司) ("**Xin Yue**") has agreed to subscribe for 100,000,000 Offer Shares which may be purchased with an aggregate amount of HK$220.0 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price.

The 100,000,000 Offer Share to be subscribed by Xin Yue represents, assuming that the Over-allotment Option is not exercised, approximately (i) 25% of the H Shares in issue upon the completion of the Global Offering, and (ii) 6.25% of the Shares in issue upon the completion of the Global Offering.

Xin Yue is a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of Guangdong Communications Group Co., Ltd. (廣東省交通集團有限公司). It is a comprehensive enterprise that mainly engages in investment and financing activities on highway projects, as well as other highway industry related operations.

Chengdu Financial Holding Group Co., Ltd

Chengdu Financial Holding Group Co., Ltd (成都金融控股集團有限公司) ("**Chengdu Financial Holding Group**") has agreed to subscribe for 50,000,000 Offer Shares which may be purchased with an aggregate amount of HK$110.0 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price. The 50,000,000 Offer Share to be subscribed by Chengdu Financial Holding Group represents, assuming that the Over-allotment Option is not exercised, approximately (i) 12.5% of the H Shares in issue upon the completion of the Global Offering, and (ii) 3.13% of the Shares in issue upon the completion of the Global Offering.

Chengdu Financial Holding Group Co., Ltd is a state-owned enterprise which is wholly-owned, directly and indirectly, by Chengdu SASAC (成都市國有資產監督管理委員會). It has investment in various areas, such as banks, securities, insurance, finance guarantee, petty loan, finance lease, mortgage, industry fund etc.

CONDITIONS PRECEDENT

The subscription of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(i) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Sole Representative (on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the H Shares to be subscribed by the Cornerstone Investors) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective cornerstone investment agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the relevant cornerstone investment agreements are accurate and true in all material respects and not misleading and that there is no breach of the relevant cornerstone investment agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed, covenanted with and undertaken to the Company, the Sole Representative, the Joint Global Coordinators and the Sole Sponsor that, among other things, without the prior written consent of each of the Company, the Sole Representative, the Joint Global Coordinators and the Sole Sponsor, the Investor will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date, dispose of, in any way, any H Shares to be subscribed by the Cornerstone Investors pursuant to the respective cornerstone investment agreement (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares; or enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

Cornerstone Investors (or certain of them) may transfer or enter into specific transactions in relation to the H Shares so subscribed for in certain limited circumstances as permitted in the relevant cornerstone investment agreement, such as transfer to a wholly owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly owned subsidiary undertakes, and such Cornerstone Investor undertakes to procure, that such wholly owned subsidiary agrees to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and subject to the restrictions on disposals imposed on the Cornerstone Investor.

FUTURE PLANS

The aggregate net proceeds that we expect to receive from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised and based on the Offer Price of HK$2.20 per H Share) will be approximately HK$794.4 million (equivalent to RMB699.9 million). According to our business strategies, we aim to become a leading integrated operator in the expressway industry specializing in road investments, construction, operation and management, we intend to use the net proceeds from the Global Offerings as follows:

(a) approximately 70% (or approximately HK$556.1 million) will be used for acquiring or investing in one high-quality expressway.

We intend to acquire or invest in one high-quality expressway in the PRC, particularly in Sichuan province, which is at least partly completed or under operation and are strategically positioned against our expressway network. Given the rising costs in raw materials, land expropriation and construction in Sichuan province, we believe the acquisition or investment costs for high-quality expressways have been increasing over the years and will continue to increase in the near future.

Specifically, we plan to focus on acquiring or investing in an expressway (i) with reasonable return on investment rate and in any event no lower than 10%; (ii) with a remaining concession period of at least ten years; (iii) with multiple tourists attractions, industry zones similar to the Chengdu High-tech Zone, or other cities along the way with a population over one million or a GDP ranked among the top ten cities in Sichuan, including but not limited to Mianyang, Zigong, Yibin and Leshan; (iv) located on the extensions of our current expressways and connects Sichuan with other provinces; and (v) with a stable traffic flow that is similar to that of the expressways that we currently operate and did not have any fluctuation beyond 10% in the past three years, capable of generating stable toll revenue uninterrupted by any upgrade, expansion project or road closure caused by other reasons.

As of the date of this prospectus, we did not have any specific acquisition or investment plans or targets and had neither entered into any agreement or memorandum of understanding nor engaged in any negotiation with any potential target. As of the Latest Practicable date, there were currently 66 expressways in operation within Sichuan province. For more information related to certain expressways in operation, under construction or under planning in Chengdu metropolitan area, see "Industry Overview – The Expressway Industry in China, Sichuan Province and Chengdu – Overview of Expressway Industry in Sichuan Province and Chengdu". Our Directors are of the view that there are some potential acquisition or investment targets in Sichuan province that would satisfy the criteria set out above. If the right opportunity arises, we plan to acquire one expressway, the acquisition cost of which ranges between RMB0.4 billion to RMB1.0 billion. We plan to fund such acquisition using proceeds from the Global Offering, and, if insufficient, further with our working capital and bank borrowings.

(b) approximately 10% (or approximately HK$79.4 million) will be used to expand our business within the industry chain by establishing new business segments or acquiring other complementary business. In addition to the aforementioned criteria, our key consideration for selecting such strategic investment and acquisitions targets are their monetization model and the extent to which such investment or acquisition can help us expand our revenue streams. Specifically, we plan to invest in or acquire businesses that have extensive experience in toll collection management, and expressway maintenance and greening and charge service fees on a cost plus basis, which will be able to create a synergistic effect with our existing business.

(c) approximately 10% (or approximately HK$79.4 million) will be used to improve the operational efficiency of our expressways. Specifically, we intend to increase the use of automated ticketing device for our MTC toll lanes and the use of frictionless payment technology to reduce the need for manual toll collection and the related labor cost, shortening the toll tickets issuance time, and alleviating congestion at toll plazas. In addition, we intend to improve our surveillance and traffic management capabilities. We plan to increase the number and density of high-definition surveillance cameras installed at our toll plazas, toll lanes, and inside the toll booths, as well as upgrade our data transmission system, both of which will enable us to timely monitor traffic conditions on a real time basis and timely respond to traffic congestion and unexpected accidents.

(d) approximately 10% (or approximately HK$79.4 million) will be used for general corporate and working capital purposes.

If the Over-allotment Option is exercised in full and based on the Offer Price of HK$2.20 per H Share), we estimate that we will receive additional net proceeds of HK$128.0 million (equivalent to RMB112.8 million), after deducting underwriting fees and estimated expenses in connection with the Global Offering.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to place the funds into short-term deposits with banks or other financial institutions in Hong Kong or the PRC, or money-market instruments or other forms of banking deposits as permitted by the relevant laws and regulations. We will comply with the PRC laws relating to foreign exchange registration and proceeds remittance.

HONG KONG UNDERWRITERS

CLSA Limited
CCB International Capital Limited
Guotai Junan Securities (Hong Kong) Limited
BOCOM International Securities Limited
ABCI Securities Company Limited
Haitong International Securities Company Limited
Aristo Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 40,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting listing of, and permission to deal in, our H Shares to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Stock Exchange:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies), or outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic sanction, in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

(vi) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or (B) any change or prospective change in Taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(vii) the issue or requirement to issue by the Company of a supplemental or amendment to the prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the H Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or

(viii) any contravention by the Company, any Director or any Supervisors of the Companies Ordinance, the PRC Company Law or the Listing Rules; or

(ix) a Governmental Authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against the Company or any Director or any Supervisor; or

(x) any of the chairman, president, Director, Supervisor, chief executive officer or chief financial officer of the Company vacating his office, or any litigation or claim being threatened or instigated against, or a Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or action or other Proceedings (as defined in the Hong Kong Underwriting Agreement), or announcing an intention to investigate or take other action or Proceedings against the Company or any of the chairman, president or the Director or the Supervisor of the Company, or any of them being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director or Supervisor or any announcement by any governmental, political, regulatory body that it intends to take any such action; or

(xi) any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of the Company, or the Company making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of the Company or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of the Company or anything analogous thereto occurs in respect of the Company; or

(xii) a prohibition on the Company for whatever reason from allotting, issuing or selling the H Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(xiii) any event, act or omission which gives or is likely to give rise to any liability of any of the Company pursuant to Clause 9 of the Hong Kong Underwriting Agreement; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Representative (for itself and on behalf of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters): (A) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of the Company or to shareholders of the Company as a whole; or (B) has or will have or may have a material adverse effect on the success of the Global Offering and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or

(2) there has come to the notice of the Sole Representative, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, or any of the Hong Kong Underwriters:

(i) that any statement contained in the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications issued or approved by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incomplete, incorrect in any material respect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(ii) material non-compliance of the prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law; or

(iii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, not having been disclosed in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), constitutes a material omission therefrom; or

(iv) either (i) there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company or (ii) any of the representations, warranties and undertakings given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect; or

(v) any of the reporting accountant, or any of the counsel or advisor of the Company or other experts has withdrawn its respective consent to the issue of the prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(vi) a significant portion of the orders in the bookbuilding process at the time of the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(vii) any material adverse change or prospective material adverse change or development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of the Company and its subsidiaries, as a whole; or

(viii) admission is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(ix) the Company has withdrawn the Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

then the Sole Representative may (for itself and on behalf of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters), in its sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

We have undertaken to the Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules, the Global Offering and the Over-allotment Option, if any, no further shares or securities convertible into securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, it shall not and shall procure that the relevant registered holder(s) shall not, unless in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the H Shares in respect of which it is shown by this prospectus to be the beneficial owner(s); and

(ii) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the H Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of our Company.

Note (2) to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent a Controlling Shareholder from using the Shares beneficially owned by it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to the Stock Exchange and to our Company that during the First Six-Month Period and the Second Six-Month Period, it shall and shall procure the relevant registered holders:

(i) when it or the relevant registered holders pledge or charge any H Shares beneficially owned by it/him in favor of an authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of H Shares so pledged or charged; and

(ii) when it or the relevant registered holders receive any indications, either verbal or written, from the pledgee or chargee of any H Shares that any of the pledged or charged H Shares will be disposed of, immediately inform our Company of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

We have also undertaken to the Sole Representative, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option, if any), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**"), it will not, and will procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any H Shares or any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or

exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of the Company, as applicable), or deposit any H Shares or other equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any H Shares or any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to effect any transaction specified in (i), (ii) or (iii) above;

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six-Month Period). The Company further agrees that, in the event the Company is allowed to enters into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the Second Six-Month Period, it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any H Shares or other securities of the Company.

Indemnity

The Company has agreed to indemnify, among others, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreements and any breach by us of the Hong Kong Underwriting Agreements, as the case may be.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, among others, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure

subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, if any, exercisable by the Sole Representative on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 60,000,000 additional Offer Shares representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

Assuming the Over-allotment Option, if any, is not exercised at all and based on the Offer Price of HK$2.20 per Offer Share, the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "**Commissions and Fees**") are estimated to be approximately HK$85.6 million in total.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

The Syndicate Members (except for CLSA Limited, as the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative

transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our H Shares, those activities could include acting as agent for buyers and sellers of our H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our H Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our H Shares, in baskets of securities or indices including our H Shares, in units of funds that may purchase our H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our H Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our H Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering – The International Offering – Over-allotment Option" and "Structure of the Global Offering – The International Offering – Stabilisation" in this prospectus. These activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters

The Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this prospectus. Such Sole Representative, the Joint Global Coordinators, Joint Bookrunners, the Joint Lead Managers and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our H Shares.

Over-Allotment and Stabilisation

Details of the arrangements relating to the stabilisation and Over-allotment Option, if any, are set forth in "Structure of the Global Offering – The International Offering – Stabilisation", and "Structure of the Global Offering – The International Offering – Over-allotment Option" in this prospectus.

Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 40,000,000 Offer Shares in Hong Kong as described below in the paragraph headed "– The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 360,000,000 Offer Shares outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S as described in "The International Offering" below. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Sole Representative, as representative of the International Underwriters, have an option to require us to issue and allot up to 60,000,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option, if any, is exercised in full, the additional Offer Shares will represent approximately 3.6% of the Company's enlarged share capital immediately following the completion of the Global Offering and the full exercise of the Over-allotment Option. In the event that the Over-allotment Option, if any, is exercised, a press announcement will be made.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option, if any. If the Over-allotment Option, if any, is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option, if any, as set out in the paragraph headed "– The International Offering – Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "– The Hong Kong Public Offering – Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 40,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of the enlarged share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent 2.5% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option, if any, is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "– The International Offering – Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 20,000,000 Offer Shares for pool A and 20,000,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated

accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor. Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 20,000,000 Offer Shares (being 50% of the 40,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation and clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

In the event that the International Offer Shares are fully subscribed or oversubscribed, if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 120,000,000 Offer Shares (in the case of (i)), 160,000,000 Offer Shares (in the case of (ii)) and 200,000,000 Offer Shares (in the case of (iii)), respectively, representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively, (before any exercise of the Over-allotment Option), reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Representative and the Sole Sponsor deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B.

In addition, the Sole Representative may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done in the circumstance that the International Offer Shares are undersubscribed or other than pursuant to the clawback mechanism above, the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 80,000,000 Offer Shares (representing 20% of the total number of Offer Shares initially available under the Global Offering).

If the Hong Kong Public Offering is not fully subscribed, the Sole Representative may in its sole and absolute discretion to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such proportions as it deems appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Representative.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK$2.20 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. Further details are set out below in "How to Apply for the Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 360,000,000 Offer Shares to be initially offered by us.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "– Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether

or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Representative (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Representative so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option, if any, to the International Underwriters, exercisable by the Sole Representative on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, if any, the Sole Representative has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 60,000,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option, if any, is exercised in full, the additional Offer Shares will represent approximately 3.6% of the Company's enlarged share capital immediately following the completion of the Global Offering and the full exercise of the Over-allotment Option. In the event that the Over-allotment Option, if any, is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales

made in an amount not greater than the Over-allotment Option, if any. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option, if any, to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option, if any. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be affected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, if any, namely, 60,000,000 H Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Ordinance include:

(a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the H Shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price of the H Shares;

(c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option, if any, in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimising any reduction in the market price of the H Shares;

(e) selling or agreeing to sell any H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of the H Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilising Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilising action by the Stabilising Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilising period, which begins on the day on which trading of the H Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end on Wednesday, February 6, 2019. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the H Shares by the Stabilising Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Ordinance will be made within seven days of the expiration of the stabilising period.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is HK$2.20 per Offer Share unless otherwise announced, as further explained below.

Announcement of Offer Price Reduction

The Sole Representative, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.chengdugs.com**) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the Offer Price will be final and conclusive. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the number of Offer Shares offered in the Global Offering and/or the Offer Price will not be reduced.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Representative may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Representative.

Announcement of Results

The level of indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, January 14, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.chengdugs.com**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around Monday, January 7, 2019.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in "Underwriting" in this prospectus.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option, if any) (subject only to allotment) on the Main Board of the Stock Exchange and such listing permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the execution and delivery of the International Underwriting Agreement on or around Monday, January 7, 2019; and

(c) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before and dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.com** and the Company at **www.chengdugs.com** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, January 14, 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, January 15, 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, January 15, 2019, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. Tuesday, January 15, 2019.

The Shares will be traded in board lots of 1,000 H Shares each and the stock code of the H Shares will be 1785.

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.chengdugs.com** and the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews* > *Listed Company Information* > *Latest Listed Company Information*" section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Friday, December 28, 2018 until 12:00 noon on Monday, January 7, 2019 at the following locations:

1. any of the following branches of the receiving bank of the Hong Kong Public Offering:

   Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom, Kowloon
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories

2. any of the following offices of the Hong Kong Underwriters:

   CLSA Limited
   18/F, One Pacific Place
   88 Queensway
   Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Aristo Securities Limited
Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai, Hong Kong

3. the Depository Counter of Hong Kong Securities Clearing Company Limited at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of Bank of China (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Friday, December 28, 2018 until 12:00 noon on Monday, January 7, 2019, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Representative, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States or are a person described in paragraph (h)(3) of Rule 902 of Regulation S, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Representative may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, December 28, 2018 to 12:00 noon on Monday, January 7, 2019 from:

(1) the following offices of the Hong Kong Underwriters:

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Aristo Securities Limited
Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai, Hong Kong

(2) or any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island . .	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong
	Sheung Wan Branch	Shop 1-4, G/F, Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom, Kowloon
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, December 28, 2018 until 12:00 noon on Monday, January 7, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong, or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – CHENGDU EXPRESSWAY PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, December 28, 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, December 29, 2018 – 9:00 a.m. to 1:00 p.m.
Monday, December 31, 2018 – 9:00 a.m. to 5:00 p.m.
Wednesday, January 2, 2019 – 9:00 a.m. to 5:00 p.m.
Thursday, January 3, 2019 – 9:00 a.m. to 5:00 p.m.
Friday, January 4, 2019 – 9:00 a.m. to 5:00 p.m.
Saturday, January 5, 2019 – 9:00 a.m. to 1:00 p.m.
Monday, January 7, 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, January 7, 2019, the last application day or such later time as described in "– 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Representative (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Representative, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, receiving banks, the Sole Representative, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Representative, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been, and will not be, registered under the U.S. Securities Act or any state securities law in the United States, or any securities regulatory authority of any other jurisdiction; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are (a) outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S and (b) not a U.S. person;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "– 14. Dispatch/Collection of H Share Certificates and Refund Monies – Personal Collection" in this section to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Representative will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** service provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by **giving electronic application instructions** to HKSCC or to the **White Form eIPO** service provider; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Terms and Conditions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "– 2. Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, December 28, 2018 until 11:30 a.m. on Monday, January 7, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, January 7, 2019 or such later time under the "– 10. Effects of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2.00 for each "Chengdu Expressway Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are **a CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Representative and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Representative will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Representative, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our H Share Registrar, receiving bank, the Sole Representative, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read together with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;

- agree with our Company, for itself and for the benefit of each Shareholder and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders and each director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the company laws or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive;

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

  (d) agree with our Company (for our Company itself and for the benefit of each Shareholder) that H shares in our Company are freely transferable by their holders; and

  (e) authorize our Company to enter into a contract on its behalf with each director and officer of our Company whereby each such director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates[(1)]:

Friday, December 28, 2018 – 9:00 a.m. to 8:30 p.m.
Saturday, December 29, 2018 – 8:00 a.m. to 1:00 p.m.
Monday, December 31, 2018 – 8:00 a.m. to 8:30 p.m.
Wednesday, January 2, 2019 – 8:00 a.m. to 8:30 p.m.
Thursday, January 3, 2019 – 8:00 a.m. to 8:30 p.m.
Friday, January 4, 2019 – 8:00 a.m. to 8:30 p.m.
Saturday, January 5, 2019 – 8:00 a.m. to 1:00 p.m.
Monday, January 7, 2019 – 8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, December 28, 2018 until 12:00 noon on Monday, January 7, 2019 (24 hours daily, except on Monday, January 7, 2019 the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, January 7, 2019, the last application day or such later time as described in "– 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banker, the Sole Representative, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service provider to public investors. Such facilities

are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Representative, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, January 7, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to "Structure of the Global Offering – Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, January 7, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, January 7, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, January 14, 2019 in the South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on our Company's website at **www.chengdugs.com** and the website of the Stock Exchange at **www.hkexnews.com**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.chengdugs.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Monday, January 14, 2019;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, January 14, 2019 to 12:00 midnight on Sunday, January 20, 2019;

- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, January 14, 2019 to Thursday, January 17, 2019; and

- in the special allocation results booklets which will be available for inspection during opening hours from Monday, January 14, 2019 to Wednesday, January 16, 2019 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** service provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Representative, the **White Form eIPO** service provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Representative believes that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, January 14, 2019.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATE(S) AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Monday, January 14, 2019. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Tuesday, January 15, 2019 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, January 14, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, it/they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, January 14, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, January 14, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, January 14, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, January 14, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, January 14, 2019, or such other date as notified by us in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, January 14, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) on or before Monday, January 14, 2019 by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, January 14, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Monday, January 14, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, January 14, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, January 14, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, January 14, 2019.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Chengdu Expressway Co., Ltd.
CLSA Capital Markets Limited

Dear Sirs,

We report on the historical financial information of Chengdu Expressway Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-78, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2015, 2016 and 2017, and the six months ended June 30, 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2015, 2016 and 2017 and June 30, 2018, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-78 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 28, 2018 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2015, 2016 and 2017 and June 30, 2018, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2017 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (the "IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has

come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods and the six months ended June 30, 2017.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
December 28, 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with International Standards on Auditing issued by IAASB (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
REVENUE	*5*	785,090	1,185,201	1,784,298	558,868	1,279,704
Cost of sales		(302,148)	(726,378)	(1,285,629)	(329,859)	(1,017,031)
Gross profit		482,942	458,823	498,669	229,009	262,673
Other income and gains	*5*	144,488	106,534	29,591	12,812	14,790
Administrative expenses		(42,612)	(39,146)	(46,978)	(19,828)	(22,487)
Other expenses		(2,777)	(2,745)	(2,590)	(635)	(756)
Interest expenses	*6*	(221,821)	(149,743)	(72,112)	(36,449)	(32,901)
Share of profits of an associate		–	7,074	21,798	12,669	13,834
PROFIT BEFORE TAX	*7*	360,220	380,797	428,378	197,578	235,153
Income tax expense	*9*	(54,472)	(56,447)	(60,588)	(27,768)	(32,076)
PROFIT FOR THE YEAR/PERIOD		305,748	324,350	367,790	169,810	203,077
Other comprehensive income		–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		305,748	324,350	367,790	169,810	203,077
Attributable to:						
Owners of the Company		244,937	278,456	338,916	155,698	187,442
Non-controlling interests		60,811	45,894	28,874	14,112	15,635
		305,748	324,350	367,790	169,810	203,077
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY						
– Basic and diluted (RMB)	*10*	0.204	0.232	0.282	0.130	0.156

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at June 30, 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*12*	126,273	126,958	136,915	250,606
Service concession arrangements	*13*	2,343,448	2,633,068	3,460,563	4,242,480
Software		312	185	642	490
Investment in an associate	*15*	–	117,533	123,728	137,562
Financial assets at fair value through profit or loss		500	500	500	500
Deferred tax assets	*16*	7,438	7,271	5,965	8,169
Deposits	*18*	80,984	–	–	–
Total non-current assets		2,558,955	2,885,515	3,728,313	4,639,807
CURRENT ASSETS					
Inventories		7	–	–	–
Trade receivables	*17*	387,970	15,032	32,396	39,516
Prepayments, deposits and other receivables	*18*	2,003,826	65,260	13,418	33,774
Cash and cash equivalents	*19*	1,201,749	1,501,380	1,139,951	1,166,247
Total current assets		3,593,552	1,581,672	1,185,765	1,239,537
CURRENT LIABILITIES					
Tax payables		36,177	32,469	20,362	13,436
Trade payables	*20*	57,952	182,454	749,686	1,317,584
Other payables and accruals	*21*	454,742	522,338	160,449	80,798
Interest-bearing bank and other borrowings	*22*	1,002,252	237,727	245,000	260,000
Total current liabilities		1,551,123	974,988	1,175,497	1,671,818
NET CURRENT ASSETS/(LIABILITIES)		2,042,429	606,684	10,268	(432,281)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,601,384	3,492,199	3,738,581	4,207,526
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*22*	2,852,569	1,373,682	1,210,500	1,378,000
Deferred income	*21*	66,225	62,196	258,134	356,103
Deferred tax liabilities	*16*	2,438	1,859	2,839	3,238
Total non-current liabilities		2,921,232	1,437,737	1,471,473	1,737,341
Net assets		1,680,152	2,054,462	2,267,108	2,470,185
EQUITY					
Equity attributable to owners of the Company					
Paid-in capital/issued capital	*23*	25,000	1,200,000	1,200,000	1,200,000
Reserves	*24*	1,210,985	399,072	935,914	1,123,356
		1,235,985	1,599,072	2,135,914	2,323,356
Non-controlling interests		444,167	455,390	131,194	146,829
Total equity		1,680,152	2,054,462	2,267,108	2,470,185

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Paid-in capital/ issued capital	Capital reserve	Statutory reserve	Retained earnings	Merger reserve	Difference arising from changes in non-controlling interests	Other reserve	Total	Non-controlling interests	Total equity
	RMB'000 (note 23)	*RMB'000 (note 24(a))*	*RMB'000 (note 24(b))*	*RMB'000*	*RMB'000 (note 24(c))*	*RMB'000*	*RMB'000 (note 24(d))*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	25,000	203,182	12,663	324,304	559,922	–	–	1,125,071	405,300	1,530,371
Total comprehensive income for the year	–	–	–	244,937	–	–	–	244,937	60,811	305,748
Dividend paid by subsidiaries to their non-controlling shareholders	–	–	–	–	–	–	–	–	(21,944)	(21,944)
Dividend declared by subsidiaries to the then shareholders	–	–	–	(44,314)	–	–	–	(44,314)	–	(44,314)
Dividend declared by the Company	–	–	–	(89,709)	–	–	–	(89,709)	–	(89,709)
At December 31, 2015 and January 1, 2016	25,000	203,182*	12,663*	435,218*	559,922*	–*	–*	1,235,985	444,167	1,680,152
Total comprehensive income for the year	–	–	–	278,456	–	–	–	278,456	45,894	324,350
Transfer from/(to) statutory reserves	–	–	19,589	(19,589)	–	–	–	–	–	–
Conversion into a joint stock company with limited liability	1,175,000	(102,135)	(12,663)	(500,280)	(559,922)	–	–	–	–	–
Contribution of a 40% equity interest in an associate from the parent company *(note 24(d))*	–	–	–	–	–	–	121,818	121,818	–	121,818
Dividend paid by subsidiaries to their non-controlling shareholders	–	–	–	–	–	–	–	–	(34,671)	(34,671)
Dividend declared by subsidiaries to the then shareholders	–	–	–	(37,187)	–	–	–	(37,187)	–	(37,187)
At December 31, 2016	1,200,000	101,047*	19,589*	156,618*	–*	–*	121,818*	1,599,072	455,390	2,054,462

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the Company									
	Paid-in capital/ issued capital	Capital reserve	Statutory reserve	Retained earnings	Merger reserve	Difference arising from changes in non-controlling interests	Other reserve	Total	Non-controlling interests	Total equity
	RMB'000 (note 23)	*RMB'000 (note 24(a))*	*RMB'000 (note 24(b))*	*RMB'000*	*RMB'000 (note 24(c))*	*RMB'000*	*RMB'000 (note 24(d))*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2016 and January 1, 2017	1,200,000	101,047	19,589	156,618	–	–	121,818	1,599,072	455,390	2,054,462
Total comprehensive income for the year	–	–	–	338,916	–	–	–	338,916	28,874	367,790
Transfer from reserves	–	–	42,023	(42,023)	–	–	–	–	–	–
Dividend declared by the Company	–	–	–	(116,907)	–	–	–	(116,907)	–	(116,907)
Dividend paid by subsidiaries to their non-controlling shareholders	–	–	–	–	–	–	–	–	(38,237)	(38,237)
Acquisition of a non-controlling interest *(note 25(a)(ii))*	–	–	–	–	–	315,670	–	315,670	(315,670)	–
Deemed partial disposal of an interest in a subsidiary *(note 25(a)(iii))*	–	–	–	–	–	(837)	–	(837)	837	–
At December 31, 2017	1,200,000	101,047*	61,612*	336,604*	–*	314,833*	121,818*	2,135,914	131,194	2,267,108

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the Company									
	Paid-in capital/ issued capital	Capital reserve	Statutory reserve	Retained earnings	Merger reserve	Difference arising from changes in non-controlling interests	Other reserve	Total	Non-controlling interests	Total equity
	RMB'000 (note 23)	*RMB'000 (note 24(a))*	*RMB'000 (note 24(b))*	*RMB'000*	*RMB'000 (note 24(c))*	*RMB'000*	*RMB'000 (note 24(d))*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	1,200,000	101,047	61,612	336,604	–	314,833	121,818	2,135,914	131,194	2,267,108
Total comprehensive income for the period	–	–	–	187,442	–	–	–	187,442	15,635	203,077
At June 30, 2018	1,200,000	101,047*	61,612*	524,046*	–*	314,833*	121,818*	2,323,356	146,829	2,470,185
At January 1, 2017	1,200,000	101,047	19,589	156,618	–	–	121,818	1,599,072	455,390	2,054,462
Total comprehensive income for the period	–	–	–	155,698	–	–	–	155,698	14,112	169,810
Acquisition of non-controlling interest *(note 25(a)(ii))*	–	–	–	–	–	315,670	–	315,670	(315,670)	–
Deemed partial disposal of interest in a subsidiary (note 25(a)(iii))	–	–	–	–	–	(837)	–	(837)	837	–
At June 30, 2017 (unaudited)	1,200,000	101,047	19,589	312,316	–	314,833	121,818	2,069,603	154,669	2,224,272

* These reserve accounts comprise the consolidated reserves of RMB1,210,985,000, RMB399,072,000, RMB935,914,000 and RMB1,123,356,000 as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively, in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		360,220	380,797	428,378	197,578	235,153
Adjustments for:						
Depreciation	*7*	18,556	18,873	16,769	7,782	8,638
Amortisation of service concession arrangements	*7*	97,205	108,023	116,425	59,046	62,412
Amortisation of other intangible assets	*7*	161	127	115	47	240
Impairment of other receivables	*7*	21	85	1,414	–	–
Loss on disposal and write-off of items of property, plant and equipment	*7*	125	146	125	–	30
Share of profits of an associate		–	(7,074)	(21,798)	(12,669)	(13,834)
Interest expenses	*6*	221,821	149,743	72,112	36,449	32,901
Interest income	*5*	(126,152)	(86,541)	(10,753)	(4,187)	(6,162)
		571,957	564,179	602,787	284,046	319,378
Additions to service concession arrangements		(6,727)	(391,508)	(943,685)	(167,045)	(842,992)
Decrease in inventories		26	7	–	–	–
(Increase)/decrease in trade receivables		(77,949)	372,938	(17,364)	1,712	(7,120)
(Increase)/decrease in other receivables		1,401	(6,318)	(5,362)	(7,635)	(20,356)
Increase/(decrease) in trade payables		(844)	124,502	567,232	47,231	463,871
Increase/(decrease) in other payables and accruals		29,917	(58,428)	209,260	34,997	18,208
Cash generated from operations		517,781	605,372	412,868	193,306	(69,011)
Interest received from banks		3,029	7,551	10,753	4,187	6,162
Income tax paid		(50,571)	(60,567)	(70,409)	(33,211)	(40,807)
Net cash flows from operating activities		470,239	552,356	353,212	164,282	(103,656)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment and software		(11,345)	(19,725)	(27,425)	(19,720)	(18,420)
Interest received from related parties		123,136	80,506	–	–	–
Refund of a deposit made for a land use right		40,000	26,350	–	–	–
Proceeds from disposal of items of property, plant and equipment		76	21	2	–	–
Proceeds from disposal of items of service concession arrangement in prior years		–	101,720	–	–	–
Dividend received from an associate		–	11,359	15,603	–	–
Repayment of loans from related parties		1,425,432	1,896,153	55,790	55,790	–
Loans granted to related parties		(2,232,447)	(80,942)	–	–	–
Net cash flows from/(used in) investing activities		(655,148)	2,015,442	43,970	36,070	(18,420)

	Note	Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bank loans		615,000	166,000	110,000	50,000	353,000
Repayment of bank loans		(391,100)	(925,720)	(155,000)	(110,000)	(120,500)
Proceeds from other borrowings		1,550,000	–	–	–	–
Repayment of other borrowings		(379,636)	(1,555,910)	(110,909)	(50,000)	(50,000)
Arrangement fee for obtaining other borrowings		(55,800)	–	–	–	–
Proceeds from/(repayment of) an interest-free loan granted by ultimate controlling shareholder		250,000	125,000	(375,000)	(375,000)	–
Dividends paid to owners of the Company		(89,709)	–	(116,907)	–	–
Dividends paid by subsidiaries to their then shareholders		(44,314)	(37,187)	–	–	–
Dividends paid by subsidiaries to their non-controlling shareholders		(21,944)	(34,671)	(38,237)	–	–
Interest paid		(211,693)	(114,179)	(72,558)	(36,938)	(34,128)
Security deposits in relation to other borrowings		(108,500)	108,500	–	–	–
Net cash flows from/(used in) financing activities		1,112,304	(2,268,167)	(758,611)	(521,938)	148,372
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		927,395	299,631	(361,429)	(321,586)	26,296
Cash and cash equivalents at beginning of year/period		274,354	1,201,749	1,501,380	1,501,380	1,139,951
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*19*	1,201,749	1,501,380	1,139,951	1,179,794	1,166,247

STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2015	2016	2017	As at June 30, 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*12*	33,678	37,217	43,464	39,573
Service concession arrangements	*13*	629,000	605,281	579,166	564,538
Software		226	128	329	173
Investments in subsidiaries	*14*	–	839,378	1,279,211	1,635,921
Investment in an associate	*15*	–	117,533	123,728	137,562
Deposits	*18*	65,789	–	–	–
Deferred tax assets		–	9	–	–
Total non-current assets		728,693	1,599,546	2,025,898	2,377,767
CURRENT ASSETS					
Trade receivables		6,689	6,744	4,297	5,043
Prepayments, deposits and other receivables	*18*	1,135,252	61,634	8,050	25,359
Dividend receivable		–	–	92,369	92,369
Cash and cash equivalents	*19*	385,784	308,008	427,664	135,766
Total current assets		1,527,725	376,386	532,380	258,537
CURRENT LIABILITIES					
Tax payable		15,060	17,882	13,423	6,640
Trade payables	*20*	31,254	33,397	31,252	22,933
Other payables and accruals	*21*	31,350	28,656	23,638	27,541
Interest-bearing bank and other borrowings	*22*	427,525	30,000	30,000	30,000
Total current liabilities		505,189	109,935	98,313	87,114
NET CURRENT ASSETS		1,022,536	266,451	434,067	171,423
TOTAL ASSETS LESS CURRENT LIABILITIES		1,751,229	1,865,997	2,459,965	2,549,190
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*22*	1,322,941	275,000	245,000	230,000
Deferred tax liabilities		18	–	1,757	2,467
Deferred income	*21*	14,543	13,472	12,401	11,866
Total non-current liabilities		1,337,502	288,472	259,158	244,333
Net assets		413,727	1,577,525	2,200,807	2,304,857
EQUITY					
Paid-in capital/issued capital	*23*	25,000	1,200,000	1,200,000	1,200,000
Reserves	*24*	388,727	377,525	1,000,807	1,104,857
Total equity		413,727	1,577,525	2,200,807	2,304,857

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Chengdu Expressway Co., Ltd. (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The Company's predecessor is Chengdu Chengguan Expressway Co., Ltd., a company established in the PRC with limited liability on August 25, 1998. The registered office of the Company is located at the Toll Station of Chengguan Expressway, West Hi-tech Zone, Chengdu, the PRC. The principal place of business of the Company is located at 9/F, the Chengnan Tianfu Office Tower, No. 66 Shenghe 1st Road, Hi-tech Zone, Chengdu, the PRC.

During the Relevant Periods, the Company and its subsidiaries ("Group") were involved in the management and operation of expressways in Mainland China.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History and Corporate Structure" in the Prospectus.

In the opinion of the directors of the Company ("Directors"), the parent company of the Company is Chengdu Expressway Construction and Development Co., Ltd. ("Chengdu Expressway Company"), a company established in Chengdu, the PRC. The ultimate controlling shareholder of the Company is Chengdu Communications Investment Group Co., Ltd. ("Chengdu Communications"), which is wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Chengdu Municipality of the PRC.

As at the date of this report, the Company had direct interests in its subsidiaries, all of which are private limited liability companies and have adopted December 31 as their financial year end date. The statutory financial statements of these subsidiaries were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF"), and other related regulations issued by the MOF (collectively the "PRC GAAP"), the particulars of which are set out below:

Name	Place and date of establishment	Nominal value of issued ordinary capital	Percentage of equity attributable to the Company	Principal activities
Chengdu Chengpeng Expressway Company Limited (成都成彭高速公路有限責任公司) ("Chengpeng Expressway Company")	PRC September 11, 2002	RMB149,000,000	99.33%	Operation of Chengpeng Expressway
Chengdu Chengwenqiong Expressway Company Limited (成都成溫邛高速公路有限公司) ("Chengwenqiong Expressway Company")	PRC October 16, 2002	RMB554,490,000	100.00%	Operation of Chengwenqiong Expressway
Chengdu Airport Expressway Company Limited (成都機場高速公路有限責任公司) ("Chengdu Airport Expressway Company")	PRC December 24, 1997	RMB153,750,000	55.00%	Operation of Chengdu Airport Expressway

Details of the companies now comprising the Group that are subject to statutory audit during the Relevant Periods and the names of the respective auditors are set out below:

Name of subsidiary	Financial year	Statutory auditors*
Chengpeng Expressway Company	2015 – 2016	Huapu Tianjian Certified Public Accountants (華普天健會計師事務所)
	2017	Sichuan Yongle Certified Public Accountants (四川永樂會計師事務所)
Chengwenqiong Expressway Company	2015 – 2016	Zhongxinghua Certified Public Accountants (中興華會計師事務所)
	2017	Sichuan Yongle Certified Public Accountants (四川永樂會計師事務所)
Chengdu Airport Company	2015 – 2016	Huapu Tianjian Certified Public Accountants (華普天健會計師事務所)
	2017	Sichuan Yongle Certified Public Accountants (四川永樂會計師事務所)

The English names of the above companies and Certified Public Accountants Firms ("CPA Firms") referred to in this report represent management's best effort at translating their respective Chinese names, as no English names have been registered.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group in June 2016. The companies now comprising the Group were under the common control of the ultimate controlling shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the six months ended June 30, 2017 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the ultimate controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2015 and 2016 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from January 1, 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the six months ended June 30, 2017. The Group had adopted IFRS 15 and IFRS 9 on a consistent basis throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss which have been measured at fair value.

Going concern basis

As at June 30, 2018, the Group's current liabilities exceeded its current assets by RMB432,281,000, primarily due to the expenditure incurred on the expansion project of Chengpeng Expressway. As at June 30, 2018, total payables in relation to the expansion project of Chengpeng Expressway amounting to RMB1,241,208,000.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 30 June 2018, based on the arrangements entered into with the licensed banks in Mainland China, the undrawn banking facilities amounted to RMB1,408,700,000, of which RMB1,128,700,000 has been earmarked for the expansion project of Chengpeng Expressway and are available for withdrawal before July 2020, and RMB280,000,000 are available for withdrawal before April 2021 for the refinancing of an existing loan by Chengwenqiong Expressway Company. Having considered the cash flows from operations and its available resource of finance, the Directors are of the opinion the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the Historical Financial Information on a going concern basis.

3.1 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

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

[1] Effective for annual periods beginning on or after January 1, 2019

[2] Effective for annual periods beginning on or after January 1, 2021

[3] No mandatory effective date yet determined but available for adoption

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

IFRS 16 *Leases*

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. For lease accounting, the standard introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). For lessor accounting, IFRS 16 is substantially unchanged from the accounting requirements under IAS 17. Accordingly, lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases, and to account for those two types of leases differently.

The Directors expect that this standard will have certain effect on the financial position. While they continue to assess the effect of adoption, they currently believe the most significant changes relate to the recognition of right of use ("ROU") assets and lease liabilities in the consolidated statements of financial position for operating leases of the premises. Furthermore, extensive disclosures are required by IFRS 16.

As at June 30, 2018, the Group had payment commitments under non-cancellable operating leases of approximately RMB53,130,000 as disclosed in note 28(b) to the Historical Financial Information. Based on the preliminary assessment by the Directors, the Group believes the most significant changes relate to the recognition of ROU assets and lease liabilities in the consolidated statements of financial position for operating leases of the premises. This new standard will result in an increase in ROU assets and financial liabilities in the consolidated statements of financial position. As for the financial impact in profit or loss, the depreciation and amortisation of interest expenses will increase. Given that the Group had total assets of RMB5,879 million and total liabilities of RMB3,409 million as of June 30, 2018, the Directors are of the view that the initial adoption of IFRS 16 would not have significant impact on the financial performance and position of the Group. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use while other operating lease payments are presented as operating cash flows. Under IFRS 16, lease payments in relation to lease liability will be allocated into principal and interest portions which will be presented as financing cash flows.

Amendments to IAS 28 issued in October 2017 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on January 1, 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on January 1, 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments. The amendments are not expected to have any significant impact on the Historical Financial Information.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from January 1, 2019. The interpretation is not expected to have any significant impact on the Historical Financial Information.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured 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).

When the Company has, directly or indirectly, 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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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.

Investment in an associate

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 is in a position to exercise 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.

The Group's investment in an associate is stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, 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 associate are eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, 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.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each of the Relevant Periods. 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 paid to transfer a 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 Historical Financial Information 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 Historical Financial Information 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.

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.

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. Reversal of such impairment loss is credited to profit or loss in the period in which it arises.

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.

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 of 5% over its estimated useful life. The estimated useful lives of items of property, plant and equipment are as follows:

	Useful lives
Buildings	15 – 40 years
Security equipment	5 – 15 years
Supervising equipment and others	5 – 15 years
Toll collection equipment	5 – 10 years
Motor vehicles	3 – 5 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 represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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.

During the construction phase of the arrangement, the operator's contract asset (representing its accumulating right to be paid for providing construction services) is presented as an intangible asset.

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 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.

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.

Particulars of the expressways managed and operated by the Group as at June 30, 2018 are as follows:

	Origin/destination	Approximate length	Commencement of operations
		(km)	
Chengguan Expressway	Chengdu Hi-Tech Zone/Dujiangyan	40.44	July 2000
Chengwenqiong Expressway . . .	Qingyang District/ Qionglai County	65.60	January 2005
Chengpeng Expressway	Xindu District/Pengzhou	21.32	November 2004
Chengdu Airport Expressway . . .	Chengdu South Railway Station Viaduct/Shuangliu Airport Terminal 1	11.98	July 1999

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Financial instruments

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through profit or loss ("FVPL")

The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

The Group measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the consolidated statements of financial position at fair value. Changes in fair value are recognised in profit or loss.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or,
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or,
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statements of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the effective interest rate, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument.

Interest earnt on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in the Relevant Periods.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients

The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer. When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which 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 the Group could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where 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 the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

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.

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).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, 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.

The Group considers a financial asset in default when contractual payments are 365 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.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Interest expenses" in profit or loss.

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 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

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, 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, 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

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, 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.

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.

Revenue recognition

(a) Revenue from contract with customers

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

Control of the services may be transferred over time or at a point in time. Control of the services is transferred over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and
- the Group has an enforceable right to payment for performance completed to date.

If control of the services transferred over time, revenue is recognize over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is measured based on the fair value of the consideration received or receivable specified in contracts with customers and excludes amounts collected on behalf of third parties. The Group recognises revenue when the specific criteria have been met for the following activities:

Recognition – provision of road operation services

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

Recognition – provision of the construction and upgrade services

The Group provides construction and upgrade services under service concession arrangements with grantor. Under the terms of the contracts, the Group's performance creates and enhances an asset that the customer controls where the construction and upgrade services performed. Revenue from provision of construction and upgrade services is therefore recognised over time, on the input method, as further explained in the accounting policy for "Construction and upgrade services under service concession arrangements" below.

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(b) Interest income

Interest income, on an accrual basis using the effective interest method by applying the rate that 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;

(c) Dividend income

Dividend income, when the shareholders' right to receive payment has been established; and

(d) Rental income

Rental income, on a time proportion basis over the lease terms.

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 IFRS 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 attain 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.

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, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation or amortisation charge.

Employee benefits

Defined contribution pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the relevant part of their payroll costs of these employees to the central pension scheme. 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

Under the supplementary defined contribution pension scheme, 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.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. 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 note to the financial statements.

Foreign currencies

This Historical Financial Information is presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the Historical Financial Information 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.

3.3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, 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 assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, 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.

(a) Impairment of receivables

Impairment of receivables is estimated based on the evaluation of collectability and ageing analysis of trade and other receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, additional allowances may be required.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other 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.

(c) Amortisation of costs of service concession arrangements

Amortisation of costs 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.

(d) Measuring progress of construction and upgrade services provided under service concession arrangements and construction contracts

The Group recognises revenue and cost associated with construction and upgrade services provided under service concession arrangements and construction contracts in accordance with IFRS 15 Revenue from Contracts with Customers. The Group recognises construction revenue under service concession arrangements and construction contracts on the basis of the costs incurred to satisfy the performance obligation relative to the total expected costs incurred to the satisfaction of that performance obligation of individual contracts of construction and upgrade service work, which requires estimation to be made by management. The total expected costs 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.

(e) PRC corporate income tax ("CIT")

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

(f) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The useful lives of property, plant and equipment are disclosed in note 3.2 of Section II to the Historical Financial Information.

(g) Provision for maintenance and resurfacing obligations

Provisions for maintenance and resurfacing of the toll roads are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events involve estimates. Such estimates are developed based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the market rate which can reflect the time value of money and the risks specific to the obligation.

As the all expressways of the Group meet the obligation to maintain the toll road infrastructure to a specified level of serviceability under the service concessions, there was no provision for maintenance and resurfacing obligations at the end of each of the Relevant Periods.

4. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from the management and operation of expressways, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource arrangement and performance assessment. In addition, all the assets employed by the Group are located in Mainland China. Accordingly, no segment information by profit, asset and liability is presented, other than the entity-wide disclosures.

Entity-wide disclosures

Geographical information

All of the Group's external revenue is derived from customers based in Mainland China, and all of the non-current assets of the Group are located in Mainland China. Accordingly, no segment information by geographical segment is presented.

Information about major customers

During the years ended December 31, 2016 and 2017, and the six months ended June 30, 2018, revenue of approximately RMB397,643,000, RMB943,920,000 and RMB844,329,000, respectively, which accounted for more than 10% of the Group's revenue was derived from providing construction services to the service concession grantors which are known to be under common control of the Sichuan Provincial People's Government.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the invoiced value of toll income from the operation of expressways net of government surcharges, and the contract value of the upgrade services provided under the service concession arrangements.

An analysis of revenue, other income and gains is as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue					
Toll income					
– Chengguan Expressway	265,137	294,312	310,882	140,414	162,820
– Chengpeng Expressway	107,196	106,433	66,537	51,373	13,668
– Chengwenqiong Expressway	261,086	259,437	320,333	130,505	189,106
– Chengdu Airport Expressway	144,944	127,376	142,626	69,531	69,781
	778,363	787,558	840,378	391,823	435,375
Construction revenue in respect of service concession arrangements	6,727	397,643	943,920	167,045	844,329
Total revenue	785,090	1,185,201	1,784,298	558,868	1,279,704
Other income and gains					
Interest income from loans to related parties	123,123	78,990	–	–	–
Bank interest income	3,029	7,551	10,753	4,187	6,162
Compensation income for road damage	3,481	4,675	3,320	1,077	1,193
Rental income	11,340	10,485	9,884	4,956	4,961
Deferred income released to profit or loss	2,271	2,874	4,062	2,031	2,031
Miscellaneous	1,244	1,959	1,572	561	443
Other income and gains	144,488	106,534	29,591	12,812	14,790
Total revenue, other income and gains	929,578	1,291,735	1,813,889	571,680	1,294,494

Revenue from contract customers

(i) Disaggregated revenue information

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Timing of revenue recognition					
At a point in time	778,363	787,558	840,378	391,823	435,375
Over time	6,727	397,643	943,920	167,045	844,329
Total revenue	785,090	1,185,201	1,784,298	558,868	1,279,704

(ii) Performance obligation

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

Toll income

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

Construction revenue in respect of service concession arrangements

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the Relevant Periods:

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	397,643	943,920	844,329	–
More than one year	1,788,249	844,329	–	–
	2,185,892	1,788,249	844,329	–

The above remaining performance obligations expected to be recognised relate to the provision of the construction and upgrade services. The amount disclosed above does not include variable consideration which is constrained.

6. INTEREST EXPENSES

An analysis of interest expenses is as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Interest expense directly attributable to loans to related parties	123,123	78,990	–	–	–
Interest expenses on bank loans and other borrowings	98,698	76,888	72,347	36,449	34,238
Less: Interest capitalised *(note 13(c))*	–	(6,135)	(235)	–	(1,337)
	221,821	149,743	72,112	36,449	32,901
Interest rate of borrowing costs capitalised	–	4.75%	4.75%	–	4.75%

7. PROFIT BEFORE TAX

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

	Notes	Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Cost of operating service		295,421	328,735	341,709	162,814	172,702
Construction costs in respect of service concession arrangements		6,727	397,643	943,920	167,045	844,329
Cost of sales		302,148	726,378	1,285,629	329,859	1,017,031
Employee benefit expense (including Directors' and supervisors' remuneration *(note 8)*):						
Wages, salaries and allowances, social security and benefits		95,445	107,895	122,230	59,085	64,448
Pension scheme contributions – Defined contribution fund		11,407	12,938	17,606	8,632	12,022
Other staff benefits		22,676	24,838	23,007	9,816	12,829
		129,528	145,671	162,843	77,533	89,299

	Notes	Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Depreciation	*12*	18,556	18,873	16,769	7,782	8,638
Amortisation in respect of:						
– service concession arrangements	*13*	97,205	108,023	116,425	59,046	62,412
– other intangible assets		161	127	115	47	240
Listing fees expensed off		–	533	1,871	115	1,257
Loss on disposal and write-off of items of property, plant and equipment		125	146	125	–	30
Impairment of other receivables		21	85	1,414	–	–
Minimum lease payments under operating leases of land		–	1,652	3,608	1,652	1,902
Interest income from loans to related parties	*5*	(123,123)	(78,990)	–	–	–
Interest expense directly attributable to loans to related parties		123,123	78,990	–	–	–
Bank Interest income	*5*	(3,029)	(7,551)	(10,753)	(4,187)	(6,162)

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and supervisors' remuneration

The aggregate amounts of remuneration of directors and supervisors of the Company during the Relevant Periods and the six months ended June 30, 2017 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Fees	–	–	–	–	240
Other emoluments:					
Salaries, allowances and benefits in kind	691	1,563	1,371	711	899
Pension scheme contributions	57	144	175	81	101
	748	1,707	1,546	792	1,240

The names of the directors and supervisors and their remuneration for the Relevant Periods and the six months ended June 30, 2017 are as follows:

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2015				
Directors:				
Mr. Li Zhongping *(note i)*	–	–	–	–
Mr. Zeng Xianyun *(note i)*	–	–	–	–
Ms. Xu Jingxian *(note ii)*	–	166	13	179
Mr. He Wengao *(note iii)*	–	–	–	–
Mr. Chen Jie *(note iv)*	–	–	–	–
Mr. Yang Tan *(note iv)*	–	355	31	386
	–	521	44	565
Supervisors:				
Ms. Wu Haiyan *(note i)*	–	–	–	–
Mr. Yang Lin *(note i)*	–	–	–	–
Mr. Chen Jian *(note ii)*	–	170	13	183
Mr. Lei Mingwen *(note iii)*	–	–	–	–
	–	170	13	183
	–	691	57	748

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2016				
Directors:				
Mr. Li Zhongping *(note iv)*	–	–	–	–
Mr. Zeng Xianyun *(note iv)*	–	–	–	–
Ms. Xu Jingxian *(note iv)*	–	171	12	183
Mr. Chen Jie *(note iv)*	–	–	–	–
Mr. Yang Tan *(note iv)*	–	203	11	214
	–	374	23	397
Executive directors:				
Mr. Tang Fawei *(note v)*	–	21	3	24
Ms. Wang Xiao *(note v)*	–	369	34	403
Mr. Luo Dan *(note v)*	–	252	27	279
	–	642	64	706
Non-executive directors:				
Mr. Xiao Jun *(note v)*	–	–	–	–
Mr. Zhang Bin *(note v)*	–	147	17	164
Mr. Wu Jiamao *(note v)*	–	–	–	–
	–	147	17	164

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors:				
Mr. Shu Huadong *(note v)*	–	–	–	–
Mr. Ye Yong *(note v)*	–	–	–	–
Mr. Li Yuanfu *(note v)*	–	–	–	–
	–	–	–	–
Supervisors:				
Mr. Yang Lin *(note i)*	–	–	–	–
Ms. Wu Haiyan *(note i)*	–	–	–	–
Mr. Chen Jian *(note ii)*	–	175	10	185
Mr. Zeng Xianyun *(note v)*	–	–	–	–
Mr. Pan Xin *(note v)*	–	–	–	–
Ms. Xu Jingxian (note v)	–	25	6	31
Mr. Zhang Jian *(note v)*	–	200	24	224
	–	400	40	440
	–	1,563	144	1,707

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2017				
Executive directors:				
Mr. Tang Fawei	–	357	37	394
Ms. Wang Xiao	–	386	49	435
Mr. Luo Dan	–	259	33	292
	–	1,002	119	1,121
Non-executive directors:				
Mr. Xiao Jun	–	–	–	–
Mr. Zhang Bin *(note vii)*	–	–	–	–
Mr. Wu Jiamao *(note vii)*	–	–	–	–
	–	–	–	–
Independent non-executive directors:				
Mr. Shu Huadong	–	–	–	–
Mr. Ye Yong	–	–	–	–
Mr. Li Yuanfu	–	–	–	–
	–	–	–	–

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:				
Ms. Wu Haiyan	–	–	–	–
Mr. Zeng Xianyun *(note vii)*	–	–	–	–
Mr. Pan Xin	–	–	–	–
Ms. Xu Jingxian	–	209	30	239
Mr. Zhang Jian	–	160	26	186
	–	369	56	425
	–	1,371	175	1,546

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2017 (unaudited)				
Executive directors:				
Mr. Tang Fawei	–	232	17	249
Ms. Wang Xiao	–	142	22	164
Mr. Luo Dan	–	128	14	142
	–	502	53	555
Non-executive directors:				
Mr. Xiao Jun	–	–	–	–
Mr. Zhang Bin *(note vii)*	–	–	–	–
Mr. Wu Jiamao *(note vii)*	–	–	–	–
	–	–	–	–
Independent non-executive directors:				
Mr. Shu Huadong	–	–	–	–
Mr. Ye Yong	–	–	–	–
Ms. Li Yuanfu	–	–	–	–
	–	–	–	–
Supervisors:				
Ms. Wu Haiyan	–	–	–	–
Mr. Zeng Xianyun *(note vii)*	–	–	–	–
Mr. Pan Xin	–	–	–	–
Mr. Xu Jingxian	–	124	15	139
Mr. Zhang Jian	–	85	13	98
	–	209	28	237
	–	711	81	792

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 30 June 2018				
Executive directors:				
Mr. Tang Fawei	–	129	20	149
Ms. Wang Xiao	–	192	20	212
Mr. Luo Dan	–	225	18	243
Mr. Zhang Dongmin *(note vi)*	–	98	12	110
	–	644	70	714
Non-executive directors:				
Mr. Xiao Jun	–	–	–	–
Mr. Yang Bin *(note vii)*	–	–	–	–
	–	–	–	–
Independent non-executive directors:				
Mr. Shu Huadong	150	–	–	150
Mr. Ye Yong	30	–	–	30
Ms. Li Yuanfu	60	–	–	60
	240	–	–	240
Supervisors:				
Ms. Wu Haiyan	–	–	–	–
Mr. Pan Xin	–	–	–	–
Mr. Xu Jingxian	–	87	13	100
Mr. Zhang Jian	–	168	18	186
Ms. Jiang Yan *(note vii)*	–	–	–	–
	–	255	31	286
	240	899	101	1,240

Notes:

(i) On February 9, 2015, Mr. Li Zhongping and Mr. Zeng Xianyun were appointed as directors and Ms. Wu Haiyan and Mr. Yang Lin were appointed as supervisors of the Company.

(ii) On March 10, 2015, Ms. Xu Jingxian was appointed as a director and Mr. Chen Jian was appointed as a supervisor of the Company.

(iii) Mr. He Wengao resigned as a director and Mr. Lei Mingwen resigned as a supervisor of the Company effective from February 9, 2015.

(iv) Mr. Li Zhongping, Mr. Zeng Xianyun, Ms. Xu Jingxian, Mr. Chen Jie and Mr. Yang Tan resigned as directors of the Company effective from November 7, 2016.

(v) On November 7, 2016, Mr. Tang Fawei, Ms. Wang Xiao and Mr. Luo Dan were appointed as executive directors, Mr. Xiao Jun, Mr. Zhang Bin and Mr. Wu Jiamao were appointed as non-executive directors, Mr. Shu Huadong, Mr. Ye Yong and Mr. Li Yuanfu were appointed as independent non-executive directors, and Mr. Zeng Xianyun, Mr. Pan Xin, Ms. Xu Jingxian and Mr. Zhang Jian were appointed as supervisors of the Group.

(vi) On June 6, 2018, Mr. Zhang Dongmin was appointed as an executive director.

(vii) On May 9, 2018, Mr. Yangbin was appointed as a non-executive director, and Ms. Jiangyan was appointed as a supervisor. On May 9, 2018, Mr. Zhangbin and Mr. Wu Jiamao resigned as non-executive directors, and Mr. Zeng Xianyun resigned as a supervisor of the Group.

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Relevant Periods and the six months ended June 30, 2017. No emoluments were paid by the Group to the any of the Directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the Relevant Periods and the six months ended June 30, 2017 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
Directors	1	2	2	2	2
Supervisors	–	–	–	–	–
Non-director and non-supervisor	4	3	3	3	3
	5	5	5	5	5

Details of the Directors', chief executive's and supervisors' remuneration are set out above.

Details of the remuneration of the above non-director, non-chief executive and non-supervisor, highest paid employees are as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	1,305	893	1,002	541	662
Pension scheme contributions	122	95	121	55	58
	1,427	988	1,123	596	720

Remuneration of the above number of non-director, non-chief executive and non-supervisor, highest paid employees during the Relevant Periods and the six months ended June 30, 2017 was below HK$1,000,000.

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the Relevant Periods and the six months ended June 30, 2017.

Except for Chengpeng Expressway Company as further described below, the Company and its subsidiaries and associate were entitled to a preferential tax rate of 15% during the Relevant Periods and the six months ended June 30, 2017. Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western China Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58) (the "Circular"), the tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, "from January 1, 2011 to December 31, 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region (the "Catalogue") approved by the State Council, and shall be implemented as of October 1, 2014 and Revised Catalogue of Encouraged Industries in the Western Region approved by the State Council, and shall be implemented as of July 28, 2017, the income from which accounts for more than 70% of the total income of such enterprises."

For entities within the scope of the transportation industry, i.e., the Company, Chengwenqiong Expressway Company and Chengdu Airport Expressway Company and Chengdu Chengbei Exit Expressway Co., Ltd. ("Chengbei Exit Expressway Company"), an associate of the Company, which have been approved to enjoy the preferential tax rate of 15% before 2012, as they have not changed their business operations and eligible revenue that falls within the scope accounted for more than 70% of their respective total revenue, income tax of these entities for the Relevant Periods and the six months ended June 30, 2017 continued to be calculated at a tax rate of 15%.

The business of Chengpeng Expressway Company falls within the scope of the transportation industry, which has been approved to enjoy the preferential tax rate of 15% before 2012, as it has not changed its business operations and eligible revenue that falls within the scope accounted for more than 70% of its total revenue for the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017, income tax of Chengpeng Expressway Company for the years ended December 31, 2015 and 2016 and the six months ended June 30, 2017 continued to be calculated at a tax rate of 15%. During the year ended December 31, 2017 and the six months ended June 30, 2018, the Directors considered the eligible revenue derived by Chengpeng Expressway Company has not exceeded 70% of its total revenue due to the government grant received related to expansion project of Chengpeng Expressway, and the provision for income tax expense of Chengpeng Expressway Company for the year ended December 31, 2017 and the six months ended June 30, 2018 was calculated at the CIT rate of 25%.

The major components of income tax expense for the Relevant Periods and the six months ended June 30, 2017 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Current – Mainland China					
Charge for the year/period	57,472	56,859	58,302	26,467	33,881
Deferred *(note 16)*	(3,000)	(412)	2,286	1,301	(1,805)
Total tax charge for the year/period	54,472	56,447	60,588	27,768	32,076

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

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Profit before tax	360,220	380,797	428,378	197,578	235,153
Income tax charge at the statutory tax rate of 25%	90,055	95,199	107,095	49,394	58,789
Effect of preferential income tax rate of 15%	(36,022)	(38,080)	(41,703)	(19,758)	(24,660)
Expenses not deductible for tax	439	389	13	32	22
Effect on opening deferred tax due to change in tax rate	–	–	(1,547)	–	–
Profit attributable to an associate	–	(1,061)	(3,270)	(1,900)	(2,075)
Tax charge at the Group's effective tax rate	54,472	56,447	60,588	27,768	32,076
Share of tax attributable to an associate*	–	1,248	3,847	2,236	2,441

* The above share of tax attributable to an associate is included in "Share of profits of an associate" in profit or loss.

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

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the Company, and the number of ordinary shares of 1,200,000,000 shares under the assumption that the 1,200,000,000 shares of the Company upon its conversion into a joint stock company with limited liability on November 21, 2016 (note 23) had been in issued throughout the Relevant Periods and the six months ended June 30, 2017.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods and the six months ended June 30, 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the six months ended June 30, 2017.

11. DIVIDENDS

The dividends declared by the Company's subsidiaries to their then shareholders and dividends declared by the Company during the Relevant Periods and the six months ended June 30, 2017 were as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Dividends declared by the Company's subsidiaries to their then shareholders/non-controlling shareholders	66,258	71,858	38,237	–	–
Dividends declared by the Company	89,709	–	116,907	–	–
	155,967	71,858	155,144	–	–

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Security equipment	Supervising equipment and others	Toll collection equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At January 1, 2015	21,499	165,523	121,515	181,963	33,028	8	523,536
Additions	–	–	514	716	989	9,094	11,313
Disposals and write-off	–	–	(795)	(123)	(1,387)	–	(2,305)
Transferred	–	–	–	2,258	–	(2,258)	–
At December 31, 2015 and January 1, 2016	21,499	165,523	121,234	184,814	32,630	6,844	532,544
Additions	1,147	–	612	213	1,835	15,918	19,725
Disposals	(760)	–	(246)	–	(767)	–	(1,773)
Transferred	–	–	1,286	18,530	–	(19,816)	–
At December 31, 2016 and January 1, 2017	21,886	165,523	122,886	203,557	33,698	2,946	550,496
Additions	–	–	648	18	818	25,369	26,853
Disposals and write-off	–	–	(89)	(1,451)	(342)	–	(1,882)
Transferred	1,802	–	–	18,741	–	(20,543)	–
At December 31, 2017 and January 1, 2018	23,688	165,523	123,445	220,865	34,174	7,772	575,467
Additions	–	–	116	–	460	121,783	122,359
Disposals and write-off	–	–	(304)	(97)	(57)	–	(458)
Transferred	85	–	–	–	–	(85)	–
At June 30, 2018	23,773	165,523	123,257	220,768	34,577	129,470	697,368
Accumulated depreciation and impairment:							
At January 1, 2015	9,282	155,595	90,607	118,720	15,615	–	389,819
Provided during the year	804	923	6,134	7,513	3,182	–	18,556
Disposals	–	–	(684)	(117)	(1,303)	–	(2,104)
At December 31, 2015 and January 1, 2016	10,086	156,518	96,057	126,116	17,494	–	406,271
Provided during the year	1,177	587	5,303	8,493	3,313	–	18,873
Disposals	(722)	–	(241)	–	(643)	–	(1,606)
At December 31, 2016 and January 1, 2017	10,541	157,105	101,119	134,609	20,164	–	423,538
Provided during the year	949	586	2,349	10,115	2,770	–	16,769
Disposals	–	–	(86)	(1,379)	(290)	–	(1,755)
At December 31, 2017 and January 1, 2018	11,490	157,691	103,382	143,345	22,644	–	438,552
Provided during the period	515	294	1,131	5,399	1,299	–	8,638
Disposals	–	–	(289)	(96)	(43)	–	(428)
At June 30, 2018	12,005	157,985	104,224	148,648	23,900	–	446,762

	Buildings	Security equipment	Supervising equipment and others	Toll collection equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net carrying amount:							
At January 1, 2015	12,217	9,928	30,908	63,243	17,413	8	133,717
At December 31, 2015	11,413	9,005	25,177	58,698	15,136	6,844	126,273
At December 31, 2016	11,345	8,418	21,767	68,948	13,534	2,946	126,958
At December 31, 2017	12,198	7,832	20,063	77,520	11,530	7,772	136,915
At June 30, 2018	11,768	7,538	19,033	72,120	10,677	129,470	250,606

Company

	Buildings	Security equipment	Supervising equipment and others	Toll collection equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At January 1, 2015	10,658	71,853	59,804	35,400	10,374	8	188,097
Additions	–	–	112	–	284	7,171	7,567
Disposal	–	–	(747)	(123)	(135)	–	(1,005)
Transferred	–	–	–	350	–	(350)	–
At December 31, 2015 and January 1, 2016	10,658	71,853	59,169	35,627	10,523	6,829	194,659
Additions	1,147	–	157	–	940	10,618	12,862
Disposals	(760)	–	–	–	(522)	–	(1,282)
Transferred	–	–	1,286	14,673	–	(15,959)	–
At December 31, 2016 and January 1, 2017	11,045	71,853	60,612	50,300	10,941	1,488	206,239
Additions	–	–	155	–	780	13,244	14,179
Disposals	–	–	(14)	–	(342)	–	(356)
Transferred	1,802	–	–	6,971	–	(8,773)	–
At December 31, 2017 and January 1, 2018	12,847	71,853	60,753	57,271	11,379	5,959	220,062
Additions	–	–	39	–	–	133	172
Transferred	85	–	–	–	–	(85)	–
At June 30, 2018	12,932	71,853	60,792	57,271	11,379	6,007	220,234

	Buildings	Security equipment	Supervising equipment and others	Toll collection equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment:							
At January 1, 2015	3,740	67,138	50,371	28,377	4,387	–	154,013
Provided during the year	395	149	3,008	2,969	1,316	–	7,837
Disposals	–	–	(638)	(117)	(114)	–	(869)
At December 31, 2015 and January 1, 2016	4,135	67,287	52,741	31,229	5,589	–	160,981
Provided during the year	768	149	2,896	4,273	1,173	–	9,259
Disposals	(722)	–	–	–	(496)	–	(1,218)
At December 31, 2016 and January 1, 2017	4,181	67,436	55,637	35,502	6,266	–	169,022
Provided during the year	540	149	968	5,072	1,150	–	7,879
Disposals	–	–	(13)	–	(290)	–	(303)
At December 31, 2017 and January 1, 2018	4,721	67,585	56,592	40,574	7,126	–	176,598
Provided during the period	311	75	451	2,631	595	–	4,063
At June 30, 2018	5,032	67,660	57,043	43,205	7,721	–	180,661
Net carrying amount:							
At January 1, 2015	6,918	4,715	9,433	7,023	5,987	8	34,084
At December 31, 2015	6,523	4,566	6,428	4,398	4,934	6,829	33,678
At December 31, 2016	6,864	4,417	4,975	14,798	4,675	1,488	37,217
At December 31, 2017	8,126	4,268	4,161	16,697	4,253	5,959	43,464
At June 30, 2018	7,900	4,193	3,749	14,066	3,658	6,007	39,573

Notes:

(a) Certain items of property, plant and equipment with an aggregate net carrying amount of RMB11,306,000 as at December 31, 2016 were pledged to secure certain bank and other borrowings granted to the Group and the Company (note 22(c)).

(b) As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB3,033,000, RMB1,556,000, RMB1,475,000 and RMB1,434,000, respectively. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings.

13. SERVICE CONCESSION ARRANGEMENTS

Group

	As at December 31,			June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At beginning of the year/period	3,174,464	3,181,191	3,578,834	4,522,754
Additions	6,727	391,508	943,685	842,992
Interest expensed capitalised *(note 6)*	–	6,135	235	1,337
At end of the year/period	3,181,191	3,578,834	4,522,754	5,367,083
Accumulated amortisation:				
At beginning of the year/period	740,538	837,743	945,766	1,062,191
Charged for the year/period	97,205	108,023	116,425	62,412
At end of the year/period	837,743	945,766	1,062,191	1,124,603
Net carrying amount:				
At beginning of the year/period	2,433,926	2,343,448	2,633,068	3,460,563
At end of the year/period	2,343,448	2,633,068	3,460,563	4,242,480

Company

	As at December 31,			June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At beginning of the year/period	820,071	822,164	822,164	822,164
Additions	2,093	–	–	–
At end of the year/period	822,164	822,164	822,164	822,164
Accumulated amortisation:				
At beginning of the year/period	171,962	193,164	216,883	242,998
Charged for the year/period	21,202	23,719	26,115	14,628
At end of the year/period	193,164	216,883	242,998	257,626
Net carrying amount:				
At beginning of the year/period	648,109	629,000	605,281	579,166
At end of the year/period	629,000	605,281	579,166	564,538

The above expressway operating rights were granted by the service concession grantors which are known to be under common control of the Sichuan Provincial People's Government for a period ranging from 25.5 to 30 years. During the expressway concessionary period, the Group has the rights of operations and management of Chengguan Expressway, Chengguan Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway and the toll-collection rights thereof. The Group is required to manage and operate the expressways in accordance with the regulations promulgated by the Ministry of Communication and relevant government authorities. Upon the end of the respective concession service periods, the toll expressways will be returned to the grantors at nil consideration.

(a) The concession rights pertaining to certain expressways of the Group and the Company were pledged to secure bank loans and other borrowings granted to the Group and the Company (note 22(a) and note 22(d)). The net carrying amounts of such concession rights are listed below:

Group

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chengguan Expressway	629,000	–	–	–
Chengpeng Expressway	355,833	464,100	1,401,174	2,243,959
Chengwenqiong Expressway .	1,083,781	1,318,730	1,268,113	1,238,233
Chengdu Airport Expressway .	274,834	244,957	212,110	195,751
	2,343,448	2,027,787	2,881,397	3,677,943

Company

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chengguan Expressway	629,000	–	–	–

(b) During the Relevant Periods and the six months ended June 30, 2017, the Group had provided upgrade services to Chengguan Expressway, Chengwenqiong Expressway and Chengpeng Expressway. Total construction costs (including interest expenses capitalised) of RMB6,727,000, RMB397,643,000, RMB943,920,000, RMB167,045,000 (unaudited) and RMB844,329,000 were incurred for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. All construction works were sub-contracted to third party subcontractors.

Construction revenue from the upgrade services provided under the service concession arrangements during the Relevant Periods was included as additions to service concession arrangements. Such additions will be amortised upon the completion of the upgrade of the respective expressways.

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Chengguan Expressway . .	2,093	–	–	–	–
Chengwenqiong Expressway	–	276,935	–	–	–
Chengpeng Expressway . .	4,634	120,708	943,920	167,045	844,329
	6,727	397,643	943,920	167,045	844,329

(c) Additions to service concession arrangements during the year end December 31, 2016 and 2017, and the six months ended June 30, 2018 included interest capitalised in respect of bank loans amounting to RMB6,135,000, RMB235,000 and RMB1,337,000, respectively (note 6).

(d) Impairment

In accordance with the Group's accounting policies, each asset or cash-generating unit ("CGU") is evaluated annually at 31 December to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed. The Group has performed impairment assessment on the carrying amounts of the property, plant and equipment and intangible asset related to Chengpeng Expressway.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value in use ("VIU"). For the purpose of impairment assessment as at December 31, 2017 and June 30, 2018, CGU of Chengpeng Expressway which consists of service concession arrangement of Chengpeng Expressway and related property, plant and equipment are treated as a separate CGU. The recoverable amount of the CGU of Chengpeng Expressway was determined based on a value in use calculation using cash flow projections up to the end of the service concession arrangement period.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of CGU of Chengpeng Expressway:

Toll rate – The estimated toll rate of each type of passengers vehicles before June 30, 2018 was based on the toll rate set by relevant government authorities at the time. An increase of the tolls rate for each type of vehicle by 58%, which was adopted in July 2018 following the completion of the expansion project, had been conditionally approved at the time.

Traffic volume – The estimated future traffic volume was made with reference to the traffic volume forecast available to the Directors as at the date of the impairment analysis.

Discount rate – The weighted average cost of capital ("WACC") reflects risks relating to the relevant units, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain public listed companies conducting business in the PRC expressway industry. The pre-tax WACC applied to cash flow projections is 11.55% and 11.58% for the year ended December 31, 2017 and six months period ended June 30, 2018.

The values assigned to key assumptions on the market development of the CGU and discount rate are consistent with external information sources.

Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the CGU of Chengpeng Expressway's carrying amount to exceed its recoverable amount as at December 31, 2017 and June 30, 2018.

The table below sets forth the sensitivity analysis and headroom for the key parameters used in the impairment test for the CGU of Chengpeng Expressway as of December 31, 2017 and June 30, 2018.

Impairment assessment of the Chengpeng Expressway's CGU as of December 31, 2017

	Recoverable amount	Carrying amount of service concession arrangement	Carrying amount of property, plant and equipment	Carrying amount of service concession arrangement and property, plant and equipment	Headroom
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Base case	1,471,508	1,201,174	8,037	1,209,211	262,297
Traffic volume increased by 5%	1,566,972	1,201,174	8,037	1,209,211	357,761
Traffic volume decreased by 5%	1,373,369	1,201,174	8,037	1,209,211	164,158
WACC of 9.98%	1,347,069	1,201,174	8,037	1,209,211	137,858
WACC of 10.98%	1,234,961	1,201,174	8,037	1,209,211	25,750
WACC of 7.98%	1,609,925	1,201,174	8,037	1,209,211	400,714
WACC of 6.98%	1,764,220	1,201,174	8,037	1,209,211	555,009
Toll rate increment rate increased by 5%	1,502,856	1,201,174	8,037	1,209,211	293,645
Toll rate increment rate decreased by 5%	1,440,160	1,201,174	8,037	1,209,211	230,949

Impairment assessment of the Chengpeng Expressway's CGU as of June 30, 2018

	Recoverable amount	Carrying amount of service concession arrangement	Carrying amount of property, plant and equipment	Carrying amount of service concession arrangement and property, plant and equipment	Headroom
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Base case	2,340,270	1,943,959	129,096	2,073,055	267,215
Traffic volume increased by 5%	2,440,373	1,943,959	129,096	2,073,055	367,318
Traffic volume decreased by 5%	2,238,264	1,943,959	129,096	2,073,055	165,209
WACC of 9.98%	2,210,361	1,943,959	129,096	2,073,055	137,306
WACC of 10.98%	2,092,346	1,943,959	129,096	2,073,055	19,291
WACC of 7.98%	2,483,604	1,943,959	129,096	2,073,055	410,549
WACC of 6.98%	2,642,119	1,943,959	129,096	2,073,055	569,064
Toll rate increment rate increased by 5%	2,372,950	1,943,959	129,096	2,073,055	299,895
Toll rate increment rate decreased by 5%	2,311,884	1,943,959	129,096	2,073,055	238,829

14. INVESTMENTS IN SUBSIDIARIES

Company

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	–	839,378	1,279,211	1,635,921

Particulars of the subsidiaries of the Company are set out in note 1 of this section.

Pursuant to the Reorganisation, 58.9% equity interest in Chengwenqiong Expressway Company, 99.3% equity interest in Chengpeng Expressway Company and 55% equity interest in Chengdu Airport Expressway Company which were previously owned by Chengdu Communications were transferred to the Group on June 30, 2016 at nil consideration. The acquisition-date net amount of the assets and liabilities of Chengwenqiong Expressway Company, Chengpeng Expressway Company and Chengdu Airport Company using the existing book values from the controlling shareholder's perspective totalling RMB839,378,000 were recorded as cost of investments in subsidiaries. Immediately upon the completion of the Reorganisation, Chengwenqiong Expressway Company, Chengpeng Expressway Company and Chengdu Airport Expressway Company became subsidiaries of the Company.

The remaining 41.07% non-controlling interest in Chengwenqiong Expressway Company was transferred from Chengwenqiong Development Company Limited ("Chengwenqiong Development"), a subsidiary of Chengdu Communications, to the Company on February 24, 2017 at nil consideration. Chengwenqiong Expressway Company became a wholly-owned subsidiary of the Company thereafter. The acquisition-date share of net assets of RMB315,670,000 of Chengwenqiong Expressway Company was recorded as addition to the cost of investment in Chengwenqiong Expressway Company. Pursuant to the agreement reached between the Group and Chengwenqiong Development, the profit of Chengwenqiong Expressway Company during the period from October 1, 2016 to February 24, 2017 was attributable to the Group.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
Percentage of equity interest held by non-controlling interests at the reporting dates:				
Chengwenqiong Expressway Company	41.07%	41.07%	–	–
Chengdu Airport Expressway Company	45.00%	45.00%	45.00%	45.00%

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated balances of non-controlling interests at the reporting dates:				
Chengwenqiong Expressway Company	291,668	315,670	–	–
Chengdu Airport Expressway Company	151,022	138,220	128,790	144,482

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period allocated to non-controlling interests of Chengdu Airport Expressway Company	32,935	21,617	28,807	15,692
Dividends paid to non-controlling shareholders of Chengdu Airport Expressway Company	21,825	34,419	38,237	–

	Year ended December 31,		Two months period from January 1, 2017 to February 24,
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year/period allocated to non-controlling interests: Chengwenqiong Expressway Company	27,624	24,003	–

The following tables illustrate the summarised financial information of Chengwenqiong Expressway Company:

	Year ended December 31,		Two months period from January 1, 2017 to February 24,
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Revenue	261,086	259,437	20,816
Total expenses	(193,826)	(184,459)	(15,512)
Profit and total comprehensive income for the year/period	67,260	74,978	5,304
Net cash flows from operating activities	124,930	287,811	31,437
Net cash flows from/(used in) investing activities	(102,621)	255,823	(20,077)
Net cash flows from/(used in) financing activities	367,213	(259,660)	–
Net increase in cash and cash equivalents	389,522	283,974	11,360

	As at December 31,	
	2015	2016
	RMB'000	*RMB'000*
Current assets	1,045,345	733,085
Non-current assets	1,152,477	1,389,111
Current liabilities	(523,157)	(552,034)
Non-current liabilities	(964,494)	(785,013)

The following tables illustrate the summarised financial information of Chengdu Airport Expressway Company:

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	144,944	127,376	142,626	69,781
Total expenses	(71,755)	(79,338)	(78,611)	(34,908)
Profit and total comprehensive income for the year/period	73,189	48,038	64,015	34,873
Net cash flows from operating activities	115,955	90,414	99,796	49,482
Net cash flows from/(used in) investing activities	115,060	332,747	(2,075)	–
Net cash flows used in financing activities	(116,761)	(427,302)	(128,866)	(41,014)
Net increase/(decrease) in cash and cash equivalents	114,254	(4,141)	(31,145)	8,468

	As at December 31,			June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	527,239	191,802	160,363	172,006
Non-current assets	293,862	260,584	227,094	209,351
Current liabilities	(363,078)	(63,372)	(60,177)	(59,515)
Non-current liabilities	(122,420)	(81,859)	(41,082)	(771)

15. INVESTMENT IN AN ASSOCIATE

Group and Company

	As at December 31,		As at June 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	117,533	123,728	137,562

The Group and the Company's investment in an associate represents a 40% equity interest in Chengbei Exit Expressway Company, which engages in the construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge in Chengdu, Sichuan province of the PRC. Chengbei Exit Expressway Company was originally an associate of Chengdu Communications and was transferred to the Group and the Company on June 30, 2016 at nil consideration.

The following table illustrates the summarised financial information in respect of Chengbei Exit Expressway Company, which is considered a material associate, reconciled to the carrying amount in the Historical Financial Information:

	As at December 31,		As at June 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current assets	71,678	114,573	176,586
Non-current assets	240,242	218,559	199,038
Current liabilities	(18,087)	(23,812)	(31,719)
Net assets	293,833	309,320	343,905
Reconciliation to the Group's and the Company's interest in the associate:			
Proportion of ownership	40%	40%	40%
Share of net assets of the associate	117,533	123,728	137,562
Carrying amount of the investment	117,533	123,728	137,562

	Six-month period from the acquisition date to December 31,		Year ended Six months December 31, ended June 30,
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue	51,637	110,193	59,848
Profit and total comprehensive income for the year/period	17,685	54,494	34,585
Dividend received	(11,359)	(15,603)	–

16. DEFERRED TAX ASSETS/LIABILITIES

Group

Gross deferred tax assets

	Deductible tax losses	Provision for impairment of fixed assets	Related amortisation in excess of amortisation allowance	Related depreciation in excess of depreciation allowance	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2014 and January 1, 2015	–	1,133	–	1,528	8,565	11,226
Deferred tax credited/ (charged) to profit or loss during the year *(note 9)*	–	(204)	651	(1,401)	4,276	3,322
At December 31, 2015 and January 1, 2016	–	929	651	127	12,841	14,548
Deferred tax credited/ (charged) to profit or loss during the year *(note 9)*	–	(206)	64	(127)	(337)	(606)
At December 31, 2016 and January 1, 2017	–	723	715	–	12,504	13,942
Effect of change in tax rate *(note 9)*	–	–	–	–	3,379	3,379
Deferred tax charged to profit or loss during the year *(note 9)*	–	(205)	(105)	–	(892)	(1,202)
At December 31, 2017 and January 1, 2018	–	518	610	–	14,991	16,119
Deferred tax credited/ (charged) to profit or loss during the period *(note 9)*	4,689	(102)	(610)	–	(416)	3,561
At June 30, 2018	4,689	416	–	–	14,575	19,680

Gross deferred tax liabilities

	Amortisation allowance in excess of related amortisation
	RMB'000
At January 1, 2015	9,226
Deferred tax charged to profit or loss during the year *(note 9)*	322
At December 31, 2015 and January 1, 2016	9,548
Deferred tax credited to profit or loss during the year *(note 9)*	(1,018)
At December 31, 2016 and January 1, 2017	8,530
Effect of change in tax rate *(note 9)*	1,832
Deferred tax charged to profit or loss during the year *(note 9)*	2,631
At December 31, 2017 and January 1, 2018	12,993
Deferred tax charged to profit or loss during the period *(note 9)*	1,756
At June 30, 2018	14,749

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for reporting purposes:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax assets	10,251	13,942	12,555	16,298
Gross deferred tax liabilities	(2,813)	(6,671)	(6,590)	(8,129)
Net deferred tax assets	7,438	7,271	5,965	8,169
Gross deferred tax liabilities	6,735	1,859	6,403	6,620
Gross deferred tax assets	(4,297)	–	(3,564)	(3,382)
Net deferred tax liabilities	2,438	1,859	2,839	3,238

17. TRADE RECEIVABLES

Group

Trade receivables are analysed by categories as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Batch payment arrangements	375,820	3,630	25,738	31,420
Inter-network toll collection and Electronic Toll Collection ("ETC") receivables	12,150	11,402	6,658	8,096
	387,970	15,032	32,396	39,516
Impairment	–	–	–	–
	387,970	15,032	32,396	39,516

The Group's trade receivables mainly arose from toll income receivables under the Batch Payment Agreements and the New Batch Payment Arrangements (as defined below) on Chengpeng Expressway and Chengwenqiong Expressway. In 2014, the Group entered into a series of agreements with certain local government agencies in Chengdu to implement the batch payment arrangements ("Batch Payment Arrangements"). Pursuant to the Batch Payment Arrangements, the relevant government agencies agreed to pay the Group a fixed amount of money for a certain period and certain qualified passenger vehicles can pass through these two expressways without toll payment. They are settled in accordance with the credit period of 1 month to 3 months as specified in the relevant contracts governing the Batch Payment Agreements.

In June 2017, the Group entered into new batch payment arrangements ("New Batch Payment Arrangements") with the relevant district/county level government authorities, which contained the revised calculation method for the batch payment fee amount taking into account actual traffic information and the current toll fee standards of relevant toll roads, as well as factors to affect future traffic volumes, such as economic growth and consumption level forecast as well as changes of road network conditions and potential upside impact on traffic volume under the batch payment arrangement, which was effective on June 30, 2017. They are settled in accordance with the credit period of 1 month as specified in the relevant contracts governing the New Batch Payment Agreements.

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

An aging analysis of the Group's trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of provisions for impairment of trade receivables, is as follows:

	As at December 31,			June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	70,377	15,032	32,396	39,516
3 to 6 months	54,598	–	–	–
6 to 12 months	87,335	–	–	–
Over one year	175,660	–	–	–
	387,970	15,032	32,396	39,516

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

	As at December 31,			June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	70,377	15,032	32,396	39,516
Past due but not impaired:				
Within 3 months	54,598	–	–	–
3 to 6 months	43,560	–	–	–
6 to 12 months	74,105	–	–	–
1 to 2 years	61,820	–	–	–
2 to 3 years	83,510	–	–	–
	387,970	15,032	32,396	39,516

Receivables that were past due but not impaired mainly relate to government agencies. Based on past experience, in the opinion of the Directors, no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	As at December 31, 2015	2016	2017	As at June 30, 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion					
Prepayment to suppliers		446	1,946	2,921	1,773
Due from related parties	*30(c)*	1,974,709	56,141	301	900
Deposit for a bidding of a parcel of land	*(a)*	26,350	–	–	–
Deferred listing fees	*(b)*	–	5,334	6,697	23,621
Leasing income receivable		–	–	1,290	3,900
Others		3,572	3,175	4,959	6,330
		2,005,077	66,596	16,168	36,524
Impairment		(1,251)	(1,336)	(2,750)	(2,750)
		2,003,826	65,260	13,418	33,774
Non-current portion					
Security deposits	*(c)*	80,984	–	–	–
		2,084,810	65,260	13,418	33,774

Company

	Notes	As at December 31, 2015	2016	2017	As at June 30, 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion					
Prepayment to suppliers		177	911	1,090	360
Due from related parties		1,134,959	55,266	–	–
Deferred listing fees	*(b)*	–	5,334	6,697	23,621
Others		678	685	825	1,940
		1,135,814	62,196	8,612	25,921
Impairment		(562)	(562)	(562)	(562)
		1,135,252	61,634	8,050	25,359
Non-current portion					
Security deposits	*(c)*	65,789	–	–	–
		1,201,041	61,634	8,050	25,359

Notes:

(a) The balance represented the deposit paid for the biding of a parcel of land, which was fully refunded to the Group in 2016 as the Group did not succeed in the bidding.

(b) Deferred listing fees represented legal and other professional fees relating to the listing which will be deducted from equity when the Company completes the listing.

(c) The balances of the Group and the Company as at December 31, 2015 represented the refundable security deposits made for obtaining the long-term borrowings with aggregate carrying amounts of RMB1,246,965,000 (note 22(c)) by the Group and RMB1,005,746,000 (note 22(c)) by the Company, which had been refunded after the early repayment in full of the respective borrowings in 2016.

19. CASH AND CASH EQUIVALENTS

Group

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	1,201,749	1,501,380	1,139,951	1,166,247

Company

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	385,784	308,008	427,664	135,766

All of the cash and bank balances of the Group and the Company are denominated in RMB at the end of each of the Relevant Periods.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

An aging analysis of trade payables as of the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	18,591	148,284	519,187	636,612
3 to 6 months	908	5	22,894	344,145
6 to 12 months	1,339	2,274	174,857	289,611
Over 1 year	37,114	31,891	32,748	47,216
	57,952	182,454	749,686	1,317,584
Retention monies, included in trade payables	20,657	20,827	37,941	34,897

Company

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	5,699	6,222	9,339	5,047
3 to 6 months	748	5	720	2,867
6 to 12 months	425	2,262	6,766	840
Over 1 year	24,382	24,908	14,427	14,179
	31,254	33,397	31,252	22,933
Retention monies, included in trade payables	10,202	10,956	4,771	7,795

Trade payables are non-interest-bearing. Except for retention money payables arising from construction and upgrade services which are normally settled between six months and one year, credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts.

21. OTHER PAYABLES AND ACCRUALS

Group

	Notes	As at December 31,			As at June 30,
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion					
Payroll and welfare payables		915	9,363	9,506	2,818
Taxes and surcharge payables		23,948	26,004	26,487	25,802
Due to a related party	*30(c)*	250,000	375,000	–	–
Inter-network toll collection payable	*(a)*	144,295	19,020	85,728	5,389
Deposits		14,328	72,027	17,900	20,402
Listing fees		–	909	853	6,853
Interest payable		5,279	2,276	2,065	2,175
Deferred income	*(b)*	2,281	4,062	4,062	4,062
Others		13,696	13,677	13,848	13,297
		454,742	522,338	160,449	80,798
Non-current portion					
Deferred income	*(b)*	66,225	62,196	258,134	356,103
		520,967	584,534	418,583	436,901

Company

		As at December 31,			As at June 30,
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion					
Payroll and welfare payables		150	2,659	2,855	2,581
Taxes and surcharge payables		11,658	15,421	15,349	15,191
Inter-network toll collection payable	*(a)*	13,076	2,779	1,698	22
Deposits		3,656	5,003	1,055	1,229
Listing fees		–	909	853	6,853
Interest payable		1,650	411	371	320
Deferred income	*(b)*	1,071	1,071	1,071	1,071
Others		89	403	386	274
		31,350	28,656	23,638	27,541
Non-current portion					
Deferred income	*(b)*	14,543	13,472	12,401	11,866
		45,893	42,128	36,039	39,407

Notes:

(a) The balance represented the expressway tolls pending for allocation to other expressway operators.

(b) Deferred income at the end of each of the Relevant Periods includes the following items:

Group

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasing income received in advance*				
– Current	2,281	4,062	4,062	4,062
– Non-current	66,225	62,196	58,134	56,103
Government grants**	–	–	200,000	300,000
	68,506	66,258	262,196	360,165

* The balance represented leasing income received in advance for occupying the Group's land along the expressways. Deferred income of the Group to be released to profit or loss after twelve months from the end of each of the Relevant Periods has been recorded as a non-current liability.

** Balance represented government grants received in connection to the expansion project of Chengpeng Expressway. Such grants will be deducted from the carrying amount of the service concession arrangements upon the completion of the expansion project and released to profit or loss by way of a reduced amortisation charged.

Company

The balance represented leasing income received in advance for occupying the Group's land along the expressways.

Other payables of the Group and the Company are unsecured, non-interest-bearing and have no fixed terms of repayment.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Notes	Effective interest rate	Maturity	As at December 31,			As at June 30,
				2015	2016	2017	2018
		(%)		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans:							
Secured	*(a)*	4.41-6.77	2003-2036	1,116,720	646,000	681,000	968,000
Guaranteed	*(b)*	4.75-6.77	2013-2016	813,500	–	–	–
Unsecured	*(e)*	4.41-4.75	2016-2025	–	524,500	444,500	390,000
				1,930,220	1,170,500	1,125,500	1,358,000
Other borrowings:							
Secured and guaranteed	*(c)*	5.88-7.20	2012-2016	1,300,965	–	–	–
Secured	*(d)*	4.90-7.68	2002-2020	610,000	430,000	330,000	280,000
Unsecured	*(f)*	3.30	2000-2017	13,636	10,909	–	–
				1,924,601	440,909	330,000	280,000
				3,854,821	1,611,409	1,455,500	1,638,000

	Notes	Effective interest rate	Maturity	As at December 31, 2015	2016	2017	As at June 30, 2018
		(%)		RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:							
Bank loans repayable:							
Within one year				515,000	135,000	145,000	155,000
In the second year				240,000	145,000	165,000	175,000
In the third to fifth years, inclusive				683,220	417,500	342,500	367,000
Beyond five years				492,000	473,000	473,000	661,000
				1,930,220	1,170,500	1,125,500	1,358,000
Other borrowings repayable:							
Within one year				487,252	102,727	100,000	105,000
In the second year				407,060	102,727	110,000	115,000
In the third to fifth years, inclusive				1,030,289	235,455	120,000	60,000
				1,924,601	440,909	330,000	280,000
Total bank and other borrowings				3,854,821	1,611,409	1,455,500	1,638,000
Portion classified as current liabilities				(1,002,252)	(237,727)	(245,000)	(260,000)
Non-current portion				2,852,569	1,373,682	1,210,500	1,378,000

Company

	Notes	Effective interest rate	Maturity	As at December 31, 2015	2016	2017	As at June 30, 2018
		(%)		RMB'000	RMB'000	RMB'000	RMB'000
Bank loans:							
Secured	*(a)*	4.41	2003-2016	406,720	–	–	–
Guaranteed	*(b)*	4.41-4.99	2013-2025	254,000	305,000	275,000	260,000
				660,720	305,000	275,000	260,000
Other borrowings							
Secured and guaranteed	*(c)*	5.70-7.68	2012-2016	1,089,746	–	–	–
				1,750,466	305,000	275,000	260,000
Analysed into:							
Bank loans repayable:							
Within one year				125,000	30,000	30,000	30,000
In the second year				120,000	30,000	30,000	30,000
In the third to fifth years, inclusive				223,720	88,000	98,000	98,000
Beyond five years				192,000	157,000	117,000	102,000
				660,720	305,000	275,000	260,000

	Notes	Effective interest rate	Maturity	As at December 31, 2015	2016	2017	As at June 30, 2018
		(%)		RMB'000	RMB'000	RMB'000	RMB'000
Other borrowings repayable:							
Within one year				302,525	–	–	–
In the second year				236,333	–	–	–
In the third to fifth years, inclusive				550,888	–	–	–
				1,089,746	–	–	–
Total bank and other borrowings				1,750,466	305,000	275,000	260,000
Portion classified as current liabilities				(427,525)	(30,000)	(30,000)	(30,000)
Non-current portion				1,322,941	275,000	245,000	230,000

Notes:

(a) Bank loans are secured and guaranteed by:

Group

The Group's bank loans of approximately RMB1,116,720,000, RMB646,000,000, RMB681,000,000 and RMB968,000,000 as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively, were secured by the following the Group's service concession rights (note 13(a)) with net carrying amounts as follows:

	As at December 31, 2015	2016	2017	As at June 30, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Chengguan Expressway	629,000	–	–	–
Chengpeng Expressway	355,833	464,100	1,401,174	2,243,959
Chengwenqiong Expressway	1,083,781	1,318,730	1,268,113	1,238,233
Chengdu Airport Expressway	274,834	244,957	212,110	195,751
	2,343,448	2,027,787	2,881,397	3,677,943

Company

The Company's bank loans of approximately RMB406,720,000 as at December 31, 2015, was secured by the service concession rights of Chengguan Expressway with net carrying amounts of RMB629,000,000 as at December 31, 2015 (note 13(a)).

(b) The Group's and the Company's bank loans of approximately RMB813,500,000 and RMB254,000,000, respectively as at December 31, 2015 were guaranteed by Chengdu Communications at nil consideration.

The Company's bank loans of approximately RMB305,000,000, RMB275,000,000 and RMB260,000,000 as at December 31, 2016, 2017 and June 30, 2018 were guaranteed by Chengwenqiong Expressway Company at nil consideration.

(c) The Group's other borrowings of approximately RMB1,300,965,000 at December 31, 2015 were granted by financial companies, of which RMB1,246,965,000 and RMB54,000,000 were guaranteed by Chengdu Communications and Chengdu Road & Bridge (as defined in note 30(a)), a related party, respectively and secured by certain assets with net carrying amounts as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured by concession rights of: (note 13(a))				
Chengguan Expressway	629,000	–	–	–
Chengwenqiong Expressway	1,083,781	–	–	–
Chengpeng Expressway	355,833	–	–	–
	2,068,614	–	–	–
Secured by:				
Security deposits *(note 18(c))*	80,984	–	–	–
Property, plant and equipment *(note 12(a))*	11,306	–	–	–

The Company's other borrowings of approximately RMB1,089,746,000 as at December 31, 2015 were granted by financial companies, of which RMB1,005,746,000 and RMB84,000,000 were guaranteed by Chengdu Communications and Chengwenqiong Expressway Company at nil consideration, respectively and secured by the concession rights of Chengguan Expressway with a net carrying amount of approximately RMB629,000,000 (note 13(a)), property plant and equipment of approximately RMB11,306,000 (note 12(a)) and security deposits of RMB65,789,000 (note 18(c)) as at December 31, 2015.

(d) The Group's other borrowings of approximately RMB610,000,000, RMB430,000,000, RMB330,000,000 and RMB280,000,000 as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively, were secured by Chengguan Expressway and Chengwenqiong Expressway (note 13(a)) with net carrying amount as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chengguan Expressway	629,000	–	–	–
Chengwenqiong Expressway	1,083,781	1,318,730	1,268,113	1,238,233
	1,712,781	1,318,730	1,268,113	1,238,233

(e) The Group's bank borrowings of approximately RMB524,500,000, RMB444,500,000 and RMB390,000,000 as at December 31, 2016, 2017 and June 30, 2018, respectively, were guaranteed by the Company and Chengwenqiong Expressway Company at nil consideration.

(f) The Group's unsecured other borrowings of approximately RMB13,636,000 and RMB10,909,000 as at December 31, 2015 and 2016, respectively, were granted by the Chengdu Finance Bureau.

At the end of each of the Relevant Periods, all interest-bearing bank and other borrowings of the Group and the Company were denominated in RMB.

23. PAID-IN CAPITAL/ISSUED CAPITAL

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital/issued capital	25,000	1,200,000	1,200,000	1,200,000

The Company was a limited liability company established in China on August 25, 1998 with authorised share capital of RMB25,000,000 divided into 25,000,000 shares with par value of RMB1.00 each. On the date of establishment, 25,000,000 ordinary shares of the Company were issued and allotted for cash at par value of RMB1.00 each to its then shareholders.

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All ordinary shares rank equally with regard to the Company's residual net assets.

24. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the six months ended 30 June 2017 are presented in the consolidated statements of changes in equity.

(a) Capital reserve

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

(b) Statutory reserve

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

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

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

(c) Merger reserve

The merger reserve of the Group is resulted from the preparation of the Historical Financial Information. As further described in note 2.1 of Section II, the Historical Financial Information has been prepared as if the Reorganisation had been completed at the beginning of the Relevant Periods. It represented the nominal value of the paid-in capital and capital reserve of Chengwenqiong Expressway Company, Chengpeng Expressway Company and Chengdu Airport Expressway Company attributable to Chengdu Communications with an aggregate amount of RMB559,922,000, which has been transferred to paid-in capital when the Company was converted into a joint stock limited company on November 21, 2016.

(d) Other reserve

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

Company

	Capital reserve	Statutory surplus reserve	Retained earnings	Other reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	203,182	12,663	135,006	–	350,851
Total comprehensive income for the year	–	–	127,585	–	127,585
Dividend declared	–	–	(89,709)	–	(89,709)
At December 31, 2015 and January 1, 2016	203,182	12,663	172,882	–	388,727
Total comprehensive income for the year	–	–	202,602	–	202,602
Transfer from/(to) reserves	–	19,589	(19,589)	–	–
Contribution of the equity interest in subsidiaries from Chengdu Communications *(note 14)*	–	–	–	839,378	839,378
Contribution of a 40% equity interest in an associate from Chengdu Expressway Company *(note 25(a)(i))*	–	–	–	121,818	121,818
Conversion into a joint stock company with limited liability	19,683	(12,663)	(220,824)	(961,196)	(1,175,000)
At December 31, 2016 and January 1, 2017	222,865	19,589	135,071	–	377,525
Total comprehensive income for the year	–	–	425,356	–	425,356
Transfer from/(to) reserves	–	42,023	(42,023)	–	–
Contribution of the equity interest in subsidiary from Chengwenqiong Development *(note 25(a)(ii))*	–	–	–	315,670	315,670
Deemed partial disposal of an interest in a subsidiary *(note 25(a)(iii))*	–	–	–	(837)	(837)
Dividend declared	–	–	(116,907)	–	(116,907)
At December 31, 2017 and January 1, 2018	222,865	61,612	401,497	314,833	1,000,807
Total comprehensive income for the period	–	–	104,050	–	104,050
At June 30, 2018	222,865	61,612	505,547	314,833	1,104,857

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) In connection with the Reorganisation which was completed on June 30, 2016, the 40% equity interest in Chengbei Exit Expressway Company previously held by Chengdu Expressway Company was transferred to the Group at nil consideration. The fair value of 40% of the share of the identifiable net assets of Chengbei Exit Expressway Company as at the acquisition date was RMB121,818,000.

(ii) On February 24, 2017, the 41.07% equity interest in Chengwenqiong Expressway Company which was previously held by Chengwenqiong Development was transferred to the Group at nil consideration. The carrying value of the share of net assets acquired of RMB315,670,000 has been recognised in equity.

(iii) On June 19, 2017, the difference of RMB837,000, being the difference between the amount of the capital contribution made by the Company into Chengpeng Expressway Company of RMB125,000,000 and the Group's share of Chengpeng Expressway Company's net assets had been recorded in "Difference arising from changes in non-controlling interests" in equity.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings	Due to a related party	Interest payable
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2015	2,532,775	–	6,249
Changes from financing cash flows	1,394,264	250,000	(211,693)
Arrangement fee for obtaining other borrowings	(55,800)	–	–
Amortisation of arrangement fee	11,098	–	(11,098)
Discounting effect on security deposits	(27,516)	–	–
Interest expenses	–	–	221,821
At December 31, 2015 and January 1, 2016	3,854,821	250,000	5,279
Changes from financing cash flows	(2,315,630)	125,000	(114,179)
Unamortised arrangement fee expensed off	44,702	–	(44,702)
Reversal of unamortised discounting effect on security deposit	27,516	–	–
Interest expenses	–	–	149,743
Interest capitalised	–	–	6,135
At December 31, 2016 and January 1, 2017	1,611,409	375,000	2,276
Changes from financing cash flows	(155,909)	(375,000)	(72,558)
Interest expenses	–	–	72,112
Interest capitalised	–	–	235
At December 31, 2017 and January 1, 2018	1,455,500	–	2,065
Changes from financing cash flows	182,500	–	(34,128)
Interest expenses	–	–	32,901
Interest capitalised	–	–	1,337
At June 30, 2018	1,638,000	–	2,175
At January 1, 2017	1,611,409	375,000	2,276
Changes from financing cash flows	(110,000)	(375,000)	(36,938)
Interest expenses	–	–	36,449
At June 30, 2017 (unaudited)	1,501,409	–	1,787

26. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, the Group did not have any significant contingent liabilities.

27. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings, which are secured by the Group's assets, are included in notes 12 and 13 of this section, respectively, to the Historical Financial Information.

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its office buildings and service zones under operating lease arrangements, with leases negotiated for terms ranging from 1 to 20 years.

As at the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	644	1,020	843	958
In the second to fifth years, inclusive	1,516	2,165	2,211	2,003
After five years	3,753	3,359	2,964	2,757
	5,913	6,544	6,018	5,718

(b) As lessee

The Group leases certain of its land under operating lease arrangements as it is not in the best interest of the Group to purchase these assets. Leases for land are negotiated to have lives of 8.5 to 18.6 years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	1,706	3,803	4,517
In the second to fifth years, inclusive	–	13,651	15,213	15,213
After five years	–	36,073	34,351	33,400
	–	51,430	53,367	53,130

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:	361,983	1,184,404	780,874	9,716

30. RELATED PARTY TRANSACTIONS AND BALANCE

The directors of the Group are of the view that the following companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationships of related parties

Related parties	Relationships
Chengdu Communications	Ultimate holding company
Chengdu Expressway Company	Parent company
Chengdu Transportation Junction Construction Management Co., Ltd. ("Chengdu Junction")	A company controlled by Chengdu Communications
Chengdu Communications Assets Management Co., Ltd. ("Assets Management")	A company controlled by Chengdu Communications
Chengdu Zhongyou Energy Co., Ltd. ("Zhongyou Energy")	An indirect associate of Chengdu Communications
Chengdu Road and Bridge Management Co., Ltd. ("Chengdu Road & Bridge")	A Company controlled by Chengdu Communications

In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

(b) Transactions with related parties

(1) Details of loans received from/(repayment of loans to) Chengdu Communications

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Received of loans	250,000	125,000	–	–	–
Repayment of loans . . .	–	–	(375,000)	(375,000)	–

(2) Details of loans provided to/(repayment of loans from) Chengdu Communications

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Provision of loans	2,232,447	27,516	–	–	–
Repayment of loans	(1,324,428)	(1,861,718)	(2,364)	(2,364)	–

(3) Details of loans provided to/(repayment of loans from) Chengdu Expressway Company

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Provision of loans	–	53,426	–	–	–
Repayment of loans	(31,004)	(136,155)	(53,426)	(53,426)	–

(4) Details of repayment of loans from Chengdu Junction

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Repayment of loans	(70,000)	–	–	–	–

(5) Interest income received

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Chengdu Communications	121,403	78,990	–	–	–
Chengdu Junction	1,720	–	–	–	–

During the years ended December 31, 2015 and 2016, the Group granted interest-bearing loans to Chengdu Communications and Chengdu Junction. Interests were charged based on monthly balance of interest-bearing loans receivable from Chengdu Communications and Chengdu Junction at each month end. The interest rates charged to Chengdu Communications ranged from 4.75% to 7.68% per annum and 4.75% to 6.77% per annum during the years ended December 31, 2015 and 2016. The interest rate charged to Chengdu Junction at 6.32% per annum during the year ended December 31, 2015. Other than the above, other loans from/to related parties were unsecured, interest-free and with no fixed term of repayments.

(6) Land leasing income received

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Zhongyou Energy	1,843	1,824	1,146	575	571

The Directors consider that the rental expenses charged to Zhongyou Energy as determined under the tenancy agreement are based on market rates for similar premises at similar locations.

(7) Guarantees provided by the related parties

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Bank loans guaranteed by Chengdu Communications	1,103,600	969,500	–	–	–
Chengdu Road & Bridge	90,000	54,000	–	–	–
Chengdu Expressway Company	150,000	–	–	–	–
Other borrowings guaranteed by Chengdu Communications	1,550,000	1,291,667	–	–	–

The bank and other borrowings were guaranteed by related parties for nil consideration.

(8) Properties leased from a related party

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Chengdu Junction	–	–	891	357	535

The Directors consider that the office rental expenses paid by the Group to Chengdu Junction as determined under the tenancy agreement were based on market rates for similar locations.

(9) Properties management and other general services from related parties

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Assets Management	147	108	330	131	133
Chengdu Junction	–	–	30	–	39

The Directors consider that properties management and other general services expenses paid by the Group to Assets Management and Chengdu Junction as determined under the properties management and other general services agreements were based on market rates for similar locations/service.

(c) Balances with related parties

Group

	Notes	As at December 31,			As at June 30,
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties:					
Trade in nature					
Chengdu Junction	*(i)*	–	–	178	178
Non-trade in nature	*18*				
Zhongyou Energy	*(ii)*	472	351	301	900
Chengdu Communications	*(iii)*	1,838,082	2,364	–	–
– Principal of loans granted		1,836,566	2,364	–	–
– Interest receivable		1,516	–	–	–
Chengdu Expressway Company		136,155	53,426	–	–
– Other receivable	*(iv)*	101,720	–	–	–
– Principal of loans granted		34,435	53,426	–	–
		1,974,709	56,141	301	900
		1,974,709	56,141	479	1,078
Due to a related party:					
Non-trade in nature	*21*				
Chengdu Communications	*(v)*	250,000	375,000	–	–

(i) The balance due from Chengdu Junction as at December 31, 2017 and June 30, 2018 represented office leasing rental prepayment to Chengdu Junction.

(ii) The balance due from Zhongyou Energy as at December 31, 2015, 2016, 2017 and June 30, 2018 represented leasing rental receivable from Zhongyou Energy.

(iii) Included in the amount due from Chengdu Communications as at December 31, 2015 are a loan with principal granted to Chengdu Communications of RMB1,836,566,000 and an interest receivable of RMB1,516,000. These loans are unsecured, have no fixed repayment terms, and bear annual interest at rates ranging from 4.75% to 7.68% and 4.75% to 6.77% per annum during the years ended December 31, 2015 and 2016, respectively.

(iv) Included in amount due from Chengdu Expressway Company as of December 31, 2015 was a receivable of RMB101,720,000 derived from disposal of service concession arrangement in 2009 which has been fully settled by Chengdu Expressway Company in 2016.

(v) The balance as at December 31, 2015 and 2016 represented the interest-free loan granted by Chengdu Communications. The loan is unsecured, has no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Fee	–	–	–	–	240
Salaries, allowances and benefits in kind	691	2,757	3,052	1,646	1,788
Pension scheme contributions	57	277	380	185	199
	748	3,034	3,432	1,831	2,227

Further details of directors' and supervisor's emoluments are included in note 8 to the Historical Financial Information.

31. FINANCIAL INSTRUMENTS BY CATEGORY

Group

Financial assets

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and receivables				
Trade receivables	387,970	15,032	32,396	39,516
Financial assets included in prepayments, deposits and other receivables	2,084,364	57,980	3,800	8,380
Cash and cash equivalents	1,201,749	1,501,380	1,139,951	1,166,247
	3,674,083	1,574,392	1,176,147	1,214,143
Financial assets at fair value through profit or loss:				
Financial assets at fair value through profit or loss	500	500	500	500
	3,674,583	1,574,892	1,176,647	1,214,643

Financial liabilities

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost				
Trade payables	57,952	182,454	749,686	1,317,584
Financial liabilities included in payables and accruals	424,473	480,363	117,658	45,878
Interest-bearing bank and other borrowings	3,854,821	1,611,409	1,455,500	1,638,000
	4,337,246	2,274,226	2,322,844	3,001,462

Company

Financial assets

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and receivables				
Trade receivables	6,689	6,744	4,297	5,043
Financial assets included in prepayments, deposits and other receivables	1,200,864	55,389	263	1,378
Dividend receivables	–	–	92,369	92,369
Cash and cash equivalents	385,784	308,008	427,664	135,766
	1,593,337	370,141	524,593	234,556

Financial liabilities

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost				
Trade payables	31,254	33,397	31,252	22,933
Financial liabilities included in payables and accruals	18,471	9,505	4,363	8,698
Interest-bearing bank and other borrowings	1,750,466	305,000	275,000	260,000
	1,800,191	347,902	310,615	291,631

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to their short term to maturity, are as follows:

Group

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts				
Financial assets				
Financial assets at fair value through profit or loss	500	500	500	500
Deposits, non-current portion	80,984	–	–	–
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion:				
– Bank loans	1,415,220	1,035,500	980,500	1,203,000
– Other borrowings	1,437,349	338,182	230,000	175,000
Fair value				
Financial assets				
Financial assets at fair value through profit or loss	500	500	500	500
Deposits, non-current portion	80,984	–	–	–
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion:				
– Bank loans	1,552,822	1,099,067	980,740	1,205,637
– Other borrowings	1,486,587	366,447	243,271	182,986

Company

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts				
Financial assets				
Deposits, non-current portion	65,789	–	–	–
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion:				
– Bank loans	535,720	275,000	245,000	230,000
– Other borrowings	787,221	–	–	–

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value				
Financial assets				
Deposits, non-current portion	65,789	–	–	–
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion:				
– Bank loans	617,459	329,855	288,048	239,652
– Other borrowings	787,887	–	–	–

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings 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.

The following methods and assumptions were used to estimate the fair values:

Management has assessed that the fair value of financial assets at fair value through profit and loss is approximate to its carrying amount based on valuation techniques which requires significant unobservable input.

The fair values of the non-current portion of the Group's deposits and interest-bearing bank and other borrowings 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.

Fair value hierarchy

The fair value measurement hierarchy of the Group and the Company's non-current portion of financial assets and financial liabilities for which fair values are disclosed is considered to be Level 3, which required significant unobservable inputs as at December 31, 2015, 2016 and 2017 and June 30, 2018. The fair value measurement hierarchy of the financial assets at fair value through profit or loss requires significant unobservable inputs (Level 3). The significant unobservable input used in the fair value measurement is the discount rate and long-term growth rate. As at December 31, 2015, 2016 and 2017 and June 30, 2018, it's estimated that with all other variables held constant, an decrease/(increase) in the estimated discount rate by 1% would result in an increase/(decrease) in the fair value of the financial assets at fair value through profit or loss by RMB121,000 (RMB100,000), RMB125,000 (RMB104,000), RMB129,000 (RMB108,000) and RMB130,000 (RMB109,000),respectively and an increase/(decrease) in the estimated long-term growth rate by 10% would result in an increase/(decrease) in the fair value of the financial assets at fair value through profit or loss by RMB37,000 (RMB35,000), RMB39,000 (RMB37,000), RMB40,000 (RMB38,000) and RMB40,000 (RMB38,000), respectively.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, trade and other receivables, cash and cash equivalents, trade and other payables. 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.

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, and interest-bearing loans from related parties are disclosed in note 22 and note 30 (b)(1), respectively. 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 rate.

Credit risk

The carrying amounts of cash and cash equivalents, trade receivables and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in Mainland China, which management believes are of high credit quality. The Group control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the credit exposure to a single financial institution to an acceptable level.

(i) Credit risk of cash and cash equivalents

To manage this risk arising from cash and cash equivalents, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of trade receivables

As the Group's major receivables are from government agencies, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these receivables. The senior management of the Company keeps reviewing and assessing the creditworthiness of the Group's existing customers on an ongoing basis and Directors consider that the expected credit risks of them are minimal in view of the history of cooperation with them.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the Historical Financial Information.

(iii) Credit risk of other receivables and amounts due from related parties

Other receivables at the end of each of the Relevant Periods were mainly comprised deposit paid for the bidding of a parcel of land at 31 December 2015, which was fully refunded to the Group in 2016. Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Relevant Periods. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behaviour of the third party, including changes in the payment status of the third party.

For other receivables, Directors make periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. Amounts due from related parties are considered to have low credit risk as they have a low risk of default and the counterparty has strong capability to meet its contractual cash flow obligations in the near term. Therefore, the expected credit loss is estimated to be minimal.

Based on historical experience, majority of the other receivables and amounts due from related parties were settled within 1 months after upon maturity, hence the expected credit loss is close to zero.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

No significant changes to estimation techniques or assumptions were made during the Relevant Periods.

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 and other borrowings.

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.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	As at December 31, 2015					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	473,381	644,698	2,679,250	569,668	4,366,997
Trade payables	18,704	18,591	20,657	–	–	57,952
Other payables and accruals	260,571	149,574	14,328	–	–	424,473
	279,275	641,546	679,683	2,679,250	569,668	4,849,422

	As at December 31, 2016					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	58,358	249,406	1,061,805	533,100	1,902,669
Trade payables	13,343	148,284	20,827	–	–	182,454
Other payables and accruals	386,025	22,311	72,027	–	–	480,363
	399,368	228,953	342,260	1,061,805	533,100	2,565,486

	As at December 31, 2017					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	56,176	249,606	871,592	520,502	1,697,876
Trade payables	192,817	518,928	37,941	–	–	749,686
Other payables and accruals	11,112	88,646	17,900	–	–	117,658
	203,929	663,750	305,447	871,592	520,502	2,565,220

	As at June 30, 2018					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	19,617	313,268	901,472	733,408	1,967,765
Trade payables	222,073	1,060,889	34,622	–	–	1,317,584
Other payables and accruals	11,056	7,563	27,259	–	–	45,878
	233,129	1,088,069	375,149	901,472	733,408	3,331,227

Company

	As at December 31, 2015					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	96,981	361,287	1,287,143	215,650	1,961,061
Trade payables	15,353	5,699	10,202	–	–	31,254
Other payables and accruals	87	14,728	3,656	–	–	18,471
	15,440	117,408	375,145	1,287,143	215,650	2,010,786

	As at December 31, 2016					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	3,363	39,835	157,528	172,327	373,053
Trade payables	16,219	6,222	10,956	–	–	33,397
Other payables and accruals	403	4,099	5,003	–	–	9,505
	16,622	13,684	55,794	157,528	172,327	415,955

	As at December 31, 2017					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	3,133	24,121	159,887	148,946	336,087
Trade payables	17,143	9,338	4,771	–	–	31,252
Other payables and accruals	386	2,922	1,055	–	–	4,363
	17,529	15,393	29,947	159,887	148,946	371,702

	As at June 30, 2018					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	–	2,962	38,212	159,251	108,439	308,864
Trade payables	10,091	5,047	7,795	–	–	22,933
Other payables and accruals	235	7,196	1,267	–	–	8,698
	10,326	15,205	47,274	159,251	108,439	340,495

Capital management

The Group's objectives for capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services and products commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt comprises trade payables, interest-bearing bank and other borrowings, other payables and accruals, and tax payable, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	57,952	182,454	749,686	1,317,584
Other payables and accruals	454,742	522,338	160,449	80,798
Tax payables	36,177	32,469	20,362	13,436
Interest-bearing bank and other borrowings	3,854,821	1,611,409	1,455,500	1,638,000
Less: Cash and cash equivalents	(1,201,749)	(1,501,380)	(1,139,951)	(1,166,247)
Security deposits	(80,984)	–	–	–
Net debt	3,120,959	847,290	1,246,046	1,883,571
Total equity	1,680,152	2,054,462	2,267,108	2,470,185
Capital and net debt	4,801,111	2,901,752	3,513,154	4,353,756
Gearing ratio	65%	29%	35%	43%

34. EVENTS AFTER THE RELEVANT PERIODS

(a) The expansion project of Chengpeng Expressway was completed and open to public on July 12, 2018. Upon the completion of expansion project of Chengpeng Expressway, the roll rates applicable to Type 1, Type 2, Type 3, Type 4 and Type 5 passengers vehicles were raised to RMB0.63, RMB1.26, RMB1.89, RMB2.52 and RMB3.15 per kilometre, respectively.

(b) On 27 August 2018, the Company declared a dividend of RMB0.18 per share, amounting to a total dividend of approximately RMB221,988,800 for the year ended December 31, 2017. On November 6, 2018, the Company resolved and planned to declare the dividend for the year ended December 31, 2018 as dividends to all shareholders including the shareholders after listing of the H shares on the Main Board of the Stock Exchange of Hong Kong Limited.

(c) In connection with the additional capital injection of approximately RMB481.7 million that the Company injected into Chengpeng Expressway in support of the expansion project of Chengpeng Expressway, the registration with the relevant local regulatory authorities in the PRC has not been completed as at the date of this report. On November 16, 2018, the Company and Pengzhou Zhengtongdaoqiao Construction Company Limited ("Pengzhou Zhengtongdaoqiao") entered into an agreement that, during the interim period before registration has been completed, the Company are entitled to exercise voting and dividend rights as a 99.74% shareholder, fully reflecting the amount of capital contribution the Company made as of the date of this report, with Pengzhou Zhengtongdaoqiao being entitled to exercise the remaining 0.26% of shareholding rights.

Except for the events mentioned above, no other significant events that requires additional disclosure or adjustments occurred after the Relevant Periods.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2018.

The information set out in this Appendix was prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and is for information purposes only and does not form part of the Accountants' Report on the historical information of the Group prepared by the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out here to provide the prospective investors with further information on how the proposed listing might have affected the net tangible liabilities of the Group after the completion of the global offering of shares of the Company (the "Global offering") as if the Global Offering had taken place on June 30, 2018.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE LIABILITIES OF OUR GROUP

The following unaudited pro forma statement of adjusted net tangible liabilities of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible liabilities of our Group attributable to equity owners of our Company as of June 30, 2018 as if the Global Offering had taken place on June 30, 2018.

This unaudited pro forma statement of adjusted net tangible liabilities has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of our Group as of June 30, 2018 or at any future dates following the Global Offering. It is prepared based on the audited consolidated net tangible liabilities of our Group as of June 30, 2018 as set out in the Accountants' Report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible liabilities does not form part of the Accountants' Report.

	Audited consolidated net tangible liabilities of our Group attributable to owners of our Company as of June 30, 2018[1] *RMB'000*	**Estimated net proceeds from the Global Offering[2]** *RMB'000*	**Unaudited pro forma adjusted net tangible liabilities attributable to owners of our Company** *RMB'000*	**Unaudited pro forma adjusted net tangible liabilities per Share[3][4][5]** *RMB*	*HK$*
Based on the Offer Price of HK$2.20 per Share	(1,919,614)	699,924	(1,219,690)	(0.76)	(0.87)

Notes:

(1) The audited consolidated net tangible liabilities attributable to the equity owners of our Company as of June 30, 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the equity owners of our Company as of June 30, 2018 of approximately RMB2,323.4 million with an adjustment for the intangible assets as of June 30, 2018 of RMB4,243.0 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$2.20 per Offer Share. After deduction of the estimated underwriting fees and other related expenses payable by our Company and takes no account of any shares which may fall to be issued upon the exercise of Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible liabilities per Share has been arrived at after having made the adjustments referred to in the preceding paragraphs and on the basis of a total of 1,600,000,000 Shares in issue, but without taking into account any H Shares which may fall to be issued upon the exercise of the Over-allotment Options.

(4) For the purpose of this unaudited pro forma adjusted net tangible liabilities, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.88111.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible liabilities of the Group to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2018. In particular, the unaudited pro forma adjusted consolidated net tangible liabilities of our Group has not taken into account a dividend of approximately RMB221,988,800 for the year ended December 31, 2017 and a dividend for the nine months ended September 30, 2018. The unaudited pro forma adjusted consolidated net tangible liabilities per Share would have been RMB(0.90) (equivalent to HK$(1.02) per Share based on the Offer Price of HK$2.20 per Share, if the dividend of approximately RMB221,988,800 for the year ended December 31, 2017 had been taken into account.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Chengdu Expressway Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Chengdu Expressway Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible liabilities as at 30 June 2018, and related notes as set out on Appendix II of the prospectus dated December 28, 2018 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of offer of the Company on the Group's financial position as at 30 June 2018 as if the transaction had taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules) and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of offer of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
December 28, 2018

1. PRC TAXATION

1.1 Taxation of Dividends

Individuals

Pursuant to the Individual Income Tax Law of the PRC (the "Individual Income Tax Law") which was issued and enforced on September 10, 1980 and was newly amended on June 30, 2011, income from interest, dividends, bonus shall be taxed at a flat rate of 20%. The taxable income amount for income from interest, dividends and bonuses, contingent income and other income shall be the amount of each income item.

On June 28, 2011, the State Administration of Taxation (the SAT) issued Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No.045 (the "New Tax Notice"). Pursuant to the New Tax Notice, dividends paid by a PRC company listed in Hong Kong to foreign individuals are subject to PRC withholding tax according to the Individual Income Tax Law and its implementation rules, and such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty. Generally, a convenient tax rate of 10% shall apply to the dividends paid by the company listed in Hong Kong to foreign individuals without application according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (1) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (2) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%; and (3) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

Enterprise

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income which was signed on August 21, 2006 and enforced on January 1, 2007, the PRC government may impose tax on dividends paid to a Hong Kong resident including natural person and legal entity from a PRC company, but such tax shall not exceed 10% of the total sum of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total sum of dividends payable by that PRC company.

Pursuant to the Enterprise Income Tax Law of the PRC which was issued on March 16, 2007, enforced from January 1, 2008 and amended on February 24, 2017 (the "New Enterprise Income Tax Law") and Regulation on the Implementation of the Enterprise Income Tax Law of PRC which was issued on December 6, 2007 and enforced on January 1, 2008, where the non-resident enterprise has no office or premises established in China or the income derived or accrued has no de facto relationship with the office or premises established, corporate income tax shall be payable by the non-resident enterprise for income derived from or accruing in China at a rate of 10%.

1.2 Taxation of Capital Gains

According to the Individual Income Tax Law of the PRC which was issued and effected on September 10, 1980 and newly amended on June 30, 2011, and the Implementation Rules of the Individual Income Tax Law of the PRC issued and enforced on January 28, 1994 and newly amended on July 19, 2011, income from transfer of property shall be subject to individual income tax at a rate of 20%.

Pursuant to the Notice on Continuing the Income Tax-Free Policy on the Share Transfer of Individual Holders jointly issued and enforced by the Ministry of Finance and the SAT dated March 30, 1998, the income from individual transfer of shares of listed company shall continue being free from individual income tax since January 1, 1997.

However, on December 31, 2009, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individual from Transfer of Listed Shares Subject to Sales Limited (Caishui [2009] No. 167), which provided that individuals income from transferring listed shares of certain domestic stock exchanges shall continue to be exempted from the individual income tax, except for certain shares which are subject to sales limitations as defined in the Supplementary circular on Relevant Issue Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares subject to Sales Limitation (Caishui [2010] No. 70). As as the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

1.3 Stamp Duty

According to the Provisional Regulations of PRC Concerning Stamp Duty, which was issued on August 6, 1998, enforced on October 1, 1998 and was amended on January 8, 2011, all units and individuals which conclude or receive any of the documents listed in the rules shall be regarded as obligatory payers of stamp duty and shall pay stamp duty in accordance with the provisions of these Rules. A taxpayer shall calculate the amount of stamp duty payable in accordance with the nature of the taxable documents. The following documents shall be regarded as taxable documents: (1) documents issued for purchase and sale transactions, process contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature; (2) documents of transfer of property title; (3) business books of account; (4) documentation of rights or licences; (5) other documents determined by the Ministry of Finance to be taxable.

1.4 Income Tax on the Company

Pursuant to the New Enterprise Income Tax Law, and the Implementation Rules for the PRC Enterprise Income Tax Law which was issued on December 6, 2007 and enforced on January 1, 2008, resident enterprises (which is defined as enterprises established in the PRC in accordance with laws, or established in accordance with the laws of foreign countries (regions) but with the actual or de facto control entity in the PRC) shall be subject to an enterprise income tax at a rate of 25% for their income originated from domestic and overseas sources.

1.5 Replacing Business Tax with Value-added Tax

Pursuant to the Notice of Implementing the Pilot Program of Replacing Business Tax with Value-added Tax in an All-round Manner which was issued on March 23, 2016 and enforced on May 1, 2016, with the approval of the State Council, as of May 1, 2016, the pilot program of replacing business tax with value-added tax shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of value-added Tax. For the vehicle tolls of an expressway which is commenced before the implementation of the pilot program as collected by a highway management enterprise which is a general taxpayer, the tax payable may be calculated at the reduced rate of 3% by the simple tax computation method. An "expressway which is commenced before the implementation of the pilot program" means an expressway for which the relevant construction permit indicates that the commencement date of the contract is before 30 April, 2016.

Pursuant to the Interim Regulation of the People's Republic of China on Value-added Tax which was issued on December 13, 1993, enforced on January 1, 1994 and was newly amended on November 19, 2017 and other relevant enforcement regulations, entities and individuals engaged in the sale or processing of goods, repair and replacement services, sale of services, intangible assets, real estates and importation of goods within the territory of the People's Republic of China are taxpayers of value-added tax, and shall pay value-added tax.

2. FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, has the power for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to the Regulations of the People's Republic of China on Foreign Exchange Control promulgated by the State Council on January 29, 1996, enforced on April 1, 1996 and newly amended on August 5, 2008, the foreign exchange income and expenditure or foreign exchange operations of domestic institutions and individuals, and the foreign exchange income and expenditure and foreign exchange operations conducted within the territory of the PRC by

overseas institutions and individuals shall be subject to this regulation. Domestic institutions engaging in the issuance or trading of negotiable securities or derivative products shall complete registration in accordance with the requirements of the foreign exchange administrative department of the State Council. Foreign exchange administrative authorities have the right to exercise inspection and examination on foreign exchange settlement under capital accounts as well as the use of funds from and account changes in respect of such settlement. However, the international payments in foreign exchange and the transfer of foreign exchange under current account shall not be subject to any state control or restriction.

On December 26, 2014, the SAFE issued and enforced the Notice of the State Administration of Foreign Exchange on issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No.54), pursuant to which a domestic company shall, within 15 business days of the end of its offering overseas, present with certain materials and register the overseas listing with the SAFE's local branch at the place of its incorporation; Upon verification that the aforesaid materials are free of error, the SAFE's local branch shall process registration for the domestic company in the capital project information system, then the domestic company shall present this registration certificate to complete account opening and the relevant formalities for its overseas listing. The proceeds from an overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (Hui Fa [2015] No.13) issued by the SAFE on February 13, 2015 and came into effect on June 1, 2015, it cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Administrative Policies over Foreign Exchange Settlement under Capital Accounts (Hui Fa [2016] No.16) issued and enforced by the SAFE on June 9, 2016, relevant policies have made it clear that domestic institutions may settle their foreign exchange incomes under the capital account (including funds raised from overseas listing) to discretionary settlement according to relevant policies with banks as actually needed for business operation; Domestic institutions may, at their discretion, temporarily settle up to 100% of their foreign exchange incomes under the capital account. The SAFE may adjust the above proportion in accordance with the international balance of payment situation as appropriate.

Hui Fa [2016] No.16 also stipulates that the foreign exchange incomes under the capital account of a domestic institution shall be used under the principles of authenticity and for itself. Domestic institutions shall comply with the following provisions in using their foreign exchange incomes under the capital account and Renminbi funds obtained from foreign exchange settlement:

(1) Such incomes and funds shall not, directly or indirectly, be used for the expenditures beyond the business scope of domestic institutions or the expenditures prohibited by laws and regulations of the State;

(2) Unless otherwise provided, such incomes and funds shall not, directly or indirectly, be used for investment in securities or other investments than banks' principal-secured products;

(3) Such incomes and funds shall not be used for the granting of loans to non-affiliated enterprises, with the exception that such granting is expressly permitted in the business license; and

(4) Such incomes and funds shall not be used for construction or purchase of real estate for purpose other than self-use (exception applies for real estate enterprises).

Moreover, domestic institutions applying for payment with the incomes under the capital account shall truthfully provide the bank concerned with materials proving transaction authenticity relating to their use of funds. For a domestic institution that applies for (1) the payment-based settlement of its all foreign exchange incomes under the capital account; or (2) the payment with the entire Renminbi funds in its account pending for foreign exchange settlement and payment on a lump-sum basis, the bank concerned shall not process foreign exchange settlement or payment for it if it is unable to provide relevant materials to prove transaction authenticity.

The following is the text of letter prepared for inclusion in this prospectus, received from Master Alliance (China) Limited, the Company's traffic consultant, in connection with independent traffic forecast study on the "Chengguan Expressway", "Chengpeng Expressway", "Chengdu Airport Expressway" and "Chengwenqiong Expressway" in Sichuan Province, PRC.



Master Alliance (China) Limited,
Unit 907, 9/F,
Silvercord Tower 2,
30 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

December 28, 2018

The Directors
Chengdu Expressway Co., Ltd.

Dear Sirs,

Chengguan Expressway, Chengpeng Expressway,
Chengdu Airport Expressway
and Chengwenqiong Expressway in Sichuan Province
Traffic Forecasting Study Final Report

In accordance with your instructions and for Chengdu Expressway Co., Ltd. (the "Company"), Master Alliance (China) Limited (the "Consultant" or "MA") has conducted an independent traffic forecast study (the "Study") on four toll roads in Sichuan Province, the People's Republic of China ("PRC"). This report summarizes the results and findings based on the technical analyses conducted. We confirm that the future traffic forecasts for the following toll roads were projected in an independent and professional manner:

1. Chengguan Expressway
2. Chengpeng Expressway
3. Chengdu Airport Expressway
4. Chengwenqiong Expressway

A summary of the findings of this report is set out below:

1 INTRODUCTION

This report summarizes the results and findings based on the technical analyses conducted. We confirm that future traffic for the remainder of the concession periods were projected in an independent and professional manner. In conducting the Study, we have based our analyses on adequate site investigations, interviews with local authorities/toll road operators, and reviews of available traffic data, feasibility reports and other relevant information. In utilizing the given information from the Company, we also sought confirmation from the management of the toll roads that no relevant material factors have been omitted. We conclude that sufficient and reliable information has been provided for conclusive review and comprehensive analysis.

1.1 The Routes

Chengguan Expressway

Chengguan Expressway is a six-lane asphalt-concrete-paved expressway with seven toll plazas and a total distance of 40.44 km. The maximum design speed at 120 km/hour. This close system expressway was opened to traffic in July 2000. Located in Sichuan Province, Chengguan Expressway starts from Chengdu High-Tech Zone going west to Dujiangyan. It plays an important role in the economic development and the tourism industry of Western Sichuan.

Chengpeng Expressway

Chengpeng Expressway was a four-lane expressway with four toll plazas and a total distance of 21.32 km. The maximum design speed is 100 km/hour. Since 2017, it was undergoing road-widening to six lanes (road section between Mianyang Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and eight lanes (road section between Chengdu No. 2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway). This road widening works completed on June 30, 2018. This expressway was opened to traffic in October 2004. Located in Sichuan Province, Chengpeng Expressway starts from Xindu District in Chengdu to the Pengzhou. It forms a major component of the S105 Provincial Highway. It is a backbone in the radial patterned road network of Chengdu and also a major corridor to enter into Chengdu from the North.

Chengdu Airport Expressway

Chengdu Airport Expressway is a four-lane asphalt-concrete-paved expressway with one toll plaza and a total distance of 11.98 km., It has a maximum design speed of 100 km/hour. This close system expressway was opened to traffic in July 1999. Located in

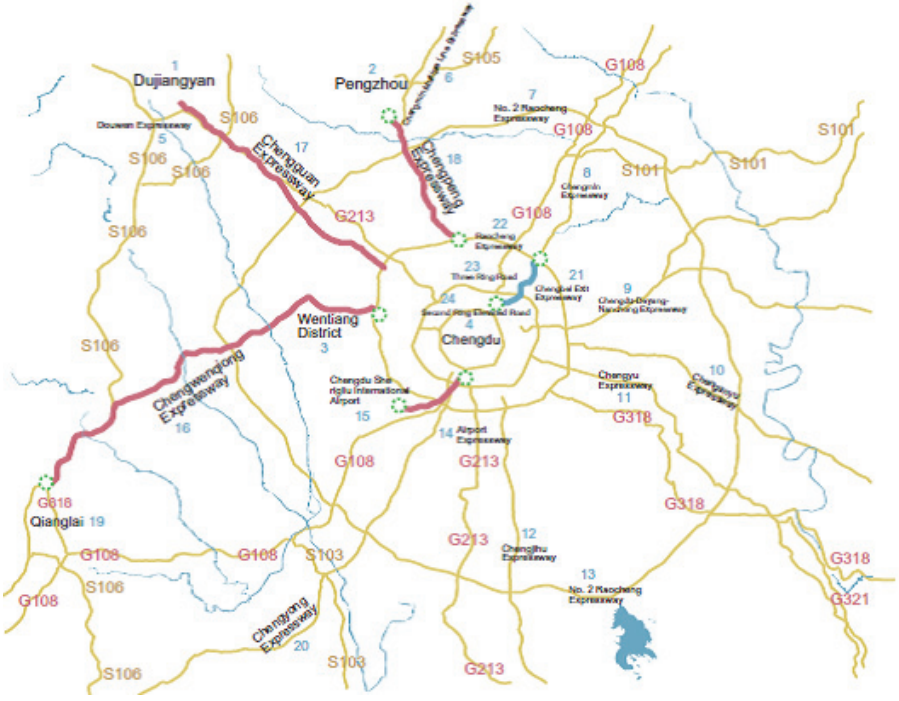
Sichuan Province, Chengdu Airport Expressway starts from Chengdu South Railway Station Viaduct to Shuangliu Airport Tunnel 1. It is the only expressway connecting downtown Chengdu with the Chengdu Shuangliu International Airport ("Shuangliu Airport").

Chengwenqiong Expressway

Chengwenqiong Expressway is a dual six-/four-lane asphalt-concrete-paved expressway with twelve toll plazas and a total distance of 65.6 km. It has a maximum design speed of 100 km/hour. This expressway is located within Chengdu. It was reconstructed from the Chengdu portion of the 318 State Road and was opened to traffic in October 2004. Located in Sichuan Province, Chengwenqiong Expressway starts from Qingyang District to the Qionglai City.

The locations and general description of the four Expressways are summarised on Figure 1-1 and Table 1-1.

Figure 1-1 Location of the Four Expressways



Source: Chengdu Expressway Co., Ltd., 2018

Table 1-1 Summary of General Project Description

	Length (km)	Number of Lanes	Number of Toll Plazas	Commencement of Operation	Expiration Date
Chengguan Expressway	40.44	6	7	July 2000	July 2030
Chengpeng Expressway	21.32	6/8[(1)]	4	November 2004	October 2033
Chengdu Airport Expressway . .	11.98	4	1	July 1999	December 2024
Chengwenqiong Expressway . . .	65.60	6/4	12	January 2005	January 2035

Note:

(1) The road widening works of Chengpeng Expressway completed on June 30, 2018, following which Chengpeng Expressway changes from an four-lane expressway to an six-lane expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and from an four-lane expressway to an eight-lane expressway for the road section between Chengdu No. 2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway.

Source: Chengdu Expressway Co., Ltd., 2018

Destinations and Major Connections

- Chengdu, is a sub-provincial city and has served as the capital of the Sichuan Province in China. The main industries in Chengdu – including machinery, automobile, medicine, food, and information technology – are supported by numerous major enterprises. In addition, an increasing number of high-tech enterprises from outside Chengdu have also started to settle down there. Chengdu's transport network has been well developed, and serves as the starting point for many national highways, with major routes going from Sichuan-Shanxi, Sichuan-Tibet, and Sichuan-Yunnan.

- Shuangliu International Airport is located in Shuangliu County which is 16 km southwest of the Chengdu downtown. Chengdu Shuangliu International Airport is the busiest airport in Central and Western China and the nation's 5th-busiest airport, with a total passenger traffic of 49.8 million in 2017.

- Our expressways connect Chengdu to many of the renowned tourist attractions in Sichuan, including many catalogued UNESCO World Heritage Sites such as Jiuzhai Valley Scenic and Historic Interest Area (九寨溝風景名勝區), Qingcheng Mountain (青城山) and Dujiangyan Irrigation Project (都江堰水利工程) and Xiling Snow Mountain (西嶺雪山).

- Chengdu No. 2 Ring Expressway: It completes the loop of expressways connecting to Chengdu and facilitates the general "One-hour Economic Circle" policy.

Existing Competing Roads/Rails

- Existing competing roads include the Chengqing Freeway (成青快速通道), Chengguan Railway (成灌鐵路), Chengmian Expressway (成綿高速), Chengya Expressway (成雅高速) and Chengwenqiong Freeway (成溫邛快速通道) etc;

- Chengguan Expressway faces competition from the following:

  - Chengqing Freeway (成青快速通道) is a four-lane freeway with a total distance of 38.7 kilometers. The maximum design speed is 80 km/hour. It starts from Chengdu and ends at Qingcheng Mountain, is toll free and which has diverted certain passenger traffic to and from Qingcheng Mountain;

  - Chengdu-Dujiangyan Intercity Railway (成都 – 都江堰鐵路(成灌鐵路)), also offers an alternative transport mode to the Chengdu residents and has diverted certain passenger traffic to and from Dujiangyan and Qingcheng Mountain. The one-way train fare is RMB 15.

- Chengpeng Expressway faces competition from the following:

  - Chengmian Expressway (成綿高速) is a four-lane expressway with a total distance of 92.3 kilometers. The maximum design speed is 100 km/hour. It starts from Chengdu and ends in Mianyang, has diverted certain freight traffic and passenger traffic to and from Mianyang.

- Chengwenqiong Expressway faces competition from the following:

  - Chengwenqiong Freeway (成溫邛快速通道) is a six-lane freeway with a total distance of 52.6 kilometers. The maximum design speed is 80 km/hour. It starts from Shuangliu and ends in Qionglai, is a toll-free municipal freeway and has diverted certain freight traffic and passenger traffic to and from Wenjiang area;

  - Chengya Expressway (成雅高速) is a 4-lane expressway with a total distance of 141.2 kilometers. The maximum design speed is 80 km/hour. It starts from Chengdu and ends in Ya'an, is a toll expressway and has diverted certain freight traffic and passenger traffic to and from Ya'an area;

  - In addition, Chengwenqiong faces competition from alternative transportation options, such as Chengdu subway line No. 4, has diverted certain passenger traffic between Chengdu and Wenjiang area.

- Chengdu Airport Expressway currently faces competition from the following:

  - Chengdu subway line No. 10 has diverted certain passenger traffic to and from Chengdu Shuangliu International Airport (成都雙流國際機場).

Source: Chengdu Expressway Co., Ltd., 2018

2 OBJECTIVES AND SCOPE OF SERVICES

The major objective of the Study is to provide the Company with an independent study on future traffic projections on the 4 study expressways.

The scope of work includes:

- Collection and analyses of historical traffic data;
- Collection and review of socio-economic data of the study region;
- Interviews of toll road operators, local highway bureau officials and local planning department officials;
- Review of available planning and feasibility reports related to the traffic corridors of the study highways;
- Development of a socio-economic and traffic forecast model;
- Impact analyses of competing roads within the area of influence; and
- Preparation of traffic forecasts for future years.

3 TRAFFIC FORECASTING METHODOLOGY

To enable reliable forecasting of future traffic projections for the four project expressways, the Consultant developed a comprehensive socio-economic and traffic forecasting model ("traffic model"). The traffic model is based on traditional traffic forecast methodologies that are widely adopted for toll road studies in the Sichuan Province and PRC. Relevant information has been collected and accumulated by the Consultant from other toll road projects in the Sichuan Province. This section summaries the main approach and the key assumptions used by the Consultant in its traffic forecast model.

(i) Data Collection and Analysis – The key objective of this technical stage is to obtain and organize existing available information for the next stage of work. Typical information to be inventoried includes historic highway network data, Station-to-station Origin-Destination (O-D) data, toll road traffic and revenue data, existing and future socio-economic forecasts of the relevant regions, and previous relevant analyses and reports.

(ii) Traffic Forecasting Model Development – The professional computer model simulation software was used to develop the traffic forecasting model for this study. The Consultant developed over 200 traffic analysis zones (TAZs) within the Sichuan Province in order to facilitate the future analyses. The applications of the traffic

forecasting model included base year calibration, adoption of reasonable traffic growth assumptions and forecasting of traffic distribution and assignment patterns on the expressway network in order to obtain reasonable future traffic forecast results.

(iii) Model Inputs Assumptions – The model inputs included the existing traffic data (refer to section 4.1), socio-economic data and future assumptions (refer to section 4.2). The model will then calculate the future traffic demands (called future-year demand matrices by different vehicle classes). Other model inputs included road networks assumptions (refer to section 4.3), transport model parameters such as congestion delay, road capacity (refer to section 4.4) and toll rate assumptions (refer to section 4.5), etc.

(iv) Traffic flow – The computer model will apply appropriate traffic engineering algorithm to assign the future-year demand matrices (by different types of vehicles) on the future road networks. This process is called "traffic assignment" and the model adopted "generalised-cost" as the factor to influence the decisions to select travel paths by the trip makers. This arrives at a balanced trip distribution on the road network within the study area. The "generalised cost" includes all elements and factors (such as travel time, travel distance, vehicle operation cost and toll costs etc) that may affect the choice of travel paths of the car drivers.

The traffic assignment model used by the Consultant has taken into consideration road users' willingness to pay certain travel costs and travelling speed/congestion levels on the project roads in comparison to other competing expressways. From the trip matrices, the trips between any two TAZs are allocated by the model to the paths of the lowest generalised cost. Trip distribution is an iterative process, in which every trip during an iteration would be assigned to the path of the lowest generalised cost. The total traffic volume on the project roads can then be obtained.

4 MAJOR ASSUMPTIONS

The major assumptions used in the traffic forecasting are as follows.

4.1 Existing Traffic Data

The four project roads have been opened to public for over 10 years (e.g. 1999 for Chengdu Airport Expressway and 2004 for Chengwenqiong Expressway). The Consultant has obtained the 2012 – October 2018 historical traffic data from the Project Company. The Consultant considers that the traffic composition, vehicular modes and traffic volume for the 4 study expressways have become stabilised by the time of this study.

The Consultant obtained from the Sichuan Province Expressway Revenue Records the Station-to-Station traffic data for the periods of 23rd – 29th October, 2017 and 23rd – 29th March, 2018 for the four project roads. This information included all relevant traffic information on the project roads such as in-out time and locations (i.e. the origins and destinations), vehicle types, toll charge categories, toll revenue and gross weight. This enabled the Consultant to understand the composition of the vehicle streams, the origins and destinations of the traffic, variations in traffic volume during the week and distance travelled on the four project roads.

There are several advantages of deriving the traffic distribution pattern on the expressway system from the Station-to-Station Revenue Records. First of all, the results were recorded by electronic devices instead of on-site investigations and surveys. Secondly, the results were directly issued from the Tolling System of the Sichuan Provincial Expressway Network without mistakes possibly made through the manual data entry and coding processes. This enhanced the accuracy of the base traffic data used in subsequent analyses. Thirdly, the information represented 100% universe and 24 hour records on the expressway system. The discrepancies and problems likely to be incurred by the survey sampling method could be avoided.

4.2 Socio-Economic Development

Past studies conducted in the study region and in other areas of PRC have indicated that growth in GDP has been more closely related to the passenger and goods vehicles travels than any other factors or parameters. Therefore, the use of "Gross Domestic Product" ("GDP") statistics as the prime indicator to determine future traffic growth on the project roads under this study. Future economic growth trends in the related study region are consistent with existing regional economic policies in the PRC as well as in Sichuan Province, including the Thirteenth Five-Year Plan, the provincial development master plan and the local governmental policies. The adopted economic growth parameters are given in the table below:

Table 4-1 Annual GDP Growth (%) Assumptions

	2018-2020	2021-2025	2026-2030	2031-2035
China	7.8%	6.5%	5.5%	4.5%
Sichuan Province	7.9%	6.5%	5.5%	4.5%
Chengdu District	7.9%	6.5%	5.5%	4.5%
DeYang District	8.4%	7.0%	6.0%	5.0%
MianYang District	8.3%	7.0%	6.0%	5.0%
YaAn District	8.1%	6.5%	5.5%	4.5%

Source: 13th Five Year Plan of Sichuan Province and Consultant's assumptions in 2018

4.3 Road Network and Other Infrastructures

For the base-year road network, the Consultant made use of the existing Sichuan Province Expressway Network map which was coded into the traffic modelling software. All major highway facilities were included in the network of the traffic modelling software, including expressways and national highways.

In the future-year forecasts, the road networks for all model forecast years were developed based on the base-year road network, the infrastructure plans available in the Sichuan Provincial Expressways Plan (《四川高速公路路網規劃全圖》) and the 13th Five Year Plan. These infrastructure plans were inputted into the traffic modelling software for all traffic forecast scenarios. There is no official source available for planned highway infrastructure projects after 2021.

Major new infrastructures under construction in the province include Chengdu Tianfu Airport Expressway (88.73 kilometers long, 6/8 lanes, maximum design speed 120 km/hour), Chengdu Economic Zone Ring Expressway (442.4 kilometers long, 6 lanes, maximum design speed 100/120 km/hour) and Chengyi Expressway (157 kilometers long, 6 lanes, maximum design speed 120 km/hour). Major new infrastructures have been planned in the province include Chengziyu Expressway (110 kilometers long, 4/6 lanes, maximum design speed 100 km/hour), Chengya Expressway Parallel Line (6 lanes, maximum design speed 100 km/hour) and Cheng'a Expressway (82 kilometers long, 4 lanes, maximum design speed 80 km/hour).

These planned and under-construction major new infrastructures in the vicinity of the study corridors which may have impacts on the four project roads include the following:

- Chengdu Economic Zone Ring Expressway (442.4 kilometers long, 6 lanes, maximum design speed 100/120 km/hour) – This will form an outer ring road of Chengdu connecting Deyang (德陽), Dujiangyan (都江堰), Dayi (大邑), Pujiang (蒲江), Pengshan (彭山), Jianyang (簡陽) and Zhongjiang (中江). Chengdu Economic Zone Ring Expressway is expected to be opened in 2020.

- The Chengdu Second Airport – As the existing Chengdu Shuangliu Airport (成都雙流國際機場) will almost reach its capacity in the near future, Chengdu Tianfu International Airport (成都天府國際機場) is under-construction to serve the future needs of Chengdu, the capital of China's Sichuan Province and a major air hub. Construction began in 2016 and the phase one will be opened in 2020. This airport will operate as a second airport for Chengdu while the Chengdu Shuangliu International Airport will continue to operate. The design capacity for air passengers of the new airport is around 40 million annually and will ultimately reach around 50 million annually. It is anticipated that certain proportion of future passengers demands will be diverted to the new airport.

The Consultant performed the traffic assignment using the future year travel demand matrices (obtained in section 4.1 and 4.2) and the future year road network. According to the traffic assignment model results, certain traffic impacts on the four project roads were observed to happen in 2019, 2020 and 2021. Other planned expressways were also tested in the traffic model. However, the traffic impacts would be insignificant due to the characteristics of the different alignments and catchment areas.

4.4 Congestion Delay and Road Capacity

The design speeds for the four project roads are either 100km/hour or 120km/hour. The major factors that affect the road capacity of an expressway include the design standards (e.g. design speed), composition of vehicle types, and hourly distribution of traffic volume (peak hour factor). According to the Highway Engineering Technical Specifications (JTG B01-2014), the traffic capacity of a highway section at level of service 3 is 1,650 (PCU/lane/hour). The traffic capacity of the project expressways are shown as follows:

Table 4-2 Capacity Assumptions of the Project Roads

	Length *(km)*	**Number of Lanes**	**Design Speed** *(km/hr)*	**Capacity** *(vehicles per day)*
Chengguan Expressway	40.44	6	120	168,960
Chengpeng Expressway	21.32	6/8[(1)]	100	162,667 (6-lanes) 216,889 (8-lanes)
Chengdu Airport Expressway . . .	11.98	4	100	93,866
Chengwenqiong Expressway	65.60	6/4	100	110,080 (4-lanes) 165,120 (6-lanes)

Note:

(1) The road widening works of Chengpeng Expressway completed on June 30, 2018, following which Chengpeng Expressway changes from an four-lane expressway to an six-lane expressway, with its capacity of 162,667 vehicles per day, for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway and from an four-lane expressway to an eight-lane expressway, with its capacity of 216,889 vehicles per day, for the road section between Chengdu No. 2 Ring Expressway and Chengdu Toll Plaza of Chengpeng Expressway.

Source: Consultant, 2018

Since the traffic patterns of passenger cars and trucks will be different in the future, the capacity of the project highways will likely have some changes with the current calculation value in the coming years.

The travel time generally depends on the travel speed, which varies with the level of congestion. The level of congestion of the project expressways may be low in the base year, but will grow with traffic in the coming years. It is necessary to estimate travel speeds through traffic assignment with capacity constraints. The volume and level of service obtained from traffic assignment were stored in the traffic model's database.

4.5 Toll Rates

Toll rate is one of the parameters that would affect traveller's route choice. In the traffic model, the actual toll rates in Sichuan Province for different vehicle classes were inputted for traffic assignment to predict the traveller's route. The existing vehicle classification standards and toll rates in Sichuan Province are set forth below:

Table 4-3 Vehicle classification standards and toll rates in Sichuan Province

	Vehicle Model and Specification	
Type	**Passenger Vehicle (seat)**	**Freight Vehicle (ton)**
1	≤ 7 (inclusive of 7)	≤ 2
2	8-19 (inclusive of 19)	2-5 (inclusive of 5)
3	20-39 (inclusive of 39)	5-10 (inclusive of 10), vehicles towing 20-ft container
4	≥ 40	10-15 (inclusive of 15), vehicles towing 40-ft container
5	–	> 15

	Toll Rates for Passenger Vehicles (RMB/km)			
Type	**Chengguan Expressway**	**Chengpeng Expressway[1]**	**Chengwenqiong Expressway**	
			Four Lanes	**Six Lanes**
1	0.5	0.63	0.35	0.45
2	1.0	1.26	0.7	0.9
3	1.5	1.89	1.05	1.35
4	2.0	2.52	1.4	1.8
5	2.5	3.15	1.75	2.25

Note:

(1) Road widening works completed on June 30, 2018 and new toll rates commenced on July 12, 2018.

Source: Chengdu Expressway Co., Ltd., 2018

Chengdu Airport Expressway adopted fixed toll scales, which are set out as follows:

	Toll Rates (RMB/Vehicle)
Type	**Chengdu Airport Expressway**
1	10.00/5.0 (taxi)[1]
2	20.00
3	30.00
4	40.00
5	50.00

Note:

(1) Prior to January 1, 2016, the applicable rate was RMB14.0 per regular type 1 vehicle and RMB7.0 per taxi. Applicable rates to type 2 to type 5 vehicles were RMB28, RMB42, RMB56 and RMB70 per applicable vehicle, respectively, prior to January 1, 2016.

The rates of weight-based toll for goods vehicles are calculated as follows:

Toll Charges	Category	Toll Charges By Vehicle Weight
Toll Charges by Regular Weight	Standard Rate	0.075 RMB/ton-km
	< 20 tons (including 20 tons)	0.075 RMB/ton-km
	20 tons~40 tons (including 40 tons)	The first 20 tons of standard rate The remaining portion of linear reduction to 50% of standard rate
	> 40 tons	The first 20 tons of standard rate The second 20 tons of linear reduction to 50% of standard rates 50% of standard rate for the remaining portion

Source: Chengdu Expressway Co., Ltd., 2018

Overweight penalty*: Any 0-30% overweight portion is charged with standard rate; any 30%-100% overweight portion is charged with 3-5 times the standard rate; any >100% overweight portion is charged with 5 times the standard rate. For truck's cargo weight > 55 tons, the toll rate is charged at 16 times the standard rate

In addition to the standard toll rates disclosed above, there are other toll discounts and exemption arrangements as follows:

- Vehicles select ETC as payment method will get a 5% discount from the standard toll rates above;
- Taxis passing through Chengdu Airport Expressway will get a 50% discount from the standard toll rate above;
- Vehicles bearing military registration plates, fire engines, police vehicles, and vehicles performing rescue and relief duties approved by the government authorities are exempted from paying tolls;
- Legal goods vehicles that carry agricultural products are allowed to use a green passage exemption from paying tolls;
- Vehicles may also purchase an annual ticket for Chengdu Airport Expressway with an annual toll rate.

5 TRAFFIC FORECAST RESULTS

Based on the above assumptions and considerations, the projected traffic for the concession periods are estimated. Future traffic forecast is based upon the Annual Average Daily Traffic (AADT). The projected traffic for the four project roads is summarized below.

In addition to the base case, sensitivity tests for the four project roads were also carried out. The content of the sensitivity tests is presented in Table 5.1.

Table 5-1 Sensitivity Tests of Four Project Roads

	Content
(1) Base Case	Based on the key assumptions in Section 4
(2) Sensitivity Test 1	Based on the Base Case, but with the socio-economic growth assumptions described in Chapter 4 reduced by 10%
(3) Sensitivity Test 2	Based on the Base Case, but with the socio-economic growth assumptions described in Chapter 4 increased by 10%

5.1 Base Case

Table 5-2 Annual Average Daily Traffic (Base Case) on Chengguan Expressway (Vehicles/Day)

Year	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	Total[(1)]
2018 . . .	34,540	549	669	188	4	1,651	940	181	461	2,488	41,671
2019 . . .	35,121	586	889	234	4	1,608	935	177	480	2,443	42,477
2020 . . .	38,520	643	976	257	4	1,754	1,020	194	523	2,663	46,554
2021 . . .	41,672	696	1,056	278	4	1,889	1,100	207	563	2,866	50,331
2022 . . .	45,082	752	1,143	300	4	2,034	1,184	224	606	3,085	54,414
2023 . . .	48,770	814	1,237	325	4	2,190	1,276	241	652	3,320	58,829
2024 . . .	52,760	880	1,338	351	5	2,359	1,374	260	703	3,574	63,604
2025 . . .	57,078	952	1,448	380	5	2,541	1,481	279	757	3,846	68,767
2026 . . .	61,122	1,019	1,551	406	5	2,711	1,581	298	807	4,102	73,602
2027[(2)] . .	65,331	1,089	1,658	434	6	2,885	1,684	317	859	4,365	78,628
2028 . . .	68,908	1,151	1,753	459	6	3,031	1,770	333	904	4,591	82,906
2029 . . .	71,136	1,190	1,814	475	6	3,115	1,822	343	930	4,731	85,562
2030 . . .	72,297	1,211	1,848	483	6	3,151	1,844	346	944	4,806	86,936

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage.

(2) At capacity on some sections of Chengguan Expressway.

Table 5-3 Annual Average Daily Traffic (Base Case) on Chengpeng Expressway (Vehicles/Day)

Year	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	Total[(1)]
2018[(2)] . .	23,299	171	337	37	0	1,908	864	189	307	1,129	28,241
2019 . . .	41,419	308	636	70	0	3,253	1,436	319	531	1,869	49,841
2020 . . .	44,813	333	688	75	0	3,510	1,549	344	572	2,014	53,898
2021 . . .	47,815	355	735	81	0	3,738	1,649	367	609	2,142	57,491
2022 . . .	51,025	379	784	86	0	3,981	1,756	390	647	2,278	61,326
2023 . . .	54,450	404	836	92	0	4,240	1,869	416	689	2,423	65,419
2024 . . .	58,100	431	893	98	0	4,516	1,990	442	733	2,578	69,781
2025 . . .	62,001	460	953	105	0	4,810	2,119	471	780	2,742	74,441
2026 . . .	65,115	483	1,000	110	0	5,032	2,212	491	813	2,847	78,103
2027 . . .	68,347	506	1,049	115	0	5,259	2,306	512	846	2,952	81,892
2028 . . .	71,758	531	1,101	121	0	5,499	2,406	534	881	3,063	85,894
2029 . . .	75,365	557	1,156	127	0	5,752	2,511	557	918	3,180	90,123
2030 . . .	79,181	584	1,214	133	0	6,018	2,622	581	956	3,303	94,592
2031 . . .	82,233	606	1,261	138	0	6,234	2,711	601	988	3,403	98,175
2032 . . .	85,278	627	1,307	144	0	6,449	2,798	620	1,019	3,504	101,747
2033 . . .	88,467	649	1,355	149	0	6,674	2,890	640	1,052	3,610	105,486

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage;

(2) Road widening works completed on June 30, 2018 and normal toll collection commenced for all vehicles on July 12, 2018.

Table 5-4 Annual Average Daily Traffic (Base Case) on Chengdu Airport Expressway (Vehicles/Day)

Year	PV1	PV2	PV3	PV4	PV5	Taxi	Sub-total	Non-toll	Total[1]
2018	35,556	342	61	22	4	8,123	44,108	7,013	51,121
2019	38,366	369	66	23	4	8,765	47,593	7,567	55,160
2020[2]	33,116	319	57	20	4	7,566	41,082	6,532	47,614
2021	29,220	281	50	18	3	6,675	36,247	5,763	42,010
2022	28,252	272	49	17	3	6,455	35,048	5,572	40,620
2023	29,133	281	50	18	3	6,656	36,141	5,746	41,887
2024	29,755	286	51	18	3	6,797	36,910	5,868	42,778

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage. (i.e. the number of vehicles entering and leaving the toll station of Chengdu Airport Expressway, regardless of its entry or exit location of the traffic running on Chengdu Airport Expressway);

(2) Chengdu Tianfu International Airport Phase 1 will be operated in 2020.

Table 5-5 Annual Average Daily Traffic (Base Case) on Chengwenqiong Expressway
(Vehicles/Day)

Year	Batch Payment										Normal Toll Collection										
	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	Total[1]
2018	37,560	504	670	103	0	2,674	1,710	292	288	590	3,632	52	68	19	0	547	344	154	530	1,161	50,898
2019	39,078	524	700	107	0	2,784	1,773	303	300	616	3,772	54	71	20	0	568	357	158	547	1,207	52,939
2020	40,498	542	727	111	0	2,886	1,832	314	312	640	3,909	56	74	21	0	589	368	163	562	1,250	54,854
2021[2]	41,677	568	764	116	0	3,023	1,910	327	327	673	4,072	59	79	21	0	616	385	169	584	1,311	56,681
2022	42,444	598	807	121	0	3,178	1,998	343	344	709	4,234	62	85	22	0	647	403	176	607	1,381	58,159
2023	43,037	618	848	127	0	3,325	2,081	357	359	740	4,423	65	89	24	0	673	420	182	627	1,440	59,435
2024	43,397	630	891	124	0	3,484	2,170	373	376	775	4,596	69	93	25	0	702	436	188	650	1,496	60,475
2025	44,552	640	864	124	0	3,557	2,145	373	359	732	4,744	70	100	26	0	678	383	176	587	1,254	61,364
2026	45,374	591	877	119	0	3,620	2,162	377	359	730	4,796	68	105	26	0	678	375	176	578	1,224	62,235
2027	46,016	596	864	114	0	3,689	2,199	383	366	741	4,799	66	100	27	0	687	375	177	582	1,215	62,996
2028	46,665	606	880	115	0	3,751	2,232	389	372	756	4,624	68	102	27	0	699	381	180	591	1,237	63,675
2029	47,268	613	892	115	0	3,798	2,256	394	377	767	4,529	62	96	28	0	708	386	181	596	1,253	64,319
2030	47,972	624	912	118	0	3,866	2,291	400	384	785	4,041	65	99	28	0	723	393	184	605	1,282	64,772
2031	48,191	629	922	119	0	3,891	2,302	402	386	791	4,054	65	99	29	0	729	397	184	608	1,294	65,092
2032	48,268	636	932	120	0	3,930	2,323	405	391	802	3,949	62	100	29	0	738	400	187	613	1,309	65,194
2033	48,267	643	945	122	0	3,975	2,345	409	395	813	3,875	62	101	30	0	747	405	188	618	1,326	65,266
2034	48,224	649	955	123	0	4,018	2,367	411	400	824	3,881	63	102	30	0	755	409	189	623	1,340	65,363
2035	48,029	647	966	124	0	4,065	2,392	416	404	834	3,962	60	102	30	0	763	413	190	628	1,351	65,376

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage.

(2) At capacity on some sections of Chengwenqiong Expressway.

5.2 Sensitivity Test 1

Tables 5-6 to 5-9 illustrate the sensitivity of the forecast future traffic volume due to 10% reductions in the socio-economic growth parameters assumptions set out in Chapter 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-6 Annual Average Daily Traffic (Sensitivity Test 1) on Chengguan Expressway (Vehicles/Day)

Year	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	Total[(1)]
2018	34,542	535	666	187	4	1,677	935	180	460	2,362	41,548
2019	34,753	568	871	229	3	1,624	920	175	476	2,342	41,961
2020	37,780	618	947	249	4	1,756	996	189	515	2,532	45,586
2021	40,563	664	1,017	267	4	1,878	1,065	202	550	2,706	48,916
2022	43,550	712	1,091	286	4	2,007	1,139	216	588	2,892	52,485
2023	46,756	764	1,172	307	4	2,147	1,218	231	628	3,090	56,317
2024	50,199	821	1,258	330	5	2,295	1,304	247	672	3,303	60,434
2025	53,896	881	1,352	354	5	2,454	1,394	264	718	3,530	64,848
2026	57,332	938	1,438	377	5	2,602	1,479	279	761	3,741	68,952
2027	60,988	997	1,531	400	5	2,758	1,568	296	807	3,965	73,315
2028[(2)]	64,838	1,059	1,627	426	6	2,922	1,662	314	855	4,200	77,909
2029	68,161	1,115	1,713	448	6	3,061	1,742	329	896	4,401	81,872
2030	70,879	1,162	1,785	467	6	3,172	1,806	341	930	4,568	85,116

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage.

(2) At capacity on some sections of Chengguan Expressway.

Table 5-7 Annual Average Daily Traffic (Sensitivity Test 1) on Chengpeng Expressway (Vehicles/Day)

Year	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	Total[(1)]
2018[(2)]	23,088	167	328	36	0	1,865	843	182	301	1,103	27,913
2019	40,874	302	621	69	0	3,185	1,406	310	520	1,829	49,116
2020	43,885	324	667	74	0	3,412	1,506	332	557	1,957	52,714
2021	46,536	343	707	78	0	3,611	1,593	351	589	2,069	55,877
2022	49,345	364	750	83	0	3,823	1,686	372	622	2,187	59,232
2023	52,326	386	795	88	0	4,047	1,784	393	658	2,313	62,790
2024	55,484	409	843	93	0	4,284	1,888	416	696	2,445	66,558
2025	58,837	434	894	99	0	4,535	1,998	440	736	2,585	70,558
2026	61,860	456	940	104	0	4,760	2,096	462	772	2,711	74,161
2027	64,712	476	983	109	0	4,963	2,182	481	803	2,810	77,519
2028	67,597	497	1,027	113	0	5,165	2,266	499	832	2,902	80,898
2029	70,629	519	1,073	118	0	5,376	2,354	518	863	3,000	84,450
2030	73,818	541	1,121	124	0	5,598	2,446	538	895	3,102	88,183
2031	76,580	561	1,162	128	0	5,792	2,527	555	923	3,191	91,419
2032	79,458	582	1,206	133	0	5,993	2,610	573	953	3,283	94,791
2033	82,235	601	1,248	138	0	6,188	2,690	591	981	3,373	98,045

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage;

(2) Road widening works completed on June 30, 2018 and normal toll collection commenced for all vehicles on July 12, 2018.

Table 5-8 Annual Average Daily Traffic (Sensitivity Test 1) on Chengdu Airport Expressway (Vehicles/Day)

Year	PV1	PV2	PV3	PV4	PV5	Taxi	Sub-total	Non-toll	Total[1]
2018	34,305	344	95	24	3	8,991	43,762	7,279	51,041
2019	36,745	368	102	25	3	9,630	46,873	7,797	54,670
2020[2]	31,427	315	87	22	3	8,237	40,091	6,669	46,760
2021	27,524	276	76	19	3	7,214	35,112	5,840	40,952
2022	26,436	265	73	18	2	6,928	33,722	5,609	39,331
2023	27,087	271	75	19	3	7,099	34,554	5,748	40,302
2024	27,488	275	76	19	3	7,204	35,065	5,833	40,898

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage. (i.e. the number of vehicles entering and leaving the toll station of Chengdu Airport Expressway, regardless of its entry or exit location of the traffic running on Chengdu Airport Expressway);

(2) Chengdu Tianfu International Airport Phase 1 will be operated in 2020.

Table 5-9 Annual Average Daily Traffic (Sensitivity Test 1) on Chengwenqiong Expressway (Vehicles/Day)

Year	Batch Payment										Normal Toll Collection										
	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	Total[1]
2018	37,178	497	673	103	0	2,660	1,701	290	288	584	3,606	51	68	20	0	549	344	152	529	1,137	50,430
2019	38,526	515	700	107	0	2,759	1,757	299	299	607	3,730	54	71	20	0	568	355	157	544	1,178	52,246
2020	39,783	531	725	110	0	2,850	1,809	309	309	628	3,852	55	74	21	0	587	366	160	557	1,216	53,942
2021[2]	40,921	556	759	115	0	2,978	1,882	321	323	658	4,006	58	78	22	0	612	380	166	577	1,270	55,682
2022	41,628	583	798	120	0	3,116	1,961	336	339	692	4,152	60	84	22	0	640	397	172	599	1,332	57,031
2023	42,206	599	837	125	0	3,252	2,037	348	352	720	4,326	64	87	25	0	664	413	178	618	1,387	58,238
2024	42,539	611	875	123	0	3,393	2,115	362	368	751	4,479	66	92	25	0	690	427	183	636	1,436	59,171
2025	43,568	619	851	123	0	3,457	2,095	363	353	714	4,612	67	98	26	0	670	380	173	583	1,230	59,982
2026	44,289	577	864	118	0	3,511	2,109	366	352	712	4,657	67	101	26	0	671	375	172	574	1,203	60,744
2027	44,874	582	851	113	0	3,573	2,143	372	359	722	4,660	64	98	27	0	678	374	173	578	1,194	61,435
2028	45,489	592	867	115	0	3,634	2,176	377	365	734	4,505	65	99	27	0	688	379	176	585	1,212	62,085
2029	46,056	598	877	115	0	3,679	2,199	382	370	745	4,426	62	95	27	0	696	383	177	589	1,226	62,702
2030	46,786	610	896	118	0	3,748	2,236	388	376	760	4,008	63	97	28	0	709	390	180	599	1,251	63,243
2031	47,081	615	907	119	0	3,779	2,252	391	379	768	4,028	63	97	28	0	715	393	181	603	1,262	63,661
2032	47,209	620	919	121	0	3,818	2,273	395	384	779	3,941	62	98	29	0	724	397	182	608	1,278	63,837
2033	47,267	627	930	122	0	3,862	2,295	399	388	790	3,880	61	99	29	0	733	402	184	614	1,297	63,979
2034	47,217	634	940	123	0	3,898	2,315	401	393	799	3,885	62	100	29	0	741	406	184	617	1,309	64,053
2035	47,069	631	950	124	0	3,944	2,338	404	397	809	3,964	60	100	30	0	748	410	186	622	1,321	64,107

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage.

(2) At capacity on some sections of Chengwenqiong Expressway.

5.3 Sensitivity Test 2

Tables 5-10 to 5-13 illustrate the sensitivity of the forecast future traffic volume due to 10% increase in the socio-economic growth parameters assumptions set out in Chapter 4. The sensitivity illustrations are for reference only in order to illustrate the impact on traffic volume, and any variation could exceed the ranges given.

Table 5-10 Annual Average Daily Traffic (Sensitivity Test 2) on Chengguan Expressway (Vehicles/Day)

Year	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	Total[(1)]
2018 . . .	34,537	563	672	190	4	1,625	944	183	461	2,614	41,793
2019 . . .	35,490	604	910	240	4	1,592	950	179	483	2,544	42,996
2020 . . .	39,268	668	1,007	264	4	1,752	1,046	198	532	2,797	47,536
2021 . . .	42,803	728	1,097	288	4	1,899	1,134	213	577	3,031	51,774
2022 . . .	46,655	793	1,196	314	4	2,060	1,231	232	625	3,286	56,396
2023 . . .	50,854	865	1,304	342	5	2,234	1,335	251	678	3,562	61,430
2024 . . .	55,432	943	1,422	373	5	2,423	1,449	272	735	3,860	66,914
2025 . . .	60,420	1,027	1,550	407	5	2,628	1,572	296	797	4,186	72,888
2026[(2)] . .	65,015	1,106	1,668	438	6	2,815	1,685	317	854	4,482	78,386
2027 . . .	68,957	1,174	1,773	465	6	2,973	1,781	334	902	4,738	83,103
2028 . . .	71,136	1,213	1,834	481	6	3,052	1,831	343	928	4,877	85,701
2029 . . .	72,420	1,237	1,872	490	6	3,091	1,856	348	943	4,963	87,226
2030 . . .	72,949	1,244	1,885	493	6	3,096	1,859	348	944	4,969	87,793

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage.

(2) At capacity on some sections of Chengguan Expressway.

Table 5-11 Annual Average Daily Traffic (Sensitivity Test 2) on Chengpeng Expressway (Vehicles/Day)

Year	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	Total[(1)]
2018[(2)]	23,510	174	346	37	0	1,952	885	196	314	1,154	28,568
2019	41,969	314	651	71	0	3,321	1,467	329	541	1,909	50,572
2020	45,749	343	710	77	0	3,610	1,593	357	588	2,072	55,099
2021	49,122	368	763	83	0	3,868	1,707	383	629	2,217	59,140
2022	52,749	395	819	89	0	4,144	1,828	410	673	2,372	63,479
2023	56,644	424	879	96	0	4,441	1,958	439	720	2,538	68,140
2024	60,822	455	944	103	0	4,759	2,097	470	771	2,716	73,137
2025	64,890	485	1,007	110	0	5,056	2,223	498	816	2,864	77,949
2026	68,431	510	1,061	116	0	5,307	2,328	521	853	2,980	82,107
2027	72,190	538	1,119	122	0	5,574	2,439	546	891	3,104	86,523
2028	76,187	567	1,181	129	0	5,856	2,556	572	933	3,234	91,215
2029	80,386	597	1,246	136	0	6,152	2,679	599	976	3,372	96,143
2030	84,341	625	1,306	142	0	6,429	2,792	624	1,016	3,504	100,779
2031	87,800	649	1,359	148	0	6,675	2,893	646	1,052	3,620	104,842
2032	91,437	674	1,415	155	0	6,934	2,998	670	1,090	3,742	109,115
2033	95,265	701	1,474	161	0	7,205	3,108	694	1,130	3,870	113,608

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage;

(2) Road widening works completed on June 30, 2018 and normal toll collection commenced for all vehicles on July 12, 2018.

Table 5-12 Annual Average Daily Traffic (Sensitivity Test 2) on Chengdu Airport Expressway (Vehicles/Day)

Year	PV1	PV2	PV3	PV4	PV5	Taxi	Sub-total	Non-toll	Total[1]
2018	34,412	345	96	24	3	9,019	43,899	7,302	51,201
2019	37,402	375	104	26	3	9,803	47,713	7,937	55,650
2020[2]	32,582	326	90	23	3	8,539	41,563	6,914	48,477
2021	28,959	290	80	20	3	7,590	36,942	6,145	43,087
2022	28,189	282	78	20	3	7,388	35,960	5,981	41,941
2023	29,252	293	81	20	3	7,666	37,315	6,207	43,522
2024	30,065	301	83	21	3	7,879	38,352	6,379	44,731

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage. (i.e. the number of vehicles entering and leaving the toll station of Chengdu Airport Expressway, regardless of its entry or exit location of the traffic running on Chengdu Airport Expressway);

(2) Chengdu Tianfu International Airport Phase 1 will be operated in 2020.

Table 5-13 Annual Average Daily Traffic (Sensitivity Test 2) on Chengwenqiong Expressway (Vehicles/Day)

Year	Batch Payment										Normal Toll Collection										
	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	PV1	PV2	PV3	PV4	PV5	GV1	GV2	GV3	GV4	GV5	Total[1]
2018	37,946	510	666	103	0	2,687	1,719	294	289	595	3,659	53	68	19	0	545	345	156	531	1,185	51,370
2019	39,636	533	699	107	0	2,809	1,788	307	302	623	3,813	54	71	20	0	569	359	160	550	1,238	53,638
2020	41,225	553	730	112	0	2,923	1,854	319	315	650	3,967	57	74	20	0	591	372	165	567	1,286	55,780
2021[2]	42,419	582	768	117	0	3,068	1,937	333	330	686	4,137	60	79	21	0	620	389	172	590	1,352	57,660
2022	43,186	614	813	123	0	3,232	2,030	349	348	726	4,306	63	86	22	0	652	409	180	615	1,425	59,179
2023	43,864	636	860	129	0	3,399	2,125	365	365	760	4,519	67	90	24	0	681	427	186	637	1,494	60,628
2024	44,228	649	907	125	0	3,575	2,223	383	384	799	4,709	71	96	26	0	712	445	193	661	1,556	61,742
2025	45,501	660	875	125	0	3,655	2,194	383	365	750	4,875	73	104	27	0	686	384	180	591	1,275	62,703
2026	46,221	600	886	119	0	3,709	2,203	386	363	744	4,912	71	107	26	0	684	375	178	578	1,238	63,400
2027	46,736	604	868	113	0	3,768	2,234	392	369	753	4,898	67	102	28	0	690	373	179	581	1,223	63,978
2028	47,301	613	883	114	0	3,825	2,264	397	374	767	4,685	68	104	28	0	701	378	181	589	1,244	64,516
2029	47,769	618	892	114	0	3,861	2,282	400	378	775	4,558	62	97	28	0	707	381	182	592	1,253	64,949
2030	48,466	630	912	116	0	3,927	2,316	405	385	793	4,010	65	99	28	0	723	389	186	601	1,283	65,334
2031	48,646	635	921	117	0	3,951	2,327	407	387	799	4,020	65	99	29	0	728	391	186	603	1,291	65,602
2032	48,701	641	932	118	0	3,993	2,348	411	391	810	3,901	62	101	29	0	736	395	187	608	1,306	65,670
2033	48,668	648	945	120	0	4,039	2,371	415	396	821	3,816	61	101	30	0	745	400	189	613	1,323	65,701
2034	48,549	655	955	121	0	4,082	2,393	418	400	831	3,814	62	102	30	0	752	403	189	616	1,334	65,706
2035	48,328	651	967	123	0	4,134	2,420	422	405	841	3,901	60	102	30	0	759	407	191	622	1,347	65,710

Source: Consultant, 2018.

Note: PV: Passenger Car, GV: Truck

PV 1, PV2, PV3 and PV4 represent Class 1 passenger car (not greater than 7 seats), Class 2 passenger car (8-19 seats), Class 3 passenger car (20-39 seats), Class 4 passenger car (not less than 40 seats) respectively. GV 1, GV 2, GV 3, GV 4 and GV 5 represent Class 1 Truck (not greater than 2 tons), Class 2 Truck (2-5 (inclusive) tons), Class 3 Truck (5-10 (inclusive) tons or 20 feet container), Class 4 Truck (10-15 (inclusive) tons or 40 feet container) and Class 5 Truck (more than 15 tons).

(1) Annual average daily traffic : The summation of the product of daily traffic volume and mileage of each section, and divided by the sum of the mileage.

(2) At capacity on some sections of Chengwenqiong Expressway.

6 CONCLUSION

The Consultant concluded that the traffic forecasts developed with the above methodology and assumptions are consistent with conventional professional practice and would meet the objectives of the agreed scope of work with the Company. Current professional practices and procedures were used in the development of these findings. However, there are still considerable uncertainties in the future traffic forecasts for any toll facility. There will be differences between projected and actual results caused by events and circumstances beyond the control of the Consultant. These differences may be significant. It should also be recognised that traffic forecasts are intended to reflect the overall long-term trend. Discrepancies for certain individual year(s) may still be possible. Actual experience in any given year may vary due to changing economic conditions, infrastructure plans and other factors. The Consultant endeavours to ensure the accuracy and reliability of the forecast provided, but does not guarantee its accuracy and reliability and accepts no liability for any loss or damage arising from any inaccuracies or omissions.

Yours sincerely,
For and on behalf of
MASTER ALLIANCE (CHINA) LIMITED

SUMMARY OF PRINCIPAL LAWS AND REGULATIONS

This appendix contains a summary of laws and regulations on companies and securities in China, certain major differences between the PRC Company Law and the Company Ordinance as well as the additional regulatory provisions of the Stock Exchange on joint stock limited companies of China. The principal objective is to provide with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of our Company, please refer to "Regulatory Environment" in this prospectus.

1. PRC Laws and Regulations

1.1 The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, administrative regulations, local regulations, autonomy regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory. Decided court cases do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "NPC") and the Standing Committee of the National People's Congress (the "Standing Committee of the NPC") are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil, criminal, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws during the adjournment of the NPC (exclude those required to be enacted by the NPC) and to supplement and amend any parts of laws enacted by the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of State administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on urban and rural development and administration, environmental protection, and historical culture protection, and others matters based on the specific circumstances and actual requirements of such cities and enact the same after

submitting to the standing committee of the people's congresses of provinces or autonomous regions for approval. The standing committee of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted if they are not in conflict with the constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the regulations of the People's Government of the province or autonomous region concerned are identified in the examination of local regulations of cities divided into districts by the standing committee of the people's congresses of provinces or autonomous regions, a decision should be made. Except for cities where the people's governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council. The specific procedures and time for district cities to begin developing local regulations shall be determined by the standing committee of the people's congress of the province or autonomous region after comprehensively considering the population, territorial area, economic and social development, legislative demand, legislative capacity, and other factors of the districted cities of the province or autonomous region, and be reported to the Standing Committee of the NPC and the State Council for recordation.

The people's congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality or nationalities in the areas concerned. The autonomy regulations and separate regulations of autonomous regions shall be submitted to the Standing Committee of the NPC for approval before taking effect. The autonomy regulations and separate regulations of autonomous prefectures and counties shall be submitted to the standing committees of the national people's congresses of provinces, autonomous regions or municipalities for approval before taking effect. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate regulations according to characteristics of local ethnicities so long as they do not contravene the basic principles of the laws or administrative regulations, provided that no adaptations shall be made to specific provisions on national autonomous areas contained in the Constitution, autonomy law of national areas and other relevant laws and administrative regulations.

The ministries and commissions of the State Council, the People's Bank of China, National Audit Office of the State Council and other divisions with administrative functions directly under the State Council may formulate department rules within the authorization of their respective departments based on the laws and the administrative regulations, decisions and orders of the State Council. The matters prescribed in State Council departmental rules should relate to the enforcement of the laws and administrative regulations, decisions and orders of the State Council. The people's governments of provinces, autonomous regions, municipalities and cities divided into districts may formulate administrative rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the PRC Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws which was issued on June 10, 1981, interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee of the NPC for interpretation or decision. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such regulations and rules.

1.2 The PRC Judicial System

Under the PRC Constitutional Law and the Law of the PRC of Organization of the People's Courts, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and administrative divisions. The intermediate people's courts and the higher people's courts are organized into divisions similar to those of the basic people's courts, and are further organized into other special divisions, such as the intellectual property division. The judicial work of people's courts at lower levels is subject to supervision by people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts employ a "second instance as final" system. A party may appeal against a judgment or order of the people's court of first instance to the people's court at the next higher level. Deeming that there is any definite error in a sentence or ruling of a people's court at the same level as a court of first instance, a local people's procuratorate shall file an appeal with the people's court at the next higher level. Second judgments or awards given at the next higher level are final. First judgments or awards of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment or order which has been given in any people's court at a lower level, or the president of the people's court finds an error in a judgment or order, the case may then be retried according to the Judicial Supervision Procedures.

The Civil Procedure Law of the PRC (the "PRC Civil Procedure Law"), which was adopted on April 9, 1991 and was newly amended on June 27, 2017, sets forth the rules for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the domicile of the defendant. The parties to a contract may, by an express agreement, choose the people's court at the place of domicile of the defendant or the plaintiff, at the place where the contract is performed or signed, at the place where the subject matter is located or at any other place actually connected to the dispute to have jurisdiction over the dispute. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. The time limits imposed on the right to apply for such enforcement is two years. If a party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it neither contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

1.3 The PRC Company Law and other applicable rules and regulations

The Company Law of the PRC (the "PRC Company Law") was issued on December 29, 1993, enforced on July 1, 1994, newly revised on October 26, 2018 and became effective thereon. It is enacted for the purposes of regulating the organization and operation of companies, protecting the legitimate rights and interests of companies,

shareholders and creditors and maintaining the socialist economic order. The Special Regulations of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies (the "Special Regulations"), which was issued and enforced on August 4, 1994, sets forth regulations for limited stock companies which intend to issue and list stocks abroad from China. The Articles of Association of Companies Seeking a Listing Outside the PRC Mandatory Provisions (the "Mandatory Provisions") was issued and enforced on September 29, 1994 and Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to be Listed in Hong Kong which was issued and enforced on April 3, 1995 stipulate limited stock companies, which listed shares in foreign securities exchange(s), shall include such Mandatory Provisions into their Articles of Associations. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association of the company in details.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

1.3.1. general

Companies referred to in PRC Company Law shall mean limited liability companies and companies limited by shares established in China. As an enterprise legal person, a company owns independent legal person property and enjoys legal person property rights, and the liability of a company shall be limited to its entire assets. Meanwhile, the liability of a shareholder of a limited liability company shall be limited to the amount of its capital contribution, while the liability of a shareholder of a company limited by shares shall be limited to the number of its subscribed shares.

1.3.2. Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of two but not more than two hundred promoters. At least half of the promoters must have residence within the PRC.

Joint stock limited companies incorporated by promotion are companies the entire registered capital of which is subscribed for by the promoters. The company shall not offer shares to others until the shares subscribed by promoters are paid up. The registered capital of a company limited by shares established by share float shall be the actual paid-up capital at the time of registration with the company registration authorities.

For joint stock limited companies incorporated by way of promotion, the promoters shall subscribe in full in writing for shares required to be subscribed by them by the articles of association. Procedures relating to the transfer of title for nonmonetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provision shall be liable for breach of contract in accordance with the covenants laid down in the promoters' agreement. After the promoters have completed the capital contribution as described in the article of association, a board of directors and a supervisory committee shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authorities, together with other documents required by the law or administrative regulations.

Where joint stock limited companies are incorporated by subscription, not less than 35% of their total shares must be subscribed for by the promoters and the remainder can be subscribed for by the public or particular persons, unless otherwise provided for by the law or administrative regulations. A promoter who offers shares to the public must announce the prospectus and draft a share subscription form to be signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and their addresses. The subscribers shall pay up the amounts for the number of shares they have subscribed for. Where a promoter is offering shares to the public, such offer shall be underwritten by securities firms established by law, in relation to which underwriting agreements shall be signed. A promoter offering shares to the public shall also sign an agreement with a bank in relation to the receipt of subscription amounts. The receiving bank shall receive and keep in custody the subscription amounts, issue receipts to subscribers who have paid the subscription amounts and furnish evidence of receipt of subscription amounts to the relevant authorities. After the subscription amounts for the share issuance have been paid in full, a capital verification institution established by law must be engaged to conduct capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within thirty days since the date on which all the shares have been fully subscribed and notify each subscriber of or publicly announce the date of the inaugural meeting no less than fifteen days in advance of the meeting. The inauguration meeting shall be formed by the promoters and the subscribers. Where shares issued remain undersubscribed by the cut-off date stipulated in the share offering document, or where the promoter fails to convene an inauguration meeting within thirty days after subscription amounts for the shares issued have been fully paid up, the subscribers may demand the promoter return the subscription amounts so paid up together with interest at bank rates payable for a deposit of an equivalent amount for the same term. Within thirty days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company.

A joint stock limited company is formally established and has the status of a legal person after the approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A joint stock limited company's promoter shall individually and collectively be liable for:

(i) the payment of all expenses and liabilities incurred in the incorporation process if the joint stock limited company cannot be incorporated;

(ii) the repayment of subscription moneys to the subscribers together with interest at bank rates for a deposit of an equivalent amount for the same term if the joint stock limited company cannot be incorporated; and

(iii) damages suffered by the joint stock limited company as a result of the default of the promoters in the course of incorporation of the joint stock limited company.

1.3.3. Share capital

The promoter of a joint stock limited company may make capital contribution in currencies, or in kind or by way of injection of assets, intellectual property rights or land use rights based on their appraised value, and may also convert lawfully transferred non-monetary assets into capital contribution with a monetary value, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made other than in cash, a valuation and verification of the asset contributed must be carried out without any over-valuation or under-valuation, subject to any provisions of the law or administrative regulations on valuation.

A joint stock limited company may issue registered or bearer share certificates. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are known as foreign shares; and shares issued to investors within the PRC other than the territories specified above are known as domestic shares. Under the Special Regulations, where issuing foreign capital shares listed overseas within the total amount of shares fixed in the share issue plan, a company may, subject to approval by the Securities Committee of the State Council, agree with the underwriters in the underwriting agreement to retain not more than 15% of the intended total amount of foreign capital shares listed overseas, after accounting for the amount of shares underwritten.

1.3.4. Increase in share capital

According to the PRC Company Law, the issuance of shares shall be conducted in a fair and equitable manner. Shares in the same class shall rank pari passu with one another. Shares of the same class in the same offer shall be issued on the same terms and at the same price. The same price per share shall be paid by any units or individuals subscribing for shares.

When a joint stock limited company is issuing new shares, resolutions shall be passed by as shareholders' general meeting, approving/setting the issue price of the new shares, the commencement and end of the new share issue and the class and amount of new shares to be issued to original shareholders. When a joint stock limited company launches a public issue of new shares with the approval of the securities regulatory authorities under the State Council, a new share offering stock prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issuance of the Company has been paid up, the change must be registered with the company registration authorities and an announcement must be made. Where a joint stock limited company is issuing new shares to increase its registered capital, the subscription of new shares by shareholders shall be conducted in accordance with provisions on the payment of subscription amounts in relation to the incorporation of the company.

Besides the PRC Company Law's provision that the issue of new shares shall be approved by a shareholders' general meeting, the Securities Law of the People's Republic of China (the "PRC Securities Law"), which was issued on December 29, 1998, enforced on July 1, 1999 and was amended on August 31, 2014, also stipulates that any company that makes an initial public offer (IPO) of its stock shall: (i) have a complete and well-operated organization; (ii) have the capability of making profits continuously and a sound financial status; (iii) have no false record in its financial statements over the latest 3 years and having no other major irregularity; and (iv) meet any other requirements as prescribed by the securities regulatory authority under the State Council which have been approved by the State Council.

1.3.5. Reduction of share capital

Subject to the minimum registered capital requirements, a joint stock limited company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the joint stock limited company shall prepare a balance sheet and a list of assets;

(ii) the reduction of registered capital must be approved by shareholders in a shareholders' general meeting;

(iii) the joint stock limited company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within thirty days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commence the registration of the reduction in registered capital.

1.3.6. Repurchase of shares

A Company may not purchase its own shares other than for one of the following purposes:

(i) to reduce its registered share capital;

(ii) to merge with another company that holds its shares;

(iii) to grant shares to its employees as incentives;

(iv) to purchase its own shares from its shareholders who vote against the resolution regarding the merger or demerger with other company in a shareholders' general meeting;

(v) to use shares for conversion of convertible corporate bonds issued by a listed company;

(vi) to maintain corporate value and protect shareholders' equity of a listed company when necessary; and

(vii) such other purposes permitted by law and administrative regulations.

A company purchasing its own shares under any of the circumstances set forth in items (i) and (ii) shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) above may, pursuant to the company's articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares in accordance with the foregoing, a company shall, under the circumstance set forth in item (i), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (ii) or (iv), transfer or cancel them within six months; and while under the circumstance set forth in item (iii), (v) or (vi), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

Meanwhile, a listed company purchasing its own shares shall perform its obligation of information disclosure according to the provisions of the PRC Securities Law. If the purchasing of shares is made under any of the circumstances stipulated in item (iii), (v) or (vi) as mentioned above, such listed company shall carry out trading in a public and centralized manner.

1.3.7. Transfer of shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by the law or administrative regulations. Following the transfer, the company shall enter the name of the transferee and its address into the share register. The transfer of bearer's share certificate shall become effective upon the delivery of such share certificate to the transferee by the shareholder. Where a stockholder intends to transfer its shares, it shall transfer its shares in a lawfully established stock exchange or by any other means as prescribed by the State Council. Subject to the PRC Company Law, no changes of registration in the share register provided in the foregoing shall be effected during a period of twenty days prior to the convening of the shareholders' general meeting or five days prior to the record day for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies. Subject to the Mandatory Provisions, the shareholders' register may not be modified within the thirty days preceding the shareholders' general meeting or within the five days preceding any ex-dividend date fixed by the company.

Shares held by a promoter may not be transferred within one year after the company's establishment. Shares of the company issued prior to the public issue of shares shall not be transferred within one year from the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in the company and any changes in such shareholdings. During their term of office, they shall transfer no more than 25% of the shares they hold every year in the company. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they have resigned from their positions with the company. The articles of association may lay down other restrictive provisions in respect of the transfer of shares in the company held by the Directors, supervisors and the senior management of the company.

1.3.8. Shareholders

A shareholder's rights and duties are all stipulated in the company's articles of association, which is binding on all shareholders.

Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend shareholders' general meetings and exercise the voting rights on the basis of the number of the shares held by such shareholder personally or appoint an agent to attend such meetings and exercise the rights referred to hereinabove;

(ii) to transfer the shares held by such shareholder subject to the applicable laws, regulations and the company's articles of association;

(iii) to bring an action in the people's court to rescind the resolution when any law or administrative regulation or any legal right or interest of any shareholder is violated by a resolution passed by the shareholders' general meeting or the board of directors;

(iv) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory committee, financial and accounting reports and to make proposals or enquiries in respect of the company's operations;

(v) to receive dividends in respect of the number of shares held;

(vi) to receive residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(vii) any other shareholders' rights provided for in the articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription moneys agreed to be paid in respect of the shares taken up by him and any other shareholders' obligation specified in the company's articles of association.

1.3.9. Shareholders' general meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or change the directors and supervisors (that are not staff representatives) and to decide on matters relating to the remuneration of directors and supervisors;

(iii) to examine and approve reports of the board of directors;

(iv) to examine and approve reports of the supervisory committee or supervisor;

(v) to examine and approve the company's proposed annual financial budget and final accounts;

(vi) to examine and approve the company's proposals for profit distribution plans and recovery of losses;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

(x) to amend the company's articles of association; and

(xi) other powers as provided for in the articles of association.

Shareholders' general meetings are required to be held once every year. A shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the articles of association;

(ii) the aggregate losses of the company which are not recovered reach one third of the company's total paid-in share capital;

(iii) when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of a general meeting;

(iv) when the board of directors deems necessary;

(v) when the supervisory committee so requests; or

(vi) other circumstances as provided for in the articles of associations.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for ninety days consecutively may unilaterally convene and preside over such meeting.

Subject to the PRC Company Law, notice of the shareholders' general meeting stating the time, venue and matters to be considered at the meeting shall be given to all shareholders twenty days before the meeting. Notice of extraordinary general meetings shall be given to all shareholders fifteen days prior to the meeting. Notice of the issuance of bearer's share shall be announced thirty days before the meeting. Subject to the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the shareholders forty-five days before the meeting, and the matters to be considered at the meeting, the time and place of the meeting shall be specified. Subject to the Special Regulations and the Mandatory Provisions, the confirmation letter of the shareholders planning to attend the meeting shall be delivered to the company twenty days in advance of the meeting. Moreover, subject to the Special Regulations, shareholders holding more than 5% of the company's shares carrying voting rights may put forward a new proposal in writing for the meeting to discuss at the shareholders' general meeting, and if the proposal falls within the purview of the meeting, it shall be placed on the agenda of that meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the shareholders' general meeting must be adopted by more than half of the shareholders holding voting rights present at the meeting, with the exception of matters relating to merger, division, dissolution, change of the company's category, increasing or reduction of registered capital of a company or amendments to the articles of association, which must be adopted by more than two-thirds of the shareholders holding voting rights present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by a company must be approved by way of resolution of the shareholders' general meeting, the directors shall convene a shareholders' general meeting promptly to vote on the above matters. The accumulative voting system may be adopted pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the president of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issue of shares of any class, warrants or other similar securities, and corporate bonds; the liquidation, merger, division, dissolution of the company and the modification of a company's articles of association and details; and any other matters that, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a significant impact on the Company and require adoption by way of a special resolution, must be approved through special resolutions by more than two-thirds of the shareholders holding voting rights present at the meeting.

According to the Mandatory Provisions, if the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the company's voting shares, the company may hold the shareholders' general meeting. If not, the company shall within five days inform the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the company may hold the shareholders' general meeting. Extraordinary shareholders' general meeting may not decide on matters not specified in the notice or announcement. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class.

1.3.10. Directors

A company shall have a board of directors, which shall consist of five to 19 members. Members of the board of directors may include staff representatives of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed in general meetings;

(iii) to decide on the company's business plans and investment proposals;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's profit distribution proposals and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution or change of category of the company;

(viii) to decide on the company's internal management structure;

(ix) to decide the appointment or dismissal and the remuneration of the company's general manager and based on the general manager's nomination, to appoint or dismiss the deputy general managers and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) to exercise any other power under the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors ten days before the meeting. Interim board meetings may be convened by shareholders representing more than 10% of voting rights, more than one third of the directors or the supervisory committee. The chairman shall convene and preside over such meeting within ten days after receiving such proposal. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations, the company's articles of association or the resolution of the shareholders' general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved from that liability.

Under the PRC Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or was ordered to close due to a violation of the law, ordered to stop operating due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; and

(v) persons who have a relatively large amount of debts due and outstanding.

The election, appointment or engagement of directors elected or appointed by the company in violation of the aforesaid provisions shall be null and void. If one of these restrictions becomes applicable to a director during his term of office, such director shall be released of his duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

The board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is unable or fails to perform his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall perform his duties.

1.3.11. Supervisors

A company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third of the supervisors; and directors and officers may not act concurrently as supervisors. Representatives of the company's staff and workers at the supervisory committee shall be democratically elected at the staff representative assembly, general staff meeting or otherwise. The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the vice chairman of the

supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of supervisors shall convene and preside over supervisory committee meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if reelected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisor being less than the quorum.

The supervisory committee exercises the following powers:

(i) to review the company's financial position;

(ii) to supervise the directors and officers in their performance of their duties and to propose the removal of directors and officers who have violated laws, regulations, the articles of association or shareholders' resolution;

(iii) when the acts of directors and managers are harmful to the company's interests, to require correction of these acts;

(iv) to propose the convening of shareholders' general meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under PRC Company Law;

(v) to propose resolutions in a general shareholders' meeting;

(vi) to initiate proceedings against directors and officers; and

(vii) other powers specified in the articles of association.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work at the company's expense.

1.3.12. Managers and officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

(i) manage the production, business and administration of the company and arrange for the implementation of resolutions of the board of directors;

(ii) organize for the implementation of the company's annual business and investment plans;

(iii) propose plans for the establishment of the company's internal management structure;

(iv) propose the basic administration system of the company;

(v) formulate the company's detailed rules;

(vi) recommend the appointment and dismissal of deputy managers and the persons in charge of finance;

(vii) appoint or dismiss other responsible officers (other than those required to be appointed or dismissed by the board of directors); and

(viii) other powers conferred by the board of directors or the articles of association.

Other provisions of the articles of association concerning the general manager's powers shall also be complied with. The general manager shall be in attendance at board meetings.

According to the PRC Company Law, officers shall mean the general manager, deputy general manager(s), financial officer, board secretaries (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

1.3.13. Duties of the directors, supervisors, general managers and other officers

Directors, supervisors, managers and officers of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties honestly and diligently. Directors,

supervisors, managers and officers are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and officers are prohibited from:

(i) misappropriation of company funds;

(ii) deposit of company funds into accounts under his own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' meeting, shareholders' general meeting or board of directors;

(iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' meeting, shareholders' general meeting;

(v) using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' meeting or the shareholders' general meeting;

(vi) accepting for their own benefit commissions from a third party dealing with the company;

(vii) unauthorized divulgence of confidential business information of the company; or

(viii) other acts in violation of their fiduciary duty to the company.

Income generated by directors or officers in violation of the foregoing provisions shall revert to the company.

A director, supervisor or officer who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where the attendance of a director, supervisor or officer is requested by the shareholders' general meeting, such director, supervisor or officer shall attend the meeting as requested and answer enquiries of shareholders. Directors and officers should furnish with relevant information to the supervisory committee without obstructing the discharge of duties by the supervisory committee or the supervisors.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, general managers and other officers shall have fiduciary duties towards the company. They are required to faithfully perform their duties, protect the interests of the company and not use their positions for their own benefit. The Mandatory Provisions contain detailed stipulations on these duties.

1.3.14. Finance and accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible financial department of the State Council and at the end of each financial year prepare a financial report which shall be audited by an accountant as provided by law. The financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall deposit its financial statements at the company for inspection by the shareholders at least twenty days before the convening of shareholders' general meeting. A joint stock limited company issuing its shares in public must publish its financial statements. When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus common reserve fund (except where the fund has reached 50% of the company's registered capital). When the company's statutory common reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses. After the company has made appropriations to the statutory common reserve fund from its after-tax profit, it may, with the approval of the shareholders' meeting or the shareholders' general meeting by way of resolution, make further appropriations from its after-tax profit to the discretionary common reserve fund. After the company has made good its losses and made allocations to its common reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders, or in other manner. Profit distributed to shareholders by the shareholders' meeting or shareholders' general meeting or the board of directors before losses have been made good and appropriations have been made to the statutory commons reserve fund in violation of the foregoing provisions must be returned to the company. Company shares held by the company shall not be entitled to any distribution of profit.

The premium over the nominal value of the stocks of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve shall be accounted for as capital common reserve. The common reserve of a company shall be applied to make up the company's losses, expand the business operations of the company or increase the company's capital. The capital common reserve shall not be used to make good the company's losses.

Upon the conversion of statutory common reserve into capital, the balance of the statutory common reserve shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

1.3.15. Appointment and retirement of an Accounting Firm

Pursuant to the PRC Company Law, the appointment or dismissal of accountants responsible for the company's auditing shall be determined by the shareholders' meeting, the shareholders' general meeting or the board of directors in accordance with the articles of association. The accountant should be allowed to make representations when the shareholders' meeting, the shareholders' general meeting or board of directors is going to conduct a vote on the dismissal of the accountant. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accountant it hires without any refusal, withholding and false information.

The Special Regulations require a company to employ an independent qualified firm of accountants to audit the company's annual report and review and check other financial reports. The accountant's term of office shall commerce from the end of the annual general meeting of the company's shareholders and it shall expire on the end of the next annual general meeting of the company's shareholders.

1.3.16. Distribution of profits

According to the PRC Company Law, the company shall not distribute profits before losses are covered and the statutory common reserve is drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of company's foreign capital shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

1.3.17. Amendment of articles of association

Any amendments to the articles of association must be made in accordance with the procedures set forth in applicable laws, regulations and the articles of association. Where an amendment to the company's articles of association involves matters provided for in the Mandatory Provisions, it will only be effective after

approval by the company's approval department authorized by the CSRC and the State Council. Where an amendment to the company's articles of association involves matters of company registration, the registration shall be amended according to law.

1.3.18. Dissolve and liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations set down in the company's articles of association has expired or other events of dissolution specified in the company's articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the business license is revoked, or it is ordered to close down or to be dissolved according to laws; or

(v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation of the company experiences serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a source of significant losses for shareholders.

In the event of (i) above, the company may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out in the previous paragraph shall require approval of shareholders holding more than two-thirds of voting rights and attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) or (v) above, a liquidation committee shall be established and liquidation within fifteen days after the occurrence of an event of dissolution. Members of the liquidation committee of a joint stock limited company shall be composed of its directors or the person appointed by the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's

creditors can apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation committee. The People's court should accept such application and form a liquidation committee to conduct a liquidation in a timely manner.

The liquidation committee shall exercise the following powers during the liquidation period:

(i) to dispose the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify, announce to creditors;

(iii) to deal with and settle any outstanding businesses of the company;

(iv) to pay any tax overdue as well as tax amounts arising from the process of liquidation;

(v) to settle the company's claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue public notices in the newspapers within sixty days. A creditor shall lodge his claim with the liquidation committee within thirty days after receiving notification, or within forty-five days of the issuance of public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation committee shall register such creditor rights. The liquidation committee shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' meeting, shareholders' general meeting or people's court for confirmation.

The remaining assets of the company after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debt shall be distributed to shareholders according to shareholding proportion in the case of joint stock limited companies. The company shall continue

to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' meeting, shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the company's registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation committee shall be prohibited from making of their powers to accept bribes or other unlawful income and from appropriating the company's properties. A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

1.3.19. Overseas listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue foreign shares and domestic invested shares which has been approved by CSRC may be implemented respectively, within fifteen months after approval is obtained from the CSRC.

1.3.20. Merger and demerger

When companies merge, the creditor rights and debts of the merging parties shall be assumed by the surviving company or the new company. When a company demerges, its assets must be divided accordingly and a balance sheet and inventory

of assets must be drawn up. Unless otherwise agreed with a creditor, obligations in respect of the liabilities before the demerger of the company shall be jointly and severally borne by the demerged companies.

Changes in registrable particulars of the companies caused by merger or demerger must be registered with company's registration authorities. Cancelation of a company should be registered in accordance with the law when a company is dissolved. Incorporation of a company shall be registered when a new company is incorporated.

1.4 Securities Law and Regulations and Regulatory Regimes

Since 1992, the PRC has promulgated a number of regulations in relation to the issue and trading of shares and disclosure of information. In October 1992, the Securities Commission and the CSRC were established under the State Council. The Securities Commission is responsible for coordinating the drafting of relevant laws and regulations on securities, formulating policies on securities affairs, planning the development of securities markets and guiding, coordinating and regulating all PRC institutions involved in securities affairs and supervising the CSRC. The CSRC is the regulatory and execution arm of the Securities Commission and is responsible for drafting regulations governing the securities market, supervising securities companies, regulating the domestic and overseas public issue of securities by PRC companies, supervising securities trading, compiling securities related statistics and conducted research and analysis. In 1998, the State Council decided to cancel the Securities Commission of the State Council and the functions of the Securities Commission was assumed by the CSRC.

On December 29, 1998, the Standing Committee of the NPC promulgated the PRC Securities Law which was enforced on July 1, 1999. This is the first national securities law in the PRC and is the fundamental law comprehensively regulating activities in the PRC securities market. On August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, the PRC Securities Law was respectively revised four times. The PRC Securities Law is applicable to the issuance and trading in the PRC of shares, company bonds and other securities designated by the State Council according to law, and provisions of the issuance and transaction of securities, acquisitions of listed companies, the duties and responsibilities of stock exchanges, security companies and securities regulatory authority under the State Council, etc. Where the PRC Securities Law does not apply, the provisions of the PRC Company Law and other applicable laws and administrative regulations will apply.

1.5 Arbitration Laws

The Arbitration Law of the People's Republic of China (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and came into effect on September 1, 1995. The Arbitration Law was newly amended on September 1, 2017

and it is applicable to, among other matters, contract disputes or other property disputes where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have arbitration as a method for dispute resolution provided by an agreement, the people's court will refuse to handle the case if one party institutes legal proceedings in a people's court, unless the arbitration agreement has lapsed.

CIETAC is an economic and trade arbitration organ in the PRC. In accordance with CIETAC Arbitration Rules which was issued on September 12, 1988, enforced on January 1, 1989 and newly amended on November 4, 2014, the jurisdiction of CIETAC covers disputes involving Hong Kong. CIETAC is located in Beijing and has an arbitration centre located in Hong Kong. Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the giving of an award beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission).

A party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (1) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity; and (2) the PRC will only apply the New York Convention to disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations. An arrangement for reciprocal enforcement of arbitral awards between Hong Kong and China was signed on June 18, 1999. This new arrangement has been approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective from February 1, 2000. The arrangement is made in

accordance with the spirit of the New York Convention, allowing awards made by PRC arbitral authorities to be enforceable in Hong Kong in accordance with law and awards by Hong Kong arbitral authorities to be enforceable in the PRC.

HONG KONG LAWS AND REGULATIONS

Summary of Material Differences Between Hong Kong and PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance, Companies (Winding up and Miscellaneous Provisions) Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. Our Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other applicable rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

(1) Corporate existence

Under the Companies Ordinance, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. There are no requirements of minimum registered capital for the incorporation of a joint stock limited company, save for requirements of minimum registered capital otherwise stipulated by laws and regulations and pursuant to the State Council's decisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

(2) Share capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital which the company is authorized to issue and a company is not bound to issue the entire amount of its authorized share capital. The authorized share capital may be larger than its issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital other than registered capital.

The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities when applicable.

Under the PRC Securities Law, a company which is approved by the relevant securities administration authority to list its shares on a stock exchange must have a total amount of capital stock of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or nonmonetary assets that may be valued in currency and lawfully transferable. For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

(3) Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares ("domestic shares") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed for or traded by the domestic investors of the PRC. Except for certain PRC qualified domestic institutional investors, the overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for and traded by investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, as well as other qualified institutions.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares in a joint stock limited company transferred each year by its directors, supervisors and senior management during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law except for the six-month lock-up on the company's issue of shares in "Underwriting" in this prospectus.

(4) Financial assistance for acquisition of shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

(5) Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of a Hong Kong company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. Our Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) our Company issues domestic shares and listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as of the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by CSRC, the Shareholders of our Domestic Shares transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

(6) Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits, or prohibitions against compensation for loss of office without

shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested in or connected with. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VI.

(7) Supervisors

Under the PRC Company Law, the board of directors and managers of a joint stock limited company is subject to the supervision and inspection of a supervisory committee but there is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(8) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the shareholders in a general meeting, or by the board of directors, that violates any law or infringes the lawful rights and interests of the shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of a company violates the law, administrative regulation or articles of association of the company and thus infringe the shareholders' interest. The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

(9) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in

its operations or management so as that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

(10) Notice of shareholders' meetings

Under the PRC Company Law, notice of an annual general meeting and an extraordinary general meeting must be given not less than 20 days and 15 days before the meeting, respectively. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a limited company incorporated in Hong Kong, the minimum notice period of a general meeting other than an annual meeting is 14 days; and the notice period for an annual general meeting is 21 days.

(11) Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum.

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its shareholders by public announcement and the shareholders' general meeting may be held thereafter.

(12) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not fewer than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of

association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

(13) Financial disclosure

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public issuance under the PRC Company Law must publish its financial report. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. A company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(14) Information on directors and shareholders

The PRC Company Law gives the shareholders of a company the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(15) Receiving agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is two years. The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee

Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

(16) Corporate reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 673 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at a general meeting.

(17) Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

(18) Mandatory deductions

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declares any dividends after taxation. Our company may not be required to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

(19) Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or senior management) have been in compliance with the Listing Rules.

(20) Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(21) Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(22) Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law, that share transfers may not be registered within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Listing Rules

The Listing Rules provide additional requirements which apply to an issuer which is established under the laws of the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to our Company.

(1) Compliance adviser

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the dispatch of its first full year's annual report, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

(2) Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under international standards on auditing or China auditing standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises.

(3) Process agent

The Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

(4) Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("foreign shares") which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK$50,000,000. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if our Company has an expected market capitalization at the time of listing of over HK$10,000,000,000.

(5) Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Subject to governmental approvals and the provisions of the Articles of Association, our Company may repurchase its own H shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance

with the Articles of Association is required for share repurchases. In seeking approvals, our Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the company.

(6) Mandatory provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI to this prospectus.

(7) Redeemable shares

Our Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

(8) Pre-emptive rights

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders at a general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the company's articles of association, prior to (1) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any major subsidiary of the company making any such authorization, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing shareholders of the company have by special resolution at a general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and foreign shares as of the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon

approval by securities supervision or administration authorities of State Council, the shareholders of domestic invested shares of the company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

(9) Supervisors

Our Company is required to adopt rules governing dealings by its Supervisors in securities of our Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

Our Company is required to obtain the approval of its shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to our Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of our Company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires our Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration of more than one year.

The remuneration and evaluation committee of our Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of our Company and its Shareholders as a whole and advise Shareholders on how to vote.

(10) Amendment to the Articles of Association

Our Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the mandatory provisions of the Listing Rules and the Mandatory Provisions or the PRC Company Law.

(11) Documents for inspection

Our Company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by Shareholders at reasonable charges the following:

- a complete duplicate register of shareholders;
- a report showing the state of the issued share capital of our Company;
- our Company's latest audited financial statements and the reports of our Directors, auditors and Supervisors (if any) thereon;

- special resolutions of our Company;

- reports showing the number and nominal value of securities repurchased by the Company since the end of the last certificates year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);

- a copy of the latest annual return led with the administration for industry and commerce; and

- for Shareholders only, copies of minutes of meetings of shareholders.

(12) Receiving agents

Our Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

(13) Statements in H share certificates

Our Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- agrees with our Company and each Shareholder, and our Company agrees with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;

- agrees with our Company, each Shareholder, Director, Supervisor, manager and officer of our Company, and our Company acting for itself and for each Director, Supervisor, manager and officer of our Company agrees with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with our Company and each Shareholder that the H Shares are freely transferable by the holder thereof; and

- authorizes our Company to enter into a contract on his behalf with each Director, Supervisor, officer of our Company whereby each such Director, Supervisor and officer undertakes to observe and comply with his obligation to Shareholders as stipulated in the Articles of Association.

(14) Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

Our Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

(15) Contract between our Company and its Directors, officers and Supervisors

Our Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to our Company to observe and comply with the PRC Company law, the Special Regulations, the Articles of Association, the Takeovers Code and an agreement that our Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

- an undertaking by the Director or officer to our Company acting as agent for each Shareholder to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;

- an arbitration clause which provides that whenever any disputes or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of our Company between our Company and its Directors or officers and between a holder of H Shares and a Director or officer of our Company, such disputes or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;

- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

- the award of the arbitral body is final and shall be binding on the parties thereto;

- the agreement to arbitrate is made by the Director or officer with our Company on its own behalf and on behalf of each Shareholder; and

- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award. Our Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

(16) Subsequent listing

Our Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

(17) English translation

All notices or other documents required under the Listing Rules to be sent by our Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

(18) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including our Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of our Company's listing.

Other Legal and Regulatory Provisions

Upon our Company's listing, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to our Company.

Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association, PRC Company Law and other applicable laws shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies established under the laws of the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend.

Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and China Taiwan.

The Company was incorporated in the PRC as a joint stock limited company on December 21, 2016 under the PRC Company Law. The Articles of Association comprises the Company's constitution; below is a summary of the principal provisions of the Articles of Association, which were approved on June 28, 2017 and will become effective on the Listing Date.

The principal objective of this summary is to provide potential investors with an overview of the Articles of Association and the principal legal and regulatory provisions applicable to the Company. As the information contained below is a summary, it does not contain all the information that may be important to potential investors. If you wish to obtain detailed information on PRC law or the laws of any other jurisdiction, you should seek independent professional advice. A copy of the full Chinese text of the Articles of Association is available for inspection as mentioned in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VIII to this prospectus.

1. ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may amend its Articles of Association in accordance with relevant laws, administrative regulations and the Articles of Association.

Amendments to the Articles of Association involving the contents of *the Mandatory Provisions of the Articles of Association of Companies Seeking Overseas Listing* (the "**Mandatory Provisions**") shall become effective upon approval by the approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

2. DIRECTORS AND BOARD OF DIRECTORS

(a) Appointment, retirement and removal

Certain persons may not serve as a Director, Supervisor, the president or other senior officer of the Company, including (without limitation and subject to certain exceptions) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order and five years have not elapsed since the completion date of the execution of the penalty; or the person has ever been deprived of his political rights due to any crime and five years have not elapsed since the completion date of the execution of the penalty; persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, and three years have not elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise; persons who were legal representatives of a company or enterprise, which had its business licence revoked due to a violation of the law and were ordered to close down, thereby the person were personally liable for the revocation of such business licence, and three years have not elapsed since the date of the revocation of the business license thereof;

persons with a comparatively large amount of personal debts due and unsettled; and persons whose cases have been established for investigation by the judicial authorities as a result of violation of the criminal law, and have not been closed.

The validity of the conduct of Directors, the president or other senior officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, president or other senior officers.

The Board shall consist of nine Directors. A Director is not required to hold any Shares. The chairman of the Board shall be elected or removed by more than half of all of the Directors. A Director may be removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman shall be three years and is renewable upon re-election.

The minimum length of the period for giving written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be at least seven days before the Shareholders' general meeting. Such seven-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which the election shall be conducted and no later than seven days prior to such meeting.

The list of Directors' and Supervisors' candidates shall be proposed in form of a motion to the Shareholders' general meeting for resolution. The Shareholders' general meeting approves the appointment of Directors and Supervisors with a simple majority vote.

(b) Power to allot and issue Shares

In order to allot or issue shares, the Board shall prepare a proposal for approval by Shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(c) Power to dispose of the Company's or any of its subsidiaries' assets

The Board shall not, without the prior approval of Shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the expected value of the fixed assets of the Company proposed to be disposed of; and (ii) the value of the consideration for any fixed assets of the Company disposed of in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet tabled before the Shareholders in general meeting. For these purposes, "disposition" includes any act involving a transfer of an interest in property other than providing security by fixed assets.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of this restriction.

(d) Borrowing power

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors, other than provisions which: (a) give the Board the power to formulate proposals for the issuance of debentures by the Company; and (b) require the issuance of debentures to be approved by the Shareholders in general meeting by way of a special resolution.

(e) Remuneration

The Company shall, with the prior approval of Shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for emoluments in respect of their services. Remuneration of the Directors and Supervisors is subject to the approval of the shareholders' general meeting.

(f) Compensation or payments for loss of office

The contract for emoluments entered into between the Company and a Director or Supervisor shall provide that, in the event of a takeover of the Company, the Director or Supervisor shall, after obtaining the prior consent of Shareholders in general meeting, receive payments or other amounts by way of compensation for loss of or retirement from office. A takeover of the Company means:

(i) an offer made to acquire the shares held by all shareholders of the Company; or

(ii) an offer made such that the offer or will become the controlling shareholder (as defined in the Articles of Association) of the Company.

If the relevant Director or Supervisor receives any payments or other amounts by way of compensation, as described above, without such compensation having first been approved by the shareholders of the company in general meeting, any such sum shall belong to those persons who have sold their Shares as a result of accepting the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and shall not be deducted from the sum distributed.

(g) Loans to Directors, Supervisors and other officers

The Company is prohibited from directly or indirectly making any loan or giving any guarantee for a loan to its Directors, Supervisors, the president or other senior officers of the Company or the Directors, Supervisors, the president or other senior officers of its holding company.

A loan made by the Company in breach of the prohibition described above shall be immediately repayable by the recipient of the loan regardless of the terms of that loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company except in certain limited circumstances.

Certain transactions described in the Articles of Association are not subject to the foregoing prohibition, such as, inter alia, the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company.

For these purposes, "guarantee" includes any act of undertaking or property provided to secure the performance of obligations by the obligor.

(h) Giving of financial assistance to purchase the Shares of the Company

Subject to certain exceptions in the Articles of Association, neither the Company nor any of its subsidiaries shall at any time and in any manner provide financial assistance to:

(i) a person who acquires or is proposing to acquire any Shares, including any person who has directly or indirectly incurred a liability as a result of the acquisition of any Shares; and

(ii) the person mentioned in paragraph (i) above for the purposes of reducing or discharging his liabilities.

For these purposes, "financial assistance" includes, without limitation, assistance given by way of gift; guarantee, indemnity, release or waiver; loan; and any other assistance when the Company is insolvent or where its net assets would be reduced by a material extent.

Further, "incurring a liability" includes incurring a liability by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on one's own account or with any other person) or by changing one's financial position by any other means.

Certain transactions described in the Articles of Association are not subject to the above prohibition on financial assistance, such as, among others, the lawful distribution of the Company's assets as dividends, a distribution of dividends by way of Shares and where the assistance is given with the principal purpose being genuinely for the Company's interests and not for the purpose of acquiring the Shares, or the provision of such assistance is incidental to some master plan of the Company.

(i) Disclosure of interests in and voting on contracts with the Company or any its subsidiaries

Where a Director, Supervisor, the president or other senior officer of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor, president or other senior officer has disclosed his interest in accordance with the preceding paragraph and the contract, transaction or arrangement has been approved by the Board at a meeting in which the interested Director is not counted in the quorum and has refrained from voting, such contract, transaction or arrangement is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the Director, Supervisor, the president or other senior officer concerned. A Director, Supervisor, the president and other senior officer of the Company is deemed to be interested in a contract, transaction or arrangement in which his related parties have an interest.

Where a Director, Supervisor, the president or other senior officer of the Company gives the Board a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the relevant provisions in the Articles of Association so far as the content stated in such notice is concerned, if such notice is given to the Board before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

(j) Liability

The Directors, Supervisors, the president and other senior officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt a series of measures where a Director, Supervisor, the president or other senior officer is in breach of his duties owed to the Company including, but not limited to, the right to claim for losses incurred by the Company as a result of his breach; to account for the profits made by such person as a result of his breach and to recover any monies received by such person, including, without limitation, commissions.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles of Association and resolutions passed at general meetings. Each Director, Supervisor, the president and other senior officer of the Company should abide by his fiduciary principles in the exercise of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to and are subject to certain exceptions): to act honestly in what he considers to be in the best interest

of the Company; except in accordance with the Articles of Association or with the informed consent of Shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company, use the Company's assets for his personal benefit in any manner, or accept commissions in connection with the Company's transactions; not to use his position to accept bribes or other illegal income or to seek personal gain; or not to compete with the Company or use or disclose confidential information of the Company.

A Director, Supervisor, the president or other senior officer of the Company shall not direct parties related to him to do what he is not permitted to do. Parties related to a Director, Supervisor, the president or other senior officer include (but are not limited to): the spouse, minor child or partner of the relevant person or a company in which that Director, Supervisor, the president or other senior officer, alone or jointly with one or more of his related parties or with any of the other Directors, Supervisors, the president or other senior officers of the Company, has de facto control.

The fiduciary duties of a Director, Supervisor, the president and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in certain circumstances, liabilities of a Director, Supervisor, the president, or other senior officer arising from the violation of a specified duty may be released by informed Shareholders in general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Shares are listed, Directors, Supervisors, the president and other senior officers, in the exercise of their powers and the discharge of their duties, owe certain obligations to the Shareholders, including: not to cause the Company to go beyond the business scope specified in its business licence; to act honestly in what they consider to be the best interests of the Company; not to deprive the Company of any assets or beneficial opportunities; and not to deprive Shareholders of their personal rights and interests.

Each of the Directors, Supervisors, the president and other senior officers of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under similar circumstances.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

The Company may not vary or abrogate rights attached to any class of shares unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association. The circumstances deemed to be a variation or abrogation of the class rights of a particular class of shares, include, but are not limited to, increasing or decreasing the number of shares of any class; creating a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class; increasing the rights or privileges of another class; and varying or abrogating the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall have the right to vote at class meetings in respect of certain matters, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings. Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Written notice of a class meeting shall be given by the Company at least 45 days before the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company at least 20 days before the date of the meeting.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than half of the total number of such shares. If not, the Company shall make an announcement, within five days, once again notifying the Shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class shareholders' meeting.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association. The provisions of the Articles of Association relating to the conduct of any general meeting of shareholders shall apply to any class meeting.

In addition to holders of other class of shares, holders of Domestic Shares and overseas listed foreign Shares are deemed to be shareholders of different classes. Voting by holders of different classes of shares is not applicable where:

(a) the Company issues, with the approval by special resolution of its Shareholders in general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued Domestic Shares or overseas listed foreign Shares; and

(b) the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares and overseas listed foreign Shares.

For the purposes of the class rights provisions in the Articles of Association, an "**Interested Shareholder**" is:

(i) in the case of a repurchase of Shares by offers to all Shareholders in the same proportion or through "on-market" dealing on the Stock Exchange, a controlling Shareholder within the meaning of the Articles of Association;

(ii) in the case of a repurchase of Shares by an off-market agreement outside the Stock Exchange, a Shareholder to whom such agreement is related; or

(iii) in the case of a proposed restructuring of the Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

4. ORDINARY AND SPECIAL RESOLUTIONS

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than half of the votes represented by Shareholders (including proxies) present at the Shareholders' general meeting must be exercised in favour of the resolution.

To adopt a special resolution, more than two thirds of the votes represented by the Shareholders (including proxies) present at the Shareholders' general meeting must be exercised in favour of the resolution.

5. VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)

The Shareholders have the right to attend or appoint a proxy to attend Shareholders' general meetings and to vote at those meetings. Shareholders (including proxies) voting at a Shareholders' general meeting may exercise voting rights in accordance with the number of Shares carrying the right to vote, and each Share shall have one vote.

Votes of the Shareholders' general meeting shall be taken by raising hands for resolutions, unless the following persons require voting before or after any vote by raising hands for resolutions:

(1) the chairman of the meeting;

(2) at least two Shareholders with voting rights or their proxies; or

(3) one or several Shareholders (including proxies) holding totally or separately 10% or more of the Shares carrying the right to vote at the meeting.

In the case of an equality of votes, the chairman of the meeting shall be entitled an additional vote.

6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months after the financial year end.

7. NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The Shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

The Company shall not enter into any contract with any person other than a Director, Supervisor, the president or other senior officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of Shareholders in general meeting by special resolution.

The Board shall convene an extraordinary general meeting within two months of the occurrence of certain events including, without limitation, when the number of Directors is less than the number of Directors required by the PRC Company Law or two-thirds of the number of Directors specified in the Articles of Association; when the losses of the Company amount to one third of the total amount of its share capital; or when the Board considers necessary or upon the request of the Board of Supervisors or independent Directors or Shareholder(s) individually or collectively holding 10% or more of the Shares.

The Company shall give written notice to the Shareholders at least 45 days before the date of any general meeting, setting out, among other things, the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return written replies of attendance to the Company at least 20 days before the date of the meeting.

When the Company is to convene a general meeting, Shareholders individually or collectively holding 3% or more of Shares carrying voting rights shall have the right to put forward new proposals in writing to the Company.

The Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of Shares carrying voting rights that the Shareholders attending the meeting represent. The Company can convene a Shareholders' general meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend comprise more than half of the total number of Shares carrying voting rights. If not, the Company shall make an announcement, within five days, once again notifying the Shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the general meeting. A general meeting may not decide on matters not specified in the notice.

A public announcement of a Shareholders' general meetings shall be published in one or more newspapers designated by the security authorities of the State Council and supervision authority of the stock exchange on which the Shares are listed during the period of 45 days to 50 days before the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant Shareholders' meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings and resolutions at that meeting.

Shareholders requisitioning an extraordinary general meeting of Shareholders or a class meeting shall abide by certain procedures detailed in the Articles of Association.

The matters which require the sanction of an ordinary resolution at a Shareholders' general meeting include, but are not limited to, plans for the distribution of profits and for making up losses proposed by the Board and the election and removal of the members of the Board.

The matters which require the sanction of a special resolution at a Shareholders' general meeting include, but are not limited to, the issue of corporate debentures; the division, merger, dissolution, or liquidation of the Company; and amendments to the Articles of Association.

8. QUORUM FOR SHAREHOLDERS MEETINGS

The Company can convene a Shareholders' meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend represents more than half of the total number of Shares carrying voting rights. If not, the Company shall within five days notify the Shareholders, again by announcement, of the matters proposed to be considered, the date and the place for the meeting. The Company may then hold the Shareholders' meeting after publication of such announcement.

The Company can convene a class Shareholders' meeting if the number of Shares of the class carrying voting rights represented by Shareholders intending to attend represents more than half of the total number of such Shares. If not, the Company shall within five days notify the Shareholders, again by announcement, of the matters proposed to be considered, the date and the place for the class meeting. The Company may then hold the class Shareholders' meeting after publication of such announcement.

9. PROXIES

Any Shareholder entitled to attend and vote at a Shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a Shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorisation from that Shareholder:

(i) the Shareholder's right to speak at the meeting;

(ii) the right to demand, whether on his own or together with others, a poll; and

(iii) the right to vote by raising hands or on a poll, except that if a shareholder has appointed more than one proxy, such proxies may only exercise their voting rights on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a legal person either under seal or under the hand of a director or attorney duly authorised. The instrument appointing a voting proxy shall be deposited at the Company's place of domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy proposes to vote. If such instrument is signed by another person under a power of attorney or other authorisation documents given by the appointor, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's place of domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or any person authorised by resolutions of its board of directors or other governing body shall attend the Shareholders' general meeting as the appointor's representative.

Any form issued to a Shareholder by the Board for the purpose of appointing a proxy shall be in such form which enables the Shareholder, according to his free will, to instruct his proxy to vote in favor of or against or abstain from voting in relation to the motions proposed and in respect of each individual matter to be voted on at the meeting. Such a form shall contain a statement that, in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

10. ACCOUNT AND AUDIT

(a) Financial and accounting system

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and rules formulated by relevant state authorities.

The Board shall place before the Shareholders at every annual general meeting such financial reports as are required by laws, administrative regulations, normative documents promulgated by local governments and supervisory authorities and regulations where the shares are listed.

The financial statements, interim results and financial information of the Company shall be prepared both in accordance with the PRC accounting standards and regulations and in accordance with either international accounting standards or the accounting standards of the place outside the PRC where the Shares are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in notes appended to such financial statements. For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown previously in the two sets of financial statements shall be adopted. The Company shall disclose its financial reports twice in each financial year, that is, its interim financial reports within 60 days of the end of the first six months of a financial year and its annual financial reports within 120 days of its financial year end.

The financial reports of the Company shall be made available at the Company for inspection by Shareholders 20 days before the annual general meeting. Every Shareholder is entitled to a copy of the financial reports. In addition, a copy of the above financial reports shall, at least 21 days before the date of the annual general meeting, be delivered or sent by pre-paid post to the registered address of every holder of overseas listed foreign Shares as shown on the register of Shareholders.

The Company shall not keep any books of accounts other than those required by law.

(b) Appointment and removal of auditor

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State to audit the Company's annual financial statements and review the Company's other financial reports.

The first accounting firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting. Thereafter, the accounting firm appointed by the Company shall hold office from the conclusion of each annual general meeting of Shareholders until the conclusion of the next annual general meeting of Shareholders.

The Company's appointment, removal and non-renewal of the appointment of an accounting firm shall be resolved upon by the Shareholders in general meeting and reported to the State Council authorities in charge of securities for the record. The Shareholders in general meeting may by ordinary resolution remove an accounting firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided by the Shareholders in general meeting. The remuneration of the accounting firm appointed by the Board shall be confirmed by the Board.

Before the removal or the non-renewal of the appointment of an accounting firm, advance notice of such removal or non-renewal shall be given to the accounting firm and such firm shall have the right to attend and to make representations to the Shareholders' general meeting.

The accounting firm may resign its office by notice to the Company. Such notice shall include either a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Company; or details of any such circumstances. If the notice contains details of such circumstances, a copy of such statement shall be placed at the Company for Shareholders' inspection and the Company shall send a copy of such statement by prepaid mail to every holder of overseas listed foreign Shares at the address registered in the register of Shareholders. All such notices from accounting firms shall also be sent to the relevant governing authority.

Where the accounting firm resigns its post, it shall make clear to the Shareholders' general meeting whether there is any impropriety on the part of the Company. In addition, where the accounting firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the Shareholders or creditors of the Company, it may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

11. TRANSFER OF SHARES

Subject to the approval of the securities regulatory authorities of the State Council, holders of Domestic Shares may transfer their Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

Shares of the Company held by the Promoters are not transferable within one year commencing from the date of establishment of the Company.

The Directors, Supervisors and senior officers of the Company shall report to the Company the number of Shares held by them in the Company and the subsequent changes in their shareholdings. The number of Shares which a Director, Supervisor or senior officer may transfer every year during his term of office shall not exceed 25% of the total number of the Shares in his possession. Such personnel shall not transfer the Shares in their possession within six months after they have terminated their employment with the Company.

No changes in the Shareholders' register due to the transfer of Shares may be made within 30 days before the date of a general meeting or within five days before the record date for the Company's distribution of dividends.

12. POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, according to applicable law, administrative regulations, Listing Rules, departmental rules and the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its Shares under certain circumstances including (without limitation):

(i) cancellation of its Shares for the purpose of reducing its registered share capital;

(ii) merging with another company which holds the Shares;

(iii) granting the Shares as incentive compensation to the employees of the Company;

(iv) acquiring the Shares upon request by Shareholders who vote against any resolution adopted at the Shareholders' general meeting on the merger or division of the Company.

If the Company repurchases its own Shares in the manner set out in paragraphs (i), (ii) or (iii) above or by an off-market agreement outside a stock exchange, resolutions relating to such repurchase shall be adopted at a general meeting of Shareholders. Where Shares are repurchased lawfully pursuant to paragraph (i) above, such Shares shall be cancelled within 10 days from the date of repurchase; in case of repurchase pursuant to paragraphs (ii) or (iv), such Shares shall be transferred or cancelled within six months thereafter; and in case of repurchase pursuant to paragraph (iii), such Shares shall not be more than 5% of the total issued share capital of the Company and shall be transferred to the relevant employees within one year.

After cancellation of any repurchased Shares, the Company shall apply to the original companies registration authority for registration of the change of its registered capital and issue an announcement.

The Company may, with the approval of the relevant state governing authorities, also repurchase its Shares by, inter alia, making a pro rata general offer of repurchase to all the Shareholders; repurchasing Shares through "on-market" dealing on a stock exchange; or repurchasing by an off-market agreement outside a stock exchange.

Any repurchase by a Company of its Shares by an off-market agreement requires the prior approval of Shareholders obtained at a Shareholders' meeting and the Company may also rescind or vary, or waive any of its rights under such an agreement, with the prior approval of Shareholders obtained at a Shareholders' meeting. An agreement to repurchase Shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase and acquire rights to repurchase Shares.

The Company shall not assign an agreement to repurchase its Shares or any of its rights thereunder.

13. POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

The Articles of Association contain no restrictions preventing any subsidiary of the Company from holding Shares.

14. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash and/or Shares.

The Company shall appoint on behalf of holders of overseas listed foreign Shares receiving agents to receive on behalf of such Shareholders dividends and other monies payable by the Company in respect of their Shares. The receiving agent appointed by the Company on behalf of holders of overseas listed foreign Shares listed on the Stock Exchange shall be a registered trust company under the Hong Kong Trustee Ordinance.

15. CALLS ON SHARES AND FORFEITURE OF SHARES

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the relevant Shareholder to participate in respect of that Share in a dividend subsequently declared.

Subject to compliance with the relevant regulations of the Stock Exchange, the Company may exercise its right to confiscate dividends which are not claimed by anyone but such right can only be exercised after the expiry of the relevant time frame.

16. INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company shall keep a complete register of Shareholders comprising registers of holders of the Company's overseas listed foreign Shares; and other holders.

Unless the Board thinks necessary for the purpose of listing, the Company shall keep the register(s) of Shareholders at its place of domicile. The Company may, in accordance with any understanding or agreements between the securities regulatory authority of the State Council and applicable overseas securities regulatory organisations, keep its original register of holders of overseas listed foreign Shares overseas and appoint overseas agent(s) to manage such register. The original register of overseas listed foreign Shares listed in Hong Kong shall be maintained in Hong Kong and a duplicate of that register shall be maintained at the Company's place of domicile. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register. If there is any inconsistency between the original and the duplicate of the share register for holders of foreign Shares, the original shall prevail.

The alteration or rectification of any part of the register of Shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

No changes which are required by reason of a transfer of Shares may be made to the register of Shareholders within 30 days before the date of a Shareholders' general meeting or five days before the record date for the Company's distribution of dividends.

When the Company decides to convene a Shareholders' general meeting, distribute dividends, liquidate or carry out other corporate activities which require the determination of shareholdings, the Board shall fix a record date for the purpose of determining such shareholdings. A person who is registered in the register as a Shareholder at the end of the record date shall be the Shareholder of the Company.

Any person who objects to the register of Shareholders and requests to register his name on, or delete his name from the register may apply to the court with jurisdiction to amend the register.

Shareholders are entitled to acquire certain Company information, including, but not limited to: copies of the Articles of Association (for a reasonable fee), minutes of Shareholders' general meetings and the latest audited financial statements; and to inspect the register of Shareholders and personal particulars of each of the Company's Directors, Supervisors, the president and other senior officers.

17. RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by law, administrative regulations and the listing rules of the stock exchange on which the Shares are listed, a controlling Shareholder, when exercising his rights as a Shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the Shareholders generally or of some of the Shareholders in respect of certain matters, including (without limitation): to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company; or to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), of any of the Company's assets or beneficial opportunities; or to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders.

18. PROCEDURE ON DISSOLUTION AND LIQUIDATION

The Company shall be dissolved in accordance with law in certain circumstances, including (without limitation) where:

(i) upon expiry of its term of operation or any of the situations for dissolution prescribed in the Article of Association occurs;

(ii) dissolution is approved by a special resolution of Shareholders at a general meeting;

(iii) dissolution is necessary due to a merger or division of the Company;

(iv) the Company is declared bankrupt according to law because it is unable to pay its debts upon maturity;

(v) the Company's business licence is revoked, or it is ordered to close down or to be dissolved according to laws or administrative regulations;

(vi) where the Company's operations and management encounter serious difficulty, its continuation will cause substantial loss to the interests of the Shareholders and no solution can be found through any other channel, Shareholders holding more than 10% of the voting rights of the Company may require the people's court to dissolve the Company.

Where the Company is dissolved by virtue of the reasons set out in paragraphs (i), (ii), (v) and (vi) above, the Company shall establish a liquidation committee within 15 days, and the members of the liquidation committee shall be selected by Directors or decided at Shareholders' general meeting. Where no liquidation group is formed within the time limit, the creditors may plead the people's court to designate relevant persons to form a liquidation group.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening the Shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the Shareholders in general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the Shareholders' general meeting to make a report at least once every year to the Shareholders' general meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the Shareholders' general meeting on completion of the liquidation.

The liquidation committee shall within 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspaper.

The liquidation committee shall register creditors' claims so reported.

The liquidation committee shall, after examining the Company's assets, preparing the balance sheets and an inventory of assets, formulate a liquidation plan and present it to the Shareholders' general meeting or the relevant people's court for confirmation.

If the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the people's court for a declaration of insolvency. After the people's court has declared the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the people's court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books during the period of liquidation, which shall be examined and verified by the PRC certified public accountants and submitted to the Shareholders' general meeting or governing authority for confirmation. The liquidation committee shall also within 30 days after such confirmation submit the preceding documents to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

19. OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General provisions

The Company is a joint stock limited company of perpetual existence.

The Company may invest in other limited liability companies, joint stock limited companies and other entities, unless otherwise stipulated by the law. In making such an investment, the Company shall not bear a liability greater than its investment.

The Articles of Association constitute a legally binding document against the Company, its Shareholders, Directors, Supervisors and other senior officers. Pursuant to the Articles of Association, Shareholders may institute legal proceedings against the Company; the Company may institute legal proceedings against Shareholders; Shareholders may institute legal proceedings against Shareholders; and Shareholders may institute legal proceedings against Directors, Supervisors and senior management members of the Company. Such proceedings may comprise court proceedings or arbitration proceedings.

(b) Shares and transfers

As referred to in the Articles of Association, "overseas investors" mean those investors within foreign countries, Hong Kong, Macau or Taiwan who subscribe for Shares; and "domestic investors" mean those investors within the territory of the PRC (excluding investors within Hong Kong, Macau and Taiwan) who subscribe for Shares.

The Company may increase its capital by, among other things, issuing new Shares to non-designated investors; or placing new Shares or allotting new Shares to its existing Shareholders.

The Company's increase of capital by issuing new Shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

The Company may reduce its registered capital in accordance with the procedures stipulated by the PRC Company Law and other regulations and the provisions of the Articles of Association. When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

(c) Independent Directors

The number of independent Directors shall be no less than three at any time.

(d) Secretary of the Board

The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

(e) Board of Supervisors

The Company shall have a Board of Supervisors. The Board of Supervisors shall be composed of five members, one of whom shall be the chairman of the Board of Supervisors. The election or removal of the chairman of the Board of Supervisors shall be decided by two-thirds or more of the Supervisors. Decisions of the Board of Supervisors shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The terms of office of Supervisors shall be three years, renewable upon re-election.

The Directors and the senior officers of the Company shall not act concurrently as Supervisors. The Board of Supervisors shall be accountable to the Shareholders' general meeting and exercise certain functions and powers in accordance with law, including (without limitation):

(i) to supervise the Directors, the president and senior officers in their performance of duties and to propose the removal of Directors and senior officers who have contravened any law, administrative regulations, the Articles of Association or Shareholders' resolutions;

(ii) to examine the Company's financial affairs and review the financial reports, operation reports and profit distribution schemes to be submitted by the Board to the Shareholders' general meetings;

(iii) to propose to convene extraordinary meetings of the Board and/or Shareholders; and

(iv) to represent the Company in negotiating with or instituting legal proceedings against the Directors or senior officers of the Company.

Supervisors may be present at meetings of the Board.

(f) The president

The Company shall have one president. The president shall be accountable to the Board and exercise certain functions and powers, including (without limitation):

(i) to host Company's production, operation and management and organize the implementation of the resolutions of the Board;

(ii) to organize the implementation of the Company's annual business plans and investment plans;

(iii) to draft the plan for establishment of the Company's internal management organization;

(iv) to draft the basic management rules of the Company;

(v) to formulate the specific rules and regulations of the Company;

(vi) to propose the employment and dismissal of the general vice president, chief financial officer and chief engineer;

(vii) to hire or dismiss management personnel other than those to be hired or dismissed by the Board of Directors; and

(viii) other functions and powers granted by the Articles of Association and the Board of Directors.

(g) Settlement of disputes

Any disputes or claims, that arise based on the rights and obligations stipulated in the Articles of Association, the PRC Company Law and the relevant laws and administrative regulations and involve (among others) any Shareholder of overseas listed foreign Shares, shall be referred by the relevant parties to arbitration and unless otherwise provided in the laws and administrative regulations and supervising regulations where the shares are listed, shall be resolved in accordance with the laws of the PRC.

The claimant may refer the arbitration to either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its arbitration rules, or to the Hong Kong International Arbitration Centre ("HKIAC") in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant refers the arbitration to the HKIAC, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

The decision made by the arbitral body shall be final and conclusive, and shall be binding on the parties.

Disputes regarding the definition of Shareholders and registration of members may be resolved other than by way of arbitration.

FURTHER INFORMATION ABOUT OUR GROUP

Incorporation of our Company

Chengguan Expressway Company, the predecessor of our Company, was established as a limited liability company in the PRC in August 1998 with an initial registered capital of RMB25,000,000. In preparation for the Listing, Chengguan Expressway Company was converted into a joint stock company with limited liability and renamed as Chengdu Expressway Co., Ltd. in December 2016 with a registered capital of RMB1,200,000,000. Upon its establishment and immediately prior to completion of the conversion, Chengdu Communications and Chengdu Expressway Company (a wholly-owned subsidiary of Chengdu Communications), our Controlling Shareholders, directly held 25% and 75% of its equity interest respectively. Pursuant to relevant approvals issued by SASAC and the promoters agreement dated October 28, 2016 entered into between Chengdu Communications and Chengdu Expressway Company, our Company was established as a joint stock company with limited liability on December 21, 2016. Our registered address is 1 Kexin Road, High-Tech Development District, Chengdu. Our Company has established a principal place of business in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong, and was registered as a non-Hong Kong company under Part XVI of the Companies Ordinance on June 6, 2017. Ms. Kwong Yin Ping, Yvonne has been appointed as the authorised representative of the Company for the acceptance of service of process and notices in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. The summary of certain aspects of relevant PRC laws and regulations and the summary of certain provisions of our Articles of Association are set out in Appendix V and VI, respectively, to this prospectus.

Subsidiaries

Details of our principal subsidiaries are set out in Note 1 "Subsidiaries" to the Accountant's Report, the text of which is set forth in Appendix I in this prospectus.

Changes in the registered share capital of our Company

The predecessor of our Company, Chengguan Expressway Company, was established on August 25, 1998 with an initial registered capital of RMB25,000,000, which has been fully paid up. The changes in share capital of our Company since the date of our incorporation are as follows:

On October 28, 2016, Chengdu Expressway Company and Chengdu Communications entered into the Promoters Agreement of Chengdu Expressway Co., Ltd., pursuant to which Chengguan Expressway Company's audited net assets as at June 30, 2016 of RMB1,422,865,622 were converted into the share capital of our Company at the discount rate of 84%, and the surplus of net assets value over the registered capital amounted to

RMB222,865,622 was credited to capital reserves. After the conversion, the total share capital of our Company amounted to 1,200,000,000 shares, which were owned as to 900,000,000 shares or 75% by Chengdu Expressway Company and 300,000,000 shares or 25% by Chengdu Communications. Accordingly, after the completion of conversion, the registered capital of our Company was RMB1,200,000,000 divided into 1,200,000,000 ordinary shares with a nominal value of RMB1 each.

Immediately following the completion of the Global Offering and assuming no exercise of Over-allotment Option, our registered capital will increase to RMB1,600,000,000, comprising 1,200,000,000 Domestic Shares and 400,000,000 H Shares fully paid up or credited as fully paid up, representing approximately 75.0% and 25.0% of our enlarged registered capital, respectively.

Immediately following the completion of the Global Offering and assuming full exercise of Over-allotment Option, our registered capital will increase to RMB1,660,000,000, comprising 1,200,000,000 Domestic Shares and 460,000,000 H Shares fully paid up or credited as fully paid up, representing approximately 72.3% and 27.7% of our enlarged registered capital, respectively.

Save as disclosed above and elsewhere in this prospectus, there has been no alteration in the share capital of our Company since our establishment.

Changes in the registered share capital of our subsidiaries

There has been no other alteration in the share capital of the subsidiaries of our Company within two years prior to the issue of this prospectus.

Shareholder Resolutions of the Company

On February 27, 2017, our Shareholders passed, among others, the following resolutions at the first extraordinary general meeting of 2017 and extended the validity period of such resolutions at the second extraordinary general meeting of 2018 on June 10, 2018:

(a) approving our Company to issue H Shares in a number not exceeding 25% of the total issued share capital;

(b) the granting of the Over-allotment Option in respect of no more than 15% of the number of H Shares to be issued as set forth in paragraph (a);

(c) approving the Board and its authorized persons to handle all matters relating to, among other things, the issue of H Shares and the listing of H Shares on the Stock Exchange.

Corporate development

In preparation for the Listing, Chengguan Expressway Company was converted into a joint stock company with limited liability and renamed as Chengdu Expressway Co., Ltd. pursuant to relevant approvals issued by Chengdu SASAC and the promoters agreement dated October 2016 entered into between Chengdu Communications and Chengdu Expressway Company. As advised by our PRC Legal Adviser, the promoters agreement entered into by our Company for changing and setting up joint stock company was in compliance with the requirements of the applicable laws and regulations in the PRC. Our Company has fulfilled the legal assessment procedures for the overall change and establishment of the joint stock company and has obtained the approval of the Chengdu SASAC. As of the Latest Practicable Date, our Controlling Shareholders, Chengdu Communications and Chengdu Expressway Company (a wholly-owned subsidiary of Chengdu Communications), directly held 25% and 75% equity interest in our Company, respectively. See "History and Corporate Development" in this prospectus for further details.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Our Material Contracts

The following contracts (excluding those entered into in the ordinary course of our business) have been entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus, which are or may be material:

(a) the Non-competition Agreement;

(b) the cornerstone investment agreement dated December 19, 2018, entered into among the Company, Chengdu Financial Holding Group Co., Ltd, CLSA Capital Markets Limited and CLSA Limited, pursuant to which Chengdu Financial Holding Group Co., Ltd agreed to subscribe for 50,000,000 Offer Shares at the Offer Price;

(c) the cornerstone investment agreement dated December 19, 2018, entered into among the Company, Xin Yue Company Limited, CLSA Capital Markets Limited, CLSA Limited and CCB International Capital Limited, pursuant to which Xin Yue Company Limited agreed to subscribe for 100,000,000 Offer Shares at the Offer Price; and

(d) Hong Kong Underwriting Agreement.

Intellectual Property Rights

As of the Latest Practicable Date, we have registered or applied to register the following intellectual property rights which we consider to be material to our business.

Trademarks

As of the Latest Practicable Date, our Group has been granted to use the following trademark in Hong Kong:

No.	Trademark	Owner	Registration No.	Duration	Class
1.		the Company	304030325	from January 24, 2017 to January 23, 2027	35, 36, 37, 39, 42, 43, 44

We have applied for the registration of the following trademarks in the PRC, the registration of which has not yet been granted:

No.	Trademark	Applicant	Application No.	Application Date	International Classification Number
1.	成都高速	the Company	34342195	October 29, 2018	36
2.	成都高速	the Company	34324211	October 29, 2018	37
3.	成都高速	the Company	34342191	October 29, 2018	39

Patents

As of the Latest Practicable Date, our Group has not registered or applied for the registration of any patents which are material to our business.

Copyrights

As of the Latest Practicable Date, our Group has not registered or applied for the registration of any computer software copyrights which are material to our business.

Domain names

As of the Latest Practicable Date, our Group has applied for the registration of the domain name:

Domain Name	Applicant	Application Date
chengdugs.com	the Company	Jun 20, 2018

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

Disclosure of Interests

Disclosure of interests and short positions of the Directors, Supervisors and chief executives of our Company in the issued shares of our Company and its associated corporations

Immediately following completion of the Global Offering and assuming no exercise of the Over-allotment Option, none of our Directors, Supervisors and chief executives of our Company has any interest and/or short position in the shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO and Listing Rules will be interpreted as if they applied to the Supervisors and chief executives).

Interests and short positions of the substantial shareholders in the Shares and underlying Shares

Interests in our Company

Save as disclosed in "Substantial Shareholders" in this prospectus, our Directors are not aware of any other person, not being a Director, Supervisor, or chief executive of our Company, who has an interest or short position in the Shares or underlying Shares which, immediately following completion of the Global Offering, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Interests in other members of our Group

So far as the Directors are aware, as at the date of this prospectus, the following persons (other than our Company) are interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of our Group:

Name of Subsidiaries	Name of Shareholder	Approximate Percentage of Equity Interest
Chengdu Airport Expressway Company	Chengdu Airport Expressway was held by Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司)	25%
	Sichuan Xinneng Real Estate Limited (四川新能置業有限公司)	20%

Directors' and Supervisors' Service Contracts

Each of the Directors entered into a service contract with our Company in accordance to Rules 19A.54 of the Listing Rules. The principal particulars of these service contracts comprise, among other things, (a) the term of office commencing from the date when their respective appointments are approved by the Shareholders, (b) termination provisions in accordance with their respective terms, and (c) the compliance with the relevant laws, regulations, the Articles of Association and relevant provisions applicable to arbitrations in the PRC.

Pursuant to Rules 19A.55 of the Listing Rules, each of the Supervisors entered into a contract with our Company in respect of (among other things) the compliance with the relevant laws, regulations, the Articles of Association and relevant provisions applicable to arbitrations in the PRC.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

Remuneration of Directors and Supervisors

The aggregate amounts of remuneration (including fees, salaries, pension schemes contributions, allowances and benefits in kind) paid by our Group to our directors during the relevant periods were RMB0.57 million, RMB1.27 million, RMB1.12 million and RMB0.95 million, respectively, for the years ended December 31, 2015, 2016 and 2017, and for the six months ended June 30, 2018. For the years ended December 31, 2015, 2016 and 2017, and for the six months ended June 30, 2018, the total remuneration paid by our Group to our supervisors during the relevant periods (including fees, salaries, pension schemes contributions, allowances and benefits in kind) were RMB0.18 million, RMB0.44 million, RMB0.43 million and RMB0.29 million, respectively.

Save as disclosed in this prospectus, no other payments have been paid or are payable by any member of our Group to the Directors and Supervisors for the years ended December 31, 2015, 2016 and 2017.

Under arrangements in force at the date of this prospectus, the aggregate remuneration payable to the Directors and Supervisors for the year ending December 31, 2018 are estimated to be approximately RMB2.62 million. The payments paid or are payable by us to the Directors and Supervisors may be adjusted in accordance with the remuneration policies of relevant regulatory authorities.

Directors' Competitive Interests

Save as disclosed in "Directors, Supervisors and Senior Management" and "Relationship with Our Controlling Shareholders – Directors' Competing Interests" in this prospectus, the Directors have confirmed that none of them is interested in any business which competes or may compete directly or indirectly with our business as of the Latest Practicable Date.

Personal Guarantee

None of the Directors and Supervisors provides personal guarantee in favor of the lender in respect of any bank financing granted to us.

Agency Fees or Commissions Received

Save as disclosed in this prospectus, no commissions, discounts, agency fees, brokerages or other special terms were granted in connection with the issue or sale of any share or lending capital of our Company or any of its subsidiaries within the two years preceding the date of this prospectus.

Related Party Transactions

The material related party transactions we entered into within the two years preceding the date of this prospectus are detailed in Note 30 of the financial information in the Accountants' Report set out in Appendix I in this prospectus.

Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors and chief executives of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO upon the listing of H Shares on the Stock Exchange (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) our Directors and chief executive of our Company are not aware of any person who has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO upon the listing of H Shares on the Stock Exchange, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of the Directors, Supervisors or parties referred to "Other Information – Qualification of Experts" in this Appendix is interested in the promotion of our Company, or has any interest in any assets which have been, within the two years preceding the date of this prospectus, acquired or disposed of by or leased to, our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(d) save as disclosed in this prospectus or the Underwriting Agreements, none of the Directors, Supervisors or parties referred to "Other Information – Qualification of Experts" in this Appendix is materially interested in any contract or arrangement at the date of this prospectus which is significant to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties referred to "Other Information – Qualification of Experts" in this Appendix (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of any member of our Group;

(f) as of the Latest Practicable Date, none of the Directors, Supervisors, their respective close associates (within the meaning of the Listing Rule), or any of the Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our top five suppliers and top five customers; and

(g) none of the Directors or Supervisors has been paid in cash or shares or otherwise by any person during the Track Record Period as an inducement to join or upon joining the Company, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC law is likely to fall upon our Company or any of its subsidiaries.

Litigation

During the Track Record Period and as of the Latest Practicable Date, no member of our Group is involved in any material litigation, arbitration or claim, and so far as the Directors are aware, no such material litigation, arbitration, or claim is pending or threatened against our Group which will have a material adverse effect on our business, financial position and operating result.

Restriction on Share Repurchase

For details, please refer to "Appendix VI – Summary of Articles of Association – 12. Power of the Company to Purchase Its Own Shares".

Sole Sponsor and Sole Sponsor's Fees

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, our H Shares (including any Offer Shares which may be issued upon the exercise of the Over-allotment Option). All necessary arrangements have been made to enable the H Shares to be admitted into CCASS. The Sole Sponsor is entitled to receive a total amount of RMB3.4 million as sponsor fees to act as the Sole Sponsor in the Global Offering.

The Sole Sponsor has declared their independence pursuant to Rule 3A.07 of the Listing Rules.

Preliminary Expenses

As of the Latest Practicable Date, our preliminary expenses are approximately RMB1.77 million and are payable by our Company.

Qualification of Experts

The qualifications of the experts which have given their opinions in this prospectus are as follows:

Name	Qualification
CLSA Capital Markets Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
King & Wood Mallesons	PRC Legal Adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Master Alliance (China) Limited	Traffic consultant

Consents of Experts

Each of the experts mentioned in "Other Information – Qualification of Experts" in this Appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of any of its reports and/or letters and/or legal opinions (as the case may be) and the references to its name included herein in the form and context in which it is included.

None of the experts listed above has any equity interests in our Company or any of its subsidiaries or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of our Company or any of its subsidiaries.

Compliance Adviser

We have appointed Alliance Capital Partners Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospect of our Group since June 30, 2018 (being the date on which the latest audited financial statements of the Group was prepared).

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years preceding the date of this prospectus, we have not issued or agreed to issue any share or loan capital of our Company or its subsidiaries fully or partly paid either for cash or for a consideration other than cash;

(ii) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries, is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the sub-underwriters) for subscribing, agreeing to subscribe, procuring to subscribe or agreeing to procure to subscribe for any shares in our Company or any of its subsidiaries;

(iv) none of our Company or any of its subsidiaries has issued or agreed to issue any founder or management or deferred shares;

(v) the Company has no outstanding convertible debt securities or debentures; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived;

(b) Our Directors confirm that there has been no interruption in our business which may have or have had a material adverse effect on the financial position of our Company within the 12 months preceding the date of this prospectus;

(c) No part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any other stock exchange, and no such listing or permission to deal in is currently being or proposed to be sought;

(d) the Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(e) All necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the section entitled "Other Information – Consents of Experts" in Appendix VII to this prospectus and copies of the material contracts referred to in the section entitled "Further Information about Our Business – Summary of our Material Contracts" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Kirkland & Ellis at 26th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report on our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(d) the material contracts referred to in the paragraph headed "Summary of our Material Contracts" in Appendix VII to this prospectus;

(e) the service contracts referred to in the paragraph headed "Directors' and Supervisors' Service Contracts" in Appendix VII to this prospectus;

(f) the written consents referred to in the paragraph headed "Consents of Experts" in Appendix VII to this prospectus;

(g) the PRC legal opinions issued by King & Wood Mallesons, the PRC Legal Adviser of our Company;

(h) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translation; and

(i) the industry report issued by Frost & Sullivan as referred to in "Industry Overview" of this prospectus.

CHENGDU EXPWY
成都高速