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CHENGDU EXPRESSWAY COMPANY LTD:

THE FINANCIALS ARE DEFINITELY APPEALING,

BUT THERE IS THAT OTHER MATTER, TOO

It is very rare that the Senior Management of a company, upon listing on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), promises to distribute between 60 percent and 70 percent of its annual distributable profits as dividends to shareholders in the future.

But that is exactly that which one was told in the Global Offering Prospectus of Chengdu Expressway Company Ltd () (Code: 1785, Main Board, The Stock Exchange of Hongkong Ltd).

However, certain conditions apply, relating to the recommendation and payment of dividends to shareholders.

This was made very clear at Page 300 of the Global Offering Prospectus, dated December 28, 2018.

The following two paragraphs are the verbatim statements in respect of this section of the Global Offering Prospectus, under the heading of '***DIVIDENDS AND DIVIDEND POLICY***':

> '*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.*'

One has to ponder, after scanning the above two paragraphs, as to that which shall be determined by Management as being '*distributable profits'* at the conclusion of any one Financial Year.

<u>The Initial Public Offering (IPO) Of Chengdu Expressway Company Ltd</u>

Management of Chengdu Expressway Company Ltd Offered 400 million, one renminbi '*H*' Shares at $HK2.20 Per Share.

Investors of the HKSAR were Offered 40 million '*H*' Shares and International Investors – Institutions, Professionals and/or select, Well-Heeled Individuals/Corporate Entities – were Offered 360 million '*H*' Shares.

Applications for Shares opened at 11:45 a.m. on Monday, January 7, 2019, and closed 15 minutes later.

Dealing in the '*H*' Shares commenced on Tuesday, January 15, 2019.

On Monday, January 14, 2019, Management announced the Allotment Results.

This announcement stated that the Offer Price Per '*H*' Share had, in fact, been struck at $HK2.20 and that the Company's coffers had been enriched by $HK794.40 million by this cash-raising exercise.

But **...**

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