



Sichuan Expressway Company Limited

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


(Stock Code: 00107)

2019

Interim Report

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DEFINITIONS

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

I. NAME OF EXPRESSWAY PROJECTS

Airport Expressway	Chengdu Airport Expressway
Chengbei Exit Expressway	Chengdu Chengbei Exit Expressway
Chengle Expressway	Sichuan Chengle (Chengdu – Leshan) Expressway
Chengren Expressway	Chengdu – Meishan (Renshou) Section of ChengZiLuChi (Chengdu – Zigong – Luzhou– Chishui) Expressway
Chengya Expressway	Sichuan Chengya (Chengdu – Ya’an) Expressway
Chengyu Expressway	Chengyu (Chengdu–Chongqing) Expressway (Sichuan Section)
Suiguang Expressway	Sichuan Suiguang (Suining – Guang’an) Expressway
Suixi Expressway	Sichuan Suixi (Suining–Xichong) Expressway

DEFINITIONS (CONTINUED)

II. BRANCHES, SUBSIDIARIES AND PRINCIPAL INVESTED COMPANIES

Airport Expressway Company	Chengdu Airport Expressway Company Limited
Chengbei Company	Chengdu Chengbei Exit Expressway Company Limited
Chengle Company	Sichuan Chengle Expressway Company Limited
Chengle Operation Branch	Operation and Management Branch of Sichuan Chengle Expressway Company Limited
Chengren Branch	Sichuan Expressway Company Limited Chengren Branch
Chengya Branch	Sichuan Expressway Company Limited Chengya Branch
Chengya Oil Company	Sichuan Chengya Expressway Oil Supply Company Limited
Chengyu Advertising Company	Sichuan Chengyu Expressway Advertising Company Limited
Chengyu Branch	Sichuan Expressway Company Limited Chengyu Branch

DEFINITIONS (CONTINUED)

Chengyu Development Fund	Sichuan Chengyu Development Equity Investment Fund Centre (Limited Partnership)
Chengyu Education Company	Sichuan Chengyu Education Investment Co., Ltd.
Chengyu Financial Leasing Company	Chengyu Financial Leasing Company Limited
Chengyu Jianxin Fund Company	Chengdu Chengyu Jianxin Equity Investment Fund Management Co., Ltd.
Chengyu Logistics Company	Sichuan Chengyu Logistics Company Limited
Commercial Factoring Company	Tianyi United Commercial Factoring (Luzhou) Company Limited (天乙多聯商業保理(瀘州)有限公司)
CSI SCE	CSI SCE Investment Holding Limited
Multimodal United Transportation Company	Sichuan Multimodal United Transportation Investment and Development Co., Ltd.*(四川省多式聯運投資發展有限公司)

DEFINITIONS (CONTINUED)

Renshou Bank	Sichuan Renshou Rural Commercial Bank Co., Ltd.
Renshou Landmark Company	Renshou Trading Landmark Company Limited
Renshou Shunan Company	Renshou Shunan Investment Management Company Limited
Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Shuhong Company	Chengdu Shuhong Property Company Limited
Shunan Company	Sichuan Shunan Investment Management Company Limited
Shunan Chengxing Company	Ziyang Shunan Chengxing Project Construction & Management Co., Ltd.
Shurui Company	Sichuan Shurui Construction Engineering Co., Ltd.

DEFINITIONS (CONTINUED)

Shuxia Company	Sichuan Shuxia Industrial Company Limited
Suiguang Suixi Company	Sichuan Suiguang Suixi Expressway Company Limited
Trading Construction Company	Sichuan Trading Construction Engineering Co., Ltd. (formerly known as “Sichuan Shugong Expressway Engineering Company Limited”)
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited
Zhongxin Company	Sichuan Zhongxin Assets Management Co., Ltd.

DEFINITIONS (CONTINUED)

III. OTHERS

2018 AGM	the 2018 annual general meeting of the Company convened on Wednesday, 5 June 2019, the resolutions of which were published on the website of the Stock Exchange on the same date
A Share(s)	ordinary share(s) denominated in RMB of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
Articles of Association	the Articles of Association of the Company, as amended from time to time
associate(s)	has the meaning as ascribed to it under the Listing Rules of the Stock Exchange
associated corporation(s)	has the meaning as ascribed to it under the SFO
Audit Committee	the Audit Committee of the Board
Board	the Board of Directors of the Company
BOT Project	build – operate – transfer project
BT Project	build – transfer project

DEFINITIONS (CONTINUED)

Chengle Expressway Expansion Construction Project	Capacity Expansion Construction Project for the Chengdu – Leshan Expressway
China Merchants Expressway Company	China Merchants Expressway Network and Technology Holdings Co. Ltd (previously known as China Merchants Huajian Highway Investment Company Limited), a substantial shareholder of the Company
Company	Sichuan Expressway Company Limited
CSRC	China Securities Regulatory Commission
Dachuan Project	Dachuan River health and wellness tourism project in Lushan County
Development Investment Company	Sichuan Development Equity Investment Fund Management Co., Ltd.
Director(s)	director(s) of the Company
Group	the Company and its subsidiaries

DEFINITIONS (CONTINUED)

H Share(s)	overseas listed share(s) of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in HKD and listed on the main board of the Stock Exchange
HKD	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Stocks on the SSE (as the case may be)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange, which has been adopted by the Company as the code of conduct for securities transactions by Directors and Supervisors of the Company
Nomination Committee	the Nomination Committee of the Board

DEFINITIONS (CONTINUED)

Period or Reporting Period	for the six months ended 30 June 2019
PRC or Mainland China	the People's Republic of China, for the purpose of this interim report, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
Remuneration and Appraisal Committee	the Remuneration and Appraisal Committee of the Board
Renshou Gaotan BT Project	engineering construction projects including Renshou Gaotan Water Park, roads in the area of Gaotan Reservoir, landscape engineering of Central Business Avenue, Tianfu Renshou Avenue, underneath channel of Lingzhou Avenue and Renshou Avenue extension construction
Renshou Shigao BT Project	engineering construction projects including section II of Shigao Avenue in Renshou Shigao Economic Development Zone, Tianfu New District, Gangtie Avenue, Qingshui Road and Ring Road (including road maintenance project of Artery No. 1), south section of Zhanhua Road (including the business street and Quanlong River levee project) and Logistics Avenue (including storm sewage pipe network project of Huahai Avenue)

DEFINITIONS (CONTINUED)

RMB	Renminbi, the lawful currency of the PRC
STIG	Sichuan Transportation Investment Group Corporation Limited, the controlling Shareholder of the Company
STIG Group	STIG and its subsidiaries
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	A Share(s) and/or H Share(s) (as the case may be)
Shareholder(s)	holder(s) of Shares
Sichuan Highway Development	Sichuan Highway Development Holding Company, a subsidiary of STIG
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategic Committee	the Strategic Committee of the Board

DEFINITIONS (CONTINUED)

Suiguang-Suixi Expressways BOT Project	the project on Suiguang Expressway and Suixi Expressway in the form of BOT (build – operate – transfer)
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Trading Property Company	Sichuan Trading Property Company Limited (四川交投地產有限公司) (previously known as “Sichuan Trading Landmark Company Limited”)
Vocational Education Project	Characteristic vocational and technical school project in Qionglai

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

CORPORATE INFORMATION

Statutory Chinese and English Names of the Company	四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited
Legal Representative	Zhou Liming
Company Website	http://www.cygs.com
Company's Registered Address and Office Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Postal Code	610041
Secretary to the Board	Zhang Yongnian
Tel	(86) 28-8552-7510
Representative of Securities Affairs	Wang Aihua
Tel	(86) 28-8552-6105
Fax	(86) 28-8553-0753
Investors' Hotline	(86) 28-8552-7510/(86) 28-8552-7526
E-mail	cygszh@163.com
Contact Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC

CORPORATE INFORMATION (CONTINUED)

Stock Exchanges of the Listing Shares	A Shares: Shanghai Stock Exchange Stock Code: 601107 Stock Name: Sichuan Express H Shares: The Stock Exchange of Hong Kong Limited Stock Code: 00107 Stock Name: Sichuan Express
Newspapers Selected by the Company for Information Disclosure	China Securities Journal, Shanghai Securities News
Websites Designated for Publication of the Interim Report of the Company	http://www.sse.com.cn http://www.hkex.com.hk http://www.cygs.com
Place for Inspection of the Interim Report of the Company	PRC: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC Hong Kong: Rooms 2201–2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
International Auditor	Ernst & Young 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

CORPORATE INFORMATION (CONTINUED)

PRC Auditor	Shinewing Certified Public Accountants (Special General Partnership) 9th Floor, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing City, the PRC
Hong Kong Legal Adviser	Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
PRC Legal Adviser	Beijing Zhongyin (Chengdu) Law Firm (北京市中銀(成都)律師事務所) 13th Floor, Block B, OCG International Center, No. 158 Tianfu 4th Avenue, GaoXin District, Chengdu, Sichuan Province, the PRC

CORPORATE INFORMATION (CONTINUED)

Domestic Shares Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F China Insurance Building, No.166 Lujiazui East Road, Pudong, Shanghai, the PRC
Hong Kong Shares Registrar and Transfer Office	Hong Kong Registrars Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
Principal Place of Business in Hong Kong	Rooms 2201–2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
Initial Registration Date and Place	19 August 1997 Chengdu, Sichuan Province, the PRC
Unified Social Credit Code	9151000020189926XW
Principal Banker	China Construction Bank

COMPANY PROFILE

The Company was incorporated in the Industry and Commerce Bureau of Sichuan Province of the PRC on 19 August 1997. The Company was listed on the Stock Exchange (stock code: 00107) on 7 October 1997 and on the SSE (stock code: 601107) on 27 July 2009, respectively.

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects as well as the operation of other businesses related to expressways. Currently, the Group mainly owns all or substantial interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway, Suiguang Expressway and Suixi Expressway. As at 30 June 2019, the length of expressways of the Group has reached approximately 744km in total. The Group's total asset and net asset were approximately RMB37,430,449,000 and RMB15,943,428,000 respectively.

INTERIM CONDENSED FINANCIAL INFORMATION

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited)
REVENUE	4	3,327,239	3,179,304
Cost of sales		(1,884,063)	(1,877,212)
Gross profit		1,443,176	1,302,092
Other income and gains	4	132,141	45,181
Administrative expenses		(131,184)	(106,271)
Other expenses		(14,449)	(4,743)
Finance costs	5	(369,802)	(389,344)
Share of profits and losses of:			
Joint ventures		115	(3,083)
Associates		12,416	24,235
PROFIT BEFORE TAX	6	1,072,413	868,067
Income tax expense	7	(198,163)	(180,672)
PROFIT FOR THE PERIOD		874,250	687,395

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Attributable to:		
Owners of the Company	832,876	654,818
Non-controlling interests	41,374	32,577
	874,250	687,395

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/ (LOSS)		
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	4,378	(21,840)
Income tax effect	(655)	3,507
	3,723	(18,333)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX	3,723	(18,333)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	877,973	669,062

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company		836,184	636,485
Non-controlling interests		41,789	32,577
		877,973	669,062
EARNINGS PER SHARE			
ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS			
OF THE COMPANY			
Basic and diluted	8	RMB0.272	RMB0.214

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	<i>Notes</i>	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	564,577	561,835
Right-of-use assets	9	465,166	–
Service concession arrangements	9	24,773,376	24,810,236
Prepaid land lease payments	9	–	297,979
Investments in joint ventures	10	140,160	765,156
Investments in associates	11	247,261	234,845
Equity investments designated at fair value through other comprehensive income	12	368,320	324,137
Loans to customers	13	1,158,805	702,642
Long term compensation receivables		24,010	32,488
Payments in advance		–	2,000
Contract assets		360,638	329,270
Contract costs		21,311	14,912
Deferred tax assets		376	1,726
Interests in land held for property development		165,148	165,148
Restricted deposits	16	28,038	–
Pledged deposits	16	15,000	15,000
Total non-current assets		28,332,186	28,257,374

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2019

	<i>Notes</i>	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
CURRENT ASSETS			
Properties under development	14	1,785,200	1,620,428
Completed Properties held for sale	14	176,002	176,002
Inventories		55,629	25,763
Loans to customers	13	763,878	627,152
Trade and other receivables	15	1,591,592	1,546,562
Contract assets		123,883	123,099
Pledged deposits	16	31,000	1,258
Cash and cash equivalents	16	4,571,079	3,657,420
		<hr/>	<hr/>
Total current assets		9,098,263	7,777,684
		<hr/>	<hr/>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2019

	<i>Notes</i>	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
CURRENT LIABILITIES			
Tax payable		116,567	65,919
Trade and other payables	17	2,399,009	2,992,460
Contract liabilities		32,010	29,398
Dividend payables		77,896	14,884
Interest-bearing bank and other loans	18	2,506,416	2,174,520
Lease liabilities		25,966	–
Total current liabilities		5,157,864	5,277,181
NET CURRENT ASSETS		3,940,399	2,500,503
TOTAL ASSETS LESS CURRENT LIABILITIES		32,272,585	30,757,877

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	18	14,957,063	15,382,673
Lease liabilities		120,405	–
Deferred tax liabilities		6,371	6,175
Contract liabilities		1,142,480	374,467
Deferred income	17	102,838	110,163
		<u>16,329,157</u>	<u>15,873,478</u>
Total non-current liabilities		<u>16,329,157</u>	<u>15,873,478</u>
Net assets		<u>15,943,428</u>	<u>14,884,399</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		3,058,060	3,058,060
Reserves		11,963,924	11,433,546
		<u>15,021,984</u>	<u>14,491,606</u>
Non-controlling interests		921,444	392,793
		<u>921,444</u>	<u>392,793</u>
Total equity		<u>15,943,428</u>	<u>14,884,399</u>

Zhou Liming
Director

Gan Yongyi
Director

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company												
	Issued capital	Share premium account	Statutory reserve	Difference arising from changes in non-controlling interests	Fair value reserve (non-recycling)	Available-for-sale investment	Merger difference	Safety fund reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017	3,058,060	2,654,601	4,860,257	(254,570)	-	30,961	(533,123)	7,710	32,820	4,037,358	13,894,074	390,639	14,284,713
Impact on initial application of HKFRS 9	-	-	-	-	92,063	(30,961)	-	-	-	-	61,092	-	61,092
At 1 January 2018	3,058,060	2,654,601	4,860,257	(254,570)	92,063	-	(533,123)	7,710	32,820	4,037,358	13,955,166	390,639	14,345,805
Profit for the period	-	-	-	-	-	-	-	-	-	654,818	654,818	32,577	687,395
Other comprehensive loss for the period:													
Changes in fair value of financial assets, net of tax	-	-	-	-	(18,333)	-	-	-	-	-	(18,333)	-	(18,333)
Total comprehensive income for the period	-	-	-	-	(18,333)	-	-	-	-	654,818	636,485	32,577	669,062
Transfer from/(to) reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Establishment for safety fund surplus reserve	-	-	-	-	-	-	-	1,790	-	(1,790)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	-	-	-	(675)	-	675	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(6,588)	(6,588)
Final 2017 dividend declared	-	-	-	-	-	-	-	-	-	(305,806)	(305,806)	-	(305,806)
At 30 June 2018 (unaudited)	3,058,060	2,654,601*	4,860,257*	(254,570)*	73,720*	-*	(533,123)*	8,825*	32,820*	4,385,255*	14,285,845	416,628	14,702,473

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Issued capital	Share premium account	Statutory surplus reserve	Difference arising from changes in non-controlling interests	Fair value reserve	Merger difference	Safety fund reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	<u>3,058,060</u>	<u>2,654,601</u>	<u>4,910,903</u>	<u>(254,570)</u>	<u>84,661</u>	<u>(533,123)</u>	<u>6,146</u>	<u>32,820</u>	<u>4,530,108</u>	<u>14,491,606</u>	<u>392,793</u>	<u>14,884,399</u>
Profit for the period	-	-	-	-	-	-	-	-	832,876	832,876	41,374	874,250
Other comprehensive income for the period:												
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	3,308	-	-	-	-	3,308	415	3,723
Total comprehensive income for the period	-	-	-	-	3,308	-	-	-	832,876	836,184	41,789	877,973
Transfer from/(to) reserves	-	-	-	-	-	-	-	-	-	-	-	-
Establishment for safety fund surplus reserve	-	-	-	-	-	-	2,845	-	(2,845)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	-	-	(650)	-	650	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	490,116	490,116
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(3,254)	(3,254)
Final 2018 dividend declared	-	-	-	-	-	-	-	-	(305,806)	(305,806)	-	(305,806)
At 30 June 2019 (unaudited)	<u>3,058,060</u>	<u>2,654,601*</u>	<u>4,910,903*</u>	<u>(254,570)*</u>	<u>87,969*</u>	<u>(533,123)*</u>	<u>10,341*</u>	<u>32,820*</u>	<u>5,054,983*</u>	<u>15,021,984</u>	<u>921,444</u>	<u>15,943,428</u>

* These reserve accounts comprise the consolidated reserves of RMB11,963,924,000 (31 December 2018: RMB11,433,546,000) in the consolidated statement of financial position.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,072,413	868,067
Adjustments for:			
Finance costs	5	369,802	389,344
Share of profits and losses of joint ventures and associates		(12,531)	(21,152)
Depreciation of property, plant and equipment	9	35,568	33,373
Depreciation of right-of-use assets	9	27,454	–
Amortisation of service concession arrangements	9	371,097	372,974
Amortisation of prepaid land lease payments	9	–	16,272
Amortisation of other intangible assets		–	250
Losses on disposal and write-off of items of property, plant and equipment	6	72	543
Interest income	4	(100,590)	(22,256)
Dividend income from equity investments designated at fair value through other comprehensive income		(6,621)	–
		1,756,664	1,637,415

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Additions to service concession arrangements	(323,207)	(256,963)
Additions to properties under development	(153,309)	(50,723)
Decrease in completed properties held for sale	–	72,077
Increased in restricted deposits	(28,038)	–
Increase in loans to customers	(592,889)	(153,182)
Increase/(decrease) in deferred income	(7,181)	27,963
Decrease/(increase) in contract assets and contract costs	(38,551)	874,163
Increase in trade and other receivables	(3,454)	(833,945)
Decrease/(increase) in inventories	(29,866)	9,641
Increase/(decrease) in contract liabilities	770,625	(51,608)
Decrease in trade and other payables	(661,778)	(516,249)
Cash from operations	689,016	758,589
Interest received	55,416	2,052
Income tax paid	(146,624)	(159,012)

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Net cash flows from operating activities		597,808	601,629
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(39,219)	(13,426)
Acquisition of subsidiaries	22	943,534	–
Investment in a joint venture		(71,050)	(510,000)
Proceeds from disposal of shares of a joint venture		150,000	–
Proceeds from disposal of items of property, plant and equipment		1,744	204
Interest received		24,243	28,689
Dividends received from a joint venture		36,040	–
Dividends received from equity investments designated at fair value through other comprehensive income		6,621	–
Investment in equity investment designated at fair value through other comprehensive income		(39,805)	(75,000)
Decrease in pledged deposits		26,258	41,375

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows from/(used in) investing activities	<u>1,038,366</u>	<u>(528,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(367,440)	(417,490)
Proceeds from bank loans	832,300	2,339,872
Repayment of bank loans	(926,014)	(1,444,934)
Repayment of medium term notes	–	(600,000)
Principle portion lease payments	(15,313)	–
Dividends paid to owners of the Company	(242,794)	(59,077)
Dividends paid to non-controlling shareholders	<u>(3,254)</u>	<u>(6,588)</u>
Net cash flows used in financing activities	<u>(722,515)</u>	<u>(188,217)</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	913,659	(114,746)
Cash and cash equivalents at beginning of period	<u>3,657,420</u>	<u>2,719,253</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>4,571,079</u>	<u>2,604,507</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,547,579	2,549,507
Non-pledged time deposits	<u>23,500</u>	<u>55,000</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	<u>4,571,079</u>	<u>2,604,507</u>
16		

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

The Company is a limited liability company established in the PRC. The registered office of the Company is located at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC.

During the Period, the Group was involved in the following principal activities:

- investment holding;
- construction;
- management and operation of expressways and a high-grade toll bridge;
- operation of gas stations along expressways;
- property development; and
- financial lease business

In the opinion of the directors, STIG is the parent and the ultimate holding company of the Company, which is established in the PRC.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

2.1 BASIS OF PREPARATION

The interim condensed financial information for the Period has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting. The interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) effective as at 1 January 2019.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to HKFRS 3, HKFRS11, HKAS 12 and HKAS 23</i>

Other than as explained below regarding the impact of HKFRS 16 Leases and Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leased applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and land. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the elective exemption for short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other loans.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease)
	<i>RMB'000</i>
	(Unaudited)
Assets	
Increase in right-of-use assets	489,321
Decrease in prepaid land lease payments	(330,373)
Decrease in trade and other receivables	(2,153)
	<hr/>
Increase in total assets	<u>156,795</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

Impacts on transition (continued)

	Increase/ (decrease) <i>RMB'000</i> (Unaudited)
Liabilities	
Increase in lease liabilities	156,795
	<u><u> </u></u>
Impact on retained earnings	–
	<u><u> </u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

Impacts on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	<i>RMB'000</i> (Unaudited)
Operating lease commitments as at 31 December 2018	224,622
Weighted average incremental borrowing rates as at 1 January 2019	<u>4.75% – 4.90%</u>
Discounted operating lease commitments as at 1 January 2019	165,370
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	<u>8,575</u>
Lease liabilities as at 1 January 2019	<u><u>156,795</u></u>

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as interests in land held for property development, they are subsequently measured at the lower of cost and net realisable value. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

Lease liabilities

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

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of HKFRS 16 (continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the Period are as follow:

	<u>Right-of-use assets</u>			Lease liabilities RMB'000
	Building RMB'000	Land RMB'000	Total RMB'000	
As at 1 January				
2019	13,079	476,242	489,321	156,795
Additions	1,299	2,000	3,299	1,162
Depreciation				
change	(4,093)	(23,361)	(27,454)	-
Interest expense	-	-	-	3,727
Payments	-	-	-	(15,313)
As at 30 June 2019	<u>10,285</u>	<u>454,881</u>	<u>465,166</u>	<u>146,371</u>

The Group recognised rental expenses from short-term leases of RMB4,141,000 for the six months ended 30 June 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 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 HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 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 assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2019

	Toll operation RMB'000 (Unaudited)	Construction contracts RMB'000 (Unaudited)	Sale of products RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
SEGMENT REVENUE	2,022,866	343,421	850,955	-	109,997	3,327,239
SEGMENT RESULTS	958,688	54,470	83,701	(9,305)	41,657	1,129,211
<i>Reconciliation:</i>						
Interest income on bank deposits						24,243
Unallocated income and gains						31,551
Corporate and other unallocated expenses						<u>(112,592)</u>
Profit before tax						<u><u>1,072,413</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2018

	Toll operation <i>RMB'000</i> (Unaudited)	Construction contracts <i>RMB'000</i> (Unaudited)	Sale of products <i>RMB'000</i> (Unaudited)	Property development <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
SEGMENT REVENUE	1,784,532	443,757	780,056	86,747	84,212	3,179,304
SEGMENT RESULTS	752,005	49,957	57,799	4,325	50,037	914,123
<i>Reconciliation:</i>						
Interest income on bank deposits						13,599
Unallocated income and gains						22,925
Corporate and other unallocated expenses						(82,580)
Profit before tax						<u>868,067</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents the information of assets and liabilities for the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively.

30 June 2019

	Toll operation RMB'000 (Unaudited)	Construction contracts RMB'000 (Unaudited)	Sale of products RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
SEGMENT ASSETS	25,867,707	1,760,014	550,954	2,218,870	2,019,091	32,416,636
<i>Reconciliation:</i>						
Equity investments designated at fair value through other comprehensive income						368,320
Deferred tax assets						376
Pledged deposits						46,000
Restricted deposits						28,038
Cash and cash equivalents						4,571,079
Total assets						<u>37,430,449</u>
SEGMENT LIABILITIES	17,007,671	1,319,288	72,120	1,618,744	1,268,364	21,286,187
<i>Reconciliation:</i>						
Tax payable						116,567
Dividend payable						77,896
Deferred tax liabilities						6,371
Total liabilities						<u>21,487,021</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

31 December 2018

	Toll operation <i>RMB'000</i>	Construction contracts <i>RMB'000</i>	Sale of products <i>RMB'000</i>	Property development <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT ASSETS	26,477,944	1,819,222	172,566	2,024,648	1,541,137	32,035,517
<i>Reconciliation:</i>						
Equity investments designated at fair value through other comprehensive income						324,137
Deferred tax assets						1,726
Pledged deposits						16,258
Cash and cash equivalents						<u>3,657,420</u>
Total assets						<u><u>36,035,058</u></u>
SEGMENT LIABILITIES	18,066,939	1,411,131	24,700	740,931	819,980	21,063,681
<i>Reconciliation:</i>						
Tax payable						65,919
Dividend payable						14,884
Deferred tax liabilities						<u>6,175</u>
Total liabilities						<u><u>21,150,659</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers	3,247,702	3,127,077
Toll income		
– Chengyu Expressway	479,745	413,010
– Chengya Expressway	485,751	460,572
– Chengle Expressway	306,622	296,985
– Chengren Expressway	497,168	418,885
– Chengbei Exit Expressway and Qinglongchang Bridge	57,413	59,848
– Suiguang-Suixi Expressways	196,167	135,232
Sub-total	2,022,866	1,784,532

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Construction contracts	343,421	443,757
Revenue from sale of products	850,955	780,056
Property development	–	86,747
Others	30,460	31,985
Revenue from other sources		
Finance leasing	60,534	37,232
Other rental income	19,003	14,995
Total revenue	3,327,239	3,179,304

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(i) Disaggregated revenue information

For the six months ended 30 June 2019

Segments	Toll operation RMB' 000 (Unaudited)	Construction contracts RMB' 000 (Unaudited)	Sale of products RMB' 000 (Unaudited)	Property development RMB' 000 (Unaudited)	Others RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
Type of goods or services						
Toll income	2,022,866	-	-	-	-	2,022,866
Construction contracts	-	343,421	-	-	-	343,421
Sale of products	-	-	850,955	-	-	850,955
Property development	-	-	-	-	-	-
Others	-	-	-	-	30,460	30,460
Total revenue from contracts with customers	<u>2,022,866</u>	<u>343,421</u>	<u>850,955</u>	<u>-</u>	<u>30,460</u>	<u>3,247,702</u>

Geographical markets

All revenues under HKFRS 15 are generated in Mainland China.

Timing of revenue recognition

Goods transferred at a point in time	2,022,866	-	850,955	-	30,460	2,904,281
Services transferred over time	-	343,421	-	-	-	343,421
Total revenue from contracts with customers	<u>2,022,866</u>	<u>343,421</u>	<u>850,955</u>	<u>-</u>	<u>30,460</u>	<u>3,247,702</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(i) Disaggregated revenue information (continued)

For the six months ended 30 June 2018

Segments	Toll operation <i>RMB' 000</i> (Unaudited)	Construction contracts <i>RMB' 000</i> (Unaudited)	Sale of products <i>RMB' 000</i> (Unaudited)	Property development <i>RMB' 000</i> (Unaudited)	Others <i>RMB' 000</i> (Unaudited)	Total <i>RMB' 000</i> (Unaudited)
Type of goods or services						
Toll income	1,784,532	-	-	-	-	1,784,532
Construction contracts	-	443,757	-	-	-	443,757
Sale of products	-	-	780,056	-	-	780,056
Property development	-	-	-	86,747	-	86,747
Others	-	-	-	-	31,985	31,985
	<u>1,784,532</u>	<u>443,757</u>	<u>780,056</u>	<u>86,747</u>	<u>31,985</u>	<u>3,127,077</u>
Total revenue from contracts with customers	<u>1,784,532</u>	<u>443,757</u>	<u>780,056</u>	<u>86,747</u>	<u>31,985</u>	<u>3,127,077</u>
Geographical markets						
All revenues under HKFRS 15 are generated in Mainland China.						
Timing of revenue recognition						
Goods transferred at a point in time	1,784,532	-	780,056	86,747	31,985	2,683,320
Services transferred over time	-	443,757	-	-	-	443,757
	<u>1,784,532</u>	<u>443,757</u>	<u>780,056</u>	<u>86,747</u>	<u>31,985</u>	<u>3,127,077</u>
Total revenue from contracts with customers	<u>1,784,532</u>	<u>443,757</u>	<u>780,056</u>	<u>86,747</u>	<u>31,985</u>	<u>3,127,077</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income from bank deposits	24,243	13,599
Interest income from discounting long term compensation receivables	5,244	6,101
Interest income from revenue contracts	71,103	2,556
Sub-total	100,590	22,256
Rental income	2,378	3,551
Government grants*	4,424	5,896
Compensation income	16,078	8,118
Dividend income from equity investments at fair value through other comprehensive income	6,621	–
Others	2,050	5,360
Total other income and gains	132,141	45,181

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

5. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans	372,063	360,419
Interest on lease liabilities	3,727	–
Interest on medium term notes	44,071	49,519
	419,861	409,938
Less:		
Interest capitalised in respect of:		
– Service concession arrangements <i>(note 9(c))</i>	(11,030)	(9,066)
– Properties under development <i>(note 14)</i>	(11,463)	(625)
Interest recorded under cost of sales and other operating costs	(27,566)	(10,903)
	369,802	389,344
Interest rate of borrowing costs capitalised	4.35% – 6.18%	4.35% – 6.18%

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Construction costs in respect of:		
– Service concession arrangements*	323,207	266,029
– Construction works performed for third parties*	16,250	110,430
Cost of sales of products	737,133	697,815
Cost of real estate	–	72,077
Cost of finance lease operation	27,566	10,903
Depreciation and amortisation expenses (<i>note 9</i>)	434,119	422,619
Amortisation of other intangible assets	–	250
Employee benefit expenses	298,825	248,256
Repairs and maintenance expenses	97,527	66,167
Auditor's remuneration	460	460
Minimum lease payments under operating leases:		
– Land and buildings	–	11,650
Minimum lease payments under short term operating leases	4,141	–
Net losses on disposal and write-off of items of property, plant and equipment	72	543
	72	543

* During the Period, employee costs of RMB14,105,000 (six months ended 30 June 2018: RMB8,106,000) and depreciation charge of RMB577,000 (six months ended 30 June 2018: RMB294,000) were included in the construction costs.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

7. INCOME TAX

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charged for the period	199,390	174,078
Underprovision/(overprovision) in prior years	(2,118)	6,281
Deferred	891	313
Total tax charge for the period	<u>198,163</u>	<u>180,672</u>

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

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

7. INCOME TAX (CONTINUED)

Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58) (“Circular”), the tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, “from 1 January 2011 to 31 December 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region (the “Catalogue”), the income of which accounts for more than 70% of the total income of such enterprises. The Catalogue of Encouraged Industries in the Western Region shall be issued separately.” The Catalogue of Encouraged industries in the Western Region was approved by the State Council, and has been implemented since 1 October 2014.

7. INCOME TAX (CONTINUED)

For entities within the scope of the transportation industry, i.e., the Company, Sichuan Chengle Expressway Company Limited, Chengdu Chengbei Exit Expressway Company Limited and Chengdu Airport Expressway Company Limited, an associate of the Company, which have been approved to enjoy the preferential tax rate of 15% before 2012 and have not changed their business operations, income tax of these entities for the Period continued to be calculated at a tax rate of 15%.

The share of tax attributable to joint ventures and associates amounting to RMB3,198,000 (six months ended 30 June 2018: RMB6,878,000) is included in “Share of profits and losses of joint ventures and associates” on the face of the interim consolidated statement of profit or loss and other comprehensive income.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of RMB832,876,000 (six months ended 30 June 2018: RMB654,818,000) and the number of ordinary shares of 3,058,060,000 (six months ended 30 June 2018: 3,058,060,000) in issue during the Period.

No adjustment has been made to the basic earnings per share amount presented for each of the six months ended 30 June 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, SERVICE CONCESSION ARRANGEMENTS AND PREPAID LAND LEASE PAYMENTS

Movements in property, plant and equipment, right-of-use assets, service concession arrangements and prepaid land lease payments during the Period were as follows:

	Property, plant and equipment <i>RMB'000</i> (Unaudited)	Right- of-use assets <i>RMB'000</i> (Unaudited)	Service concession arrangements <i>RMB'000</i> (Unaudited)	Prepaid land lease payments <i>RMB'000</i> (Unaudited)
Carrying amounts at 31 December 2018	561,835	-	24,810,236	330,373
Effect of adoption of HKFRS 16	-	489,321	-	(330,373)
Carrying amounts at beginning of the period (restated)	561,835	489,321	24,810,236	-
Additions	39,219	3,299	334,237	-
Business combination (<i>note 22</i>)	907	-	-	-
Disposals	(1,816)	-	-	-
Depreciation/amortisation charged for the Period	(35,568)	(27,454)	(371,097)	-
Carrying amounts at end of the period	<u>564,577</u>	<u>465,166</u>	<u>24,773,376</u>	<u>-</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, SERVICE CONCESSION ARRANGEMENTS AND PREPAID LAND LEASE PAYMENTS (CONTINUED)

Notes:

- (a) At 30 June 2019 and 31 December 2018, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 18 (a)):

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Chengren Expressway	6,733,482	6,816,504
Suiguang-Suixi Expressways	11,893,793	11,967,716
	<u>18,627,275</u>	<u>18,784,220</u>

- (b) During the Period, the Group was undertaking the Chengle Expressway Expansion Construction Project. Total cost of RMB334,237,000 (six months ended 30 June 2018: RMB266,029,000), including construction costs of RMB323,207,000 and borrowing costs of RMB11,030,000, were incurred, among which RMB323,207,000 (six months ended 30 June 2018: RMB266,029,000) was sub-contracted to third party subcontractors.

In addition, construction revenue of RMB323,207,000 (six months ended 30 June 2018: RMB266,029,000) was recognised in respect of the construction service provided by the Group for the Chengle Expressway Expansion Construction Project using the input method during the Period. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the completion of the upgrade projects and commencement of operation.

- (c) Additions to service concession arrangements during the Period include interest capitalised in respect of bank loans amounting to RMB11,030,000 (six months ended 30 June 2018: RMB9,066,000) (note 5).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

10. INVESTMENTS IN JOINT VENTURES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Share of net assets	140,160	765,156

Particulars of the Group's joint ventures, which were established and operate in Mainland China, are as follows:

Name	Percentage of ownership interest attributable to the Group	Principal activities
Sichuan Zhongxin Assets Management Company Limited	50% (indirect)	Asset management
Sichuan Chengyu Development Equity Investment Fund Center	49% (direct)	Asset management
Chengdu Chengyujianxin Equity Investment Fund Management Company Limited	50% (direct)	Asset management
Chengdu Communications Supply Chain Management Company Limited	29% (indirect)	Project investment

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

11. INVESTMENTS IN ASSOCIATES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Share of net assets	256,424	244,008
Provision for impairment	(9,163)	(9,163)
	<u>247,261</u>	<u>234,845</u>

Particulars of the Group's major associates, which were established and operate in Mainland China, are as follows:

Name	Percentage of ownership interest attributable to the Group	Principal activities
Airport Expressway Company	25%	Operation of Chengdu Airport Expressway
Renshou Bank	9.997%	Banking operations

The Group's shareholdings in Chengdu Airport Expressway are held by the Company, and the shareholdings in Renshou Bank are indirectly held by the Company.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

12. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Listed equity investments, at fair value	102,740	61,768
Unlisted equity investments, at fair value	<u>265,580</u>	<u>262,369</u>
	<u>368,320</u>	<u>324,137</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

13. LOANS TO CUSTOMERS

The Group's loans to customers, represented net investments in fixed assets leased to third party customers under finance lease contracts. The contracts run for initial periods of five months to five years, with options for acquiring by the respective lessee the leased assets at nominal values at the end of the lease period. The total minimum lease receivables and their present values at the end of the reporting period are as follows:

30 June 2019

	Net lease receivables	Unearned finance income	Total gross lease receivables
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Amounts receivable:			
– Within one year	763,878	100,758	864,636
– In the second year	565,496	62,426	627,922
– In the third to fifth years, inclusive	593,309	23,326	616,635
	<u>1,922,683</u>	<u>186,510</u>	<u>2,109,193</u>
Total			
	<u>(763,878)</u>		
Portion classified as current assets			
	<u>1,158,805</u>		
Non-current portion			

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

13 · LOANS TO CUSTOMERS (CONTINUED)

31 December 2018

	Net lease receivables <i>RMB'000</i>	Unearned finance income <i>RMB'000</i>	Total gross lease receivables <i>RMB'000</i>
Amounts receivable:			
– Within one year	627,152	59,882	687,034
– In the second year	394,355	30,253	424,608
– In the third to fifth years, inclusive	<u>308,287</u>	<u>18,812</u>	<u>327,099</u>
Total	<u>1,329,794</u>	<u>108,947</u>	<u>1,438,741</u>
Portion classified as current assets	<u>(627,152)</u>		
Non-current portion	<u>702,642</u>		

At 30 June 2019, the Group has pledged lease receivables of RMB782,812,000 (31 December 2018: RMB253,123,000) to secure bank loans granted to the Group (note 18 (a)). The loans to customers were secured by the collateral provided by the lessees including specific equipment or assets.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

14. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 <i>RMB'000</i>
Properties under development		
Land costs	1,381,132	1,381,132
Development costs	404,068	239,296
	1,785,200	1,620,428
Properties held for sale		
Land costs	52,500	52,500
Development costs	123,502	123,502
	176,002	176,002

14. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE (CONTINUED)

The Group's properties under development and completed properties held for sale are situated on leasehold land in Mainland China. As at 30 June 2019, properties under development were expected to be completed or realised within normal operating cycle. Land use right of properties under development of RMB360,500,000 (31 December 2018: RMB360,500,000) was pledged to secure bank loan granted by Bank of Chengdu (note 18 (a)). Interest expenses on bank loans and interest expense arising from revenue contracts capitalised as part of properties under development by the Group during the Period was RMB11,463,000 (note 5) and RMB27,566,000, respectively (six months ended 30 June 2018: RMB625,000 and nil).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES

		30 June	31 December
		2019	2018
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Trade receivables			
Trade receivables		1,341,340	1,285,645
Impairment		<u>—</u>	<u>—</u>
Trade receivables, net	(a)	1,341,340	1,285,645
Bill receivables		10,000	—
Other receivables			
Deposits and other receivables	(b)	299,477	297,185
Impairment		<u>(95,591)</u>	<u>(95,591)</u>
Prepayments		203,886	201,594
		<u>36,366</u>	<u>59,323</u>
Other receivables, net		<u>240,252</u>	<u>260,917</u>
Total trade and other receivables		<u>1,591,592</u>	<u>1,546,562</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) Trade receivables which arose from construction contracts are settled in accordance with the terms specified in the contracts governing the relevant construction works. The Group does not have a standardised and universal credit period granted to its construction contract customers. The credit period of individual construction contract customers is considered on a case-by-case basis and is set out in the construction contracts, as appropriate.

According to the contracts governing the relevant construction works, trade receivables of RMB1,221,337,000 (31 December 2018: RMB1,175,833,000) were to be settled by instalments within two to seven years upon completion of the relevant construction works and bore interest at rates ranging from 4.75% to 14.98% (2018: 4.75% to 14.98%) per annum. The remaining trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and process billing date, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Within 3 months	117,608	76,956
3 to 6 months	27,039	15,711
6 to 12 months	161,361	146,202
Over 1 year	1,035,332	1,046,776
	1,341,340	1,285,645

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

- (b) The Group's deposits and other receivables as at the end of the reporting period are analysed as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Interest receivables on temporary advances	18,956	3,269
Long term compensation receivables to be received within one year	21,478	7,442
Toll income receivables	27,671	31,841
Deductible input value added tax	92,498	59,281
Deposits	–	59,838
Miscellaneous	138,874	135,514
	299,477	297,185
Impairment	95,591	95,591
	203,886	201,594

As stipulated in the contracts entered into between the Group and the respective government agencies, other than the provisional of construction works under the “Build-Transfer” mode (collectively referred to as “BT Projects”), the Group is required to provide temporary advances to the government agencies for the resettlement of residents and removal of obstacles performed by the relevant government agencies. The advance bears interest at a rate of 14.98% per annum (2018: 14.98%).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

- (c) Amounts due from related parties, which are repayable on credit terms similar to those offered to the major customers of the Group, included in trade and other receivables as at the end of the reporting period, are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Fellow subsidiaries under common control of STIG		
– Other receivables	42	1,865

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Cash and bank balances	4,575,617	3,604,420
Time deposits	69,500	69,258
	4,645,117	3,673,678
Less: non-current portion of pledged time deposits for construction of road projects	15,000	15,000
Less: current portion of pledged time deposits for:		
– Construction of road projects	–	1,258
– Notes payables	31,000	–
Sub-total	31,000	1,258
Less: restricted deposits	28,038	–
Cash and cash equivalents	4,571,079	3,657,420

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER PAYABLES

		30 June	31 December
		2019	2018
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
<i>Current portion:</i>			
Trade and bill payables	(a)	189,998	215,382
Other payables	(b)	2,117,237	2,706,696
Accruals	(c)	78,162	57,034
Deferred income		13,612	13,348
		<u>2,399,009</u>	<u>2,992,460</u>
<i>Non-current portion:</i>			
Deferred income		<u>102,838</u>	<u>110,163</u>
		<u><u>2,501,847</u></u>	<u><u>3,102,623</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

- (a) An aged analysis of the trade and bill payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Within 3 months	103,703	164,992
3 to 6 months	10,009	5,212
6 to 12 months	455	12,423
Over 1 year	75,831	32,755
	189,998	215,382

The trade payables are non-interest-bearing and are normally settled within one to twelve months.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

- (b) Other payables at the end of the reporting period mainly included the following balances:

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Advances		27,631	30,708
Inter-network toll collection	(i)	22,548	153,146
Payroll and welfare payable		73,765	182,197
Taxes and surcharge payables		36,382	39,111
Progress billing payables	(ii)	1,208,556	1,553,146
Retention payables	(iii)	367,762	378,862
Performance guarantee deposits	(iii)	184,875	168,818
Others		195,718	200,708
		2,117,237	2,706,696

Notes:

- (i) The balance represented the expressway tolls pending for allocation to other expressway operators.
- (ii) Included in the progress billing payables was an amount of RMB1,023,193,000 (31 December 2018: RMB1,189,360,000) related to the construction of the Suiguang-Suixi Expressways BOT Project, and the upgrade project of Chengle Expressway.
- (iii) Retention payables and performance guarantee deposits in aggregate of RMB275,363,000 (31 December 2018: RMB296,620,000) in respect of the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project, including performance guarantee deposits of approximately RMB12,569,000 (31 December 2018: RMB12,545,000) received from subcontractors, bear interest at a rate of 0.35% (31 December 2018: 0.35%) per annum.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER PAYABLES (CONTINUED)

- (c) The balance as at 30 June 2019 consisted of interest accrued in respect of medium term notes of RMB32,718,000 (31 December 2018: RMB30,967,000) and interest-bearing bank loans of RMB45,444,000 (31 December 2018: RMB26,067,000).
- (d) Amounts due to related parties included in trade and other payables as at the end of the reporting period, which are on credit terms similar to those offered by the fellow subsidiaries to their major customers, are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Fellow subsidiaries under common control of STIG		
– Trade payables	58,200	114,444
– Other payables	997,909	1,139,443
	<u>1,056,109</u>	<u>1,253,887</u>

Except for the performance guarantee deposits and retention payables which have a longer term of approximately two years, other payables are non-interest-bearing and have an average term of three months.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

18. INTEREST-BEARING BANK AND OTHER LOANS

		30 June	31 December
		2019	2018
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Bank loans:			
Secured	(a)	11,804,979	11,378,693
Unsecured		3,020,000	3,540,000
Medium term notes	(b)	2,500,000	2,500,000
Other loans, unsecured	(c)	138,500	138,500
		17,463,479	17,557,193
Portion classified as current liabilities		(2,506,416)	(2,174,520)
Non-current portion		14,957,063	15,382,673

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

18. INTEREST-BEARING BANK AND OTHER LOANS (CONTINUED)

Notes:

- (a) Bank loans were secured by:

		30 June 2019	31 December 2018
	Notes	RMB'000	RMB'000
		(Unaudited)	
		<i>(Bank loans amount)</i>	
Secured by concession rights of:			
Chengren Expressway	9(a)	2,936,154	2,948,398
Suiguang-Suixi Expressways		8,010,000	8,110,000
		10,946,154	11,058,398
Secured by loans to customers	13	658,825	220,295
Secured by land use rights	14	200,000	100,000
		11,804,979	11,378,693

- (b) At 30 June 2019, the Company had three (31 December 2018: three) tranches of outstanding medium term notes totalling RMB2,500,000,000 (31 December 2018: RMB2,500,000,000) issued to domestic institutional investors participating in the PRC interbank debt market. The interest rates for the medium term notes ranged from 3.56% to 6.30% (31 December 2018: 3.56% to 6.30%) per annum. The medium term notes were all issued at a par value of RMB100 per unit, and will be repaid between December 2020 and July 2024, with an original maturity period of five years.
- (c) Other loans as at 30 June 2019 represent the unsecured shareholder's loan of RMB138,500,000 (31 December 2018: RMB138,500,000) granted to a subsidiary within the Group by its non-controlling shareholder, bearing interest at annual interest rate of 4.75% (31 December 2018: 4.28%) (note 23(c)).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

19. DIVIDENDS

At a meeting of the board of directors held on 29 August 2019, the directors of the Company resolved not to pay an interim dividend to shareholders (six months ended 30 June 2018: Nil).

The proposed final dividend of RMB0.100 per ordinary share for the year ended 31 December 2018 (2017: RMB0.100) was declared during the Period and fully paid on 8 July 2019.

20. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office buildings and service zones under operating lease arrangements, with leases negotiated for terms ranging from 1 to 16 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December <i>2018</i> <i>RMB'000</i>
Within one year	2,442	2,442
In the second to fifth years, inclusive	825	2,046
	3,267	4,488

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following commitments at the end of the reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December <i>2018</i> RMB'000
Contracted, but not provided for service concession arrangements	<u>4,335,533</u>	<u>4,275,553</u>

22. BUSINESS COMBINATION

On 25 March 2019, the Group obtained control on Multimodal United Transportation Company, formerly a joint venture of the Group since its establishment on 19 January 2018, through the revision of the articles of association with nil consideration. As at the date of acquisition, the Group, Chengdu Communications Investment Group Co., Ltd. and Chengdu Railway Bureau hold 51%, 44.05% and 4.95% equity interest in Multimodal United Transportation Company.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

22. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of Multimodal United Transportation Company as at the date of acquisition were as follows:

	Fair value recognised on acquisition <i>RMB'000</i>
Property, plant and equipment (<i>note 9</i>)	907
Cash and bank balances	943,534
Pledged deposits	56,000
Trade and other receivables	46,851
Tax payables	1
Trade and other payables	46,934
Deferred income	120
	<hr/>
Total identifiable net assets at fair value	1,000,237
Non-controlling interests	(490,116)
	<hr/>
Satisfied by investment in a joint venture	510,121
	<hr/> <hr/>

An analysis of the cash flow in respect of the acquisition of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration	–
Cash and bank balances acquired of	943,534
	<hr/>
Net inflow of cash and cash equivalents in cash flows from investing activities	943,534
	<hr/> <hr/>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

23. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the Period:

- (a) During the Period, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a subsidiary under common control of STIG, in relation to the provision of a computer system for highway network toll fee collection and supportive technological services to the Group amounted to approximately RMB8,339,000 (six months ended 30 June 2018: RMB7,336,000).
- (b) During the Period, the Company leased out a certain part of its office buildings to STIG for half-year rental of RMB1,221,000 (six months ended 30 June 2018: RMB1,221,000). The directors consider that the office rental income received by the Group from STIG as determined under the tenancy agreement are based on the market rate for similar premises in similar locations.
- (c) As at 30 June 2019, Renshou Landmark Company had an outstanding loan RMB138,500,000 (31 December 2018: RMB138,500,000) from its non-controlling shareholder, Trading Property Company. The balance is unsecured, with interest rate at 4.75% per annum. In addition, as at 30 June 2019 Renshou Landmark Company had interest payable to Trading Landmark amounted RMB3,308,000 (31 December 2018: RMB6,670,000).
- (d) During the Period, a fellow subsidiary under common control of STIG was engaged by the Group to provide construction and maintenance works. Construction and maintenance costs recognised by the Group for such services amounted to RMB280,739,000 (six months ended 30 June 2018: RMB186,261,000). The transaction price was determined according to the market rates for similar services.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

23. RELATED PARTY TRANSACTIONS (CONTINUED)

- (e) During the Period, Sichuan Transportation Investment Supply Chain Technology Company Limited and Chengdu Sichuan Transportation Xinrong Construction Engineering Company Limited, the indirect subsidiaries of STIG, entered into factoring contracts with Commercial Factoring Company, obtaining financing credit of no more than RMB20,000,000 and RMB60,000,000 (which can be increased by RMB20,000,000) respectively.
- (f) Compensation of the key management personnel of the Group during the Period.

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	<u>160</u>	<u>160</u>
Other emoluments:		
Salaries, allowances and benefits in kind	3,413	2,500
Pension scheme contributions	221	200
Supplementary pension scheme contributions	<u>288</u>	<u>89</u>
	<u>3,922</u>	<u>2,789</u>
Total compensation paid to key management personnel	<u><u>4,082</u></u>	<u><u>2,949</u></u>

These transactions were carried out in accordance with the terms of agreements governing such transactions.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

	Carrying amounts		Fair values	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Financial assets:				
Pledged deposits, non-current portion	15,000	15,000	15,000	15,000
Restricted deposits	28,038	–	28,038	–
Long-term compensation receivables, non-current portion	24,010	32,488	24,010	32,488
Loans to customers, non-current portion	1,158,805	702,642	1,158,805	702,642
Equity investments designated at fair value through other comprehensive income	368,320	324,137	368,320	324,137
	<u>1,594,173</u>	<u>1,074,267</u>	<u>1,594,173</u>	<u>1,074,267</u>
Financial liabilities:				
Interest-bearing bank and other loans, non-current portion:				
– Bank loans	12,467,063	13,182,673	11,788,978	12,461,477
– Medium term notes	2,490,000	2,200,000	2,362,104	2,105,718
	<u>14,957,063</u>	<u>15,382,673</u>	<u>14,151,082</u>	<u>14,567,195</u>

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and bill receivables, trade and bill payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals 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:

The fair values of the non-current portion of the Group's long term compensation receivable, loan to customers and interest-bearing bank and other loans 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 own non-performance risk where appropriate.

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of listed equity investment are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation (“EV/EBITDA”) multiple and price to earnings (“P/E”) multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2018: Nil).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

Assets measured at fair value:

Fair value measurement using			
Quoted prices in active markets (Level 1) <i>RMB'000</i> (Unaudited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Unaudited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)

As at 30 June 2019

Financial assets:

Equity investments designed at fair value through other comprehensive income:

- Listed equity investments	102,740	-	-	102,740
- Unlisted equity investments	-	-	265,580	265,580
	<u>102,740</u>	<u>-</u>	<u>265,580</u>	<u>368,320</u>

As at 31 December 2018

Financial assets:

Equity investments designed at fair value through other comprehensive income:

- Listed equity investment	61,768	-	-	61,768
- Unlisted equity investments	-	-	262,369	262,369
	<u>61,768</u>	<u>-</u>	<u>262,369</u>	<u>324,137</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
As at 30 June 2019				
Financial assets:				
Pledged deposits, non-current portion	-	15,000	-	15,000
Restricted deposits	-	28,038	-	28,038
Long term compensation receivables, non-current portion	-	-	24,010	24,010
Loan to customers, non-current portion	-	-	1,158,805	1,158,805
	<u>-</u>	<u>43,038</u>	<u>1,182,815</u>	<u>1,225,853</u>
As at 31 December 2018				
Financial assets:				
Pledged deposits, non-current portion	-	15,000	-	15,000
Long term compensation receivables, non-current portion	-	-	32,488	32,488
Loan to customers, non-current portion	-	-	702,642	702,642
	<u>-</u>	<u>15,000</u>	<u>735,130</u>	<u>750,130</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Unaudited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Unaudited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Unaudited)	

As at 30 June 2019

Financial liabilities:

Interest-bearing bank and other loans	-	-	14,151,082	14,151,082
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As at 31 December 2018

Financial liabilities:

Interest-bearing bank and other loans	-	-	14,567,195	14,567,195
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INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

25. CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities.

26. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the interim condensed financial information, the Group had no event after the reporting period that need to be disclosed.

27. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the board of directors on 29 August 2019.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

- I. DURING THE REPORTING PERIOD, THERE WAS NO CHANGE IN THE TOTAL NUMBER OF SHARES AND CAPITAL STRUCTURE OF THE COMPANY.**
- II. AS AT 30 JUNE 2019, THE COMPANY HAD A TOTAL OF 62,770 SHAREHOLDERS, INCLUDING 62,504 HOLDERS OF A SHARES AND 266 HOLDERS OF H SHARES.**
- III. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2019, the interests and short positions of the Shares and underlying shares of the Company held by substantial Shareholders or other persons (other than the Directors, Supervisors and chief executives of the Company) as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Name	Type of Shares	Long position/ short position	Number of the Company's Shares held	Approximate percentage in the total issued share capital of the Company	Approximate Percentage in the share capital of A Shares/ H Shares	Capacity
STIG	A Shares	Long position	1,019,588,061	33.34%	47.14%	Beneficial owner
	H Shares	Long position	<u>60,854,200</u>	<u>1.99%</u>	<u>6.80%</u>	Beneficial owner
		Total:	<u>1,080,442,261</u>	<u>35.33%</u>	<u>-</u>	Beneficial owner
China Merchants Expressway Company	A Shares	Long position	<u>664,487,376</u>	<u>21.73%</u>	<u>30.72%</u>	Beneficial owner
	H Shares	Long position	<u>79,270,000</u>	<u>2.59%</u>	<u>8.85%</u>	Interest in controlled corporation ⁽¹⁾
		Total:	<u>743,757,376</u>	<u>24.32%</u>	<u>-</u>	

Note:(1) : Cornerstone Holdings Limited is wholly owned by China Merchants Expressway Company, which is therefore deemed to be interested in the H shares held by Cornerstone Holdings Limited under the SFO.

Save as disclosed above, as at 30 June 2019, no persons (other than the Directors, Supervisors and chief executives of the Company) had registered interests or short positions in the Shares and underlying Shares of the Company which were required to be recorded in accordance with Section 336 of the SFO.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

IV. CHANGE IN THE CONTROLLING SHAREHOLDER OF THE COMPANY

During the Reporting Period, there was no change in the controlling Shareholder of the Company, which remained as STIG.

V. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

VI. ISSUE AND LISTING OF SECURITIES

As approved by CSRC with the approval document (Zheng Jian Xu Ke [2015] No. 1484), the Company issued the domestic fixed-rate corporate bonds publicly in a total amount of RMB1 billion on 17 June 2016, with a term of five years and issuing number of 10,000,000. This tranche of bonds was issued at nominal value of RMB100 each. The final coupon rate was 3.48%. The actual net proceeds raised after deducting issuance expenses amounted to RMB996 million and were to be used for loan repayment and replenishment of working capital. This tranche of bonds (bond name: 16 Chengyu 01; bond code: 136493) has been listed on SSE on 11 July 2016 and will expire on 17 June 2021. As at 30 June 2019, the Company has paid the interest for three years in full in respect of its bond named "16 Chengyu 01" according to schedule.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2019, interests and short positions held by Directors, Supervisors and chief executives of the Company in Shares, underlying shares or bonds of the Company or its associated corporation (as defined in Part XV of the SFO) that, by virtue of Parts 7 and 8 of the SFO, which shall be reported to the Company and the Stock Exchange (including interests and short positions, by virtue of the SFO or other regulations, deemed to be or treated as held by these directors, supervisors and chief executives); or any interests or short positions that shall be recorded in the register required to be kept under Section 352 of the SFO; or interests or short positions that, by virtue of Model Code as set out in Appendix 10 to the Listing Rules, shall be notified to the Company and the Stock Exchange, are as follows:

Name	Class of Shares	Long position/ Short position	Number of the Company's Shares held	Approximate	Approximate	Beneficial owner
				percentage in the total issued share capital of the Company	percentage in the share capital of A Shares/ H Shares	
Zhou Liming	A Shares	Long position	50,000	0.0016%	0.0023%	Beneficial owner
Gan Yongyi	A Shares	Long position	50,000	0.0016%	0.0023%	Beneficial owner
Wang Shuanming	A Shares	Long position	5,100	0.0002%	0.0002%	Beneficial owner
Luo Maoquan	A Shares	Long position	10,000	0.0003%	0.0005%	Beneficial owner

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 4 March 2019, Mr. Lin Binhai resigned from his positions of deputy secretary of Party Committee and chairman of trade union of the Company due to his retirement.

On 28 March 2019, the nomination of Mr. He Zhuqing as a candidate for executive Director of the sixth session of the Board was considered and approved at the 25th meeting of the sixth session of the Board; on 8 May 2019, Mr. He Zhuqing resigned as the deputy general manager of the Company due to job re-allocation; on 5 June 2019, the resolution on election of Mr. He Zhuqing as an executive Director of the sixth session of the Board was considered and approved at the 2018 annual general meeting of the Company.

On 5 June 2019, Mr. Zheng Haijun resigned from his positions of Director and vice chairman of the Company of the sixth session of the Board due to his retirement.

On 5 June 2019, it was resolved to elect Mr. Ni Shilin as the vice chairman of the sixth session of the Board at the 27th meeting of the sixth session of the Board.

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW AND ANALYSIS

(I) Results overview

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects, and carries out diversified operations which are highly relevant to our principal business. Its businesses cover five major segments, namely, the “toll roads and bridges”, “financial investment”, “city operation”, “energy investment” and “transport, tourism, culture and education”. In the first half of 2019, the Group, in close adherence to the annual targets and tasks, devoted serious efforts to the fulfillment of responsibilities, deepened reform, enhanced capabilities and innovated development. As a result, all the work progressed at a higher rate, outstanding achievements were made, and the operations maintained a momentum of steady growth and continuous improvement on the whole.

During the Reporting Period, the net revenue of the Group amounted to approximately RMB3,327,239,000, representing an increase of approximately 4.65% year-on-year, among which the net toll income amounted to approximately RMB2,022,866,000, up approximately 13.36% year-on-year; the net revenue from construction contracts amounted to approximately RMB343,421,000, down approximately 22.61% year-on-year (of which, revenue from construction contracts under HKFRS contributed by the Chengle Expressway Expansion Construction Project amounted to approximately RMB323,207,000, up 21.49% year on year); the net revenue from operation of gas stations along the expressways and sales of other products amounted to approximately RMB850,955,000, representing an

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

increase of approximately 9.09% year-on-year. Other income and gains amounted to approximately RMB109,997,000, up approximately 30.62% year-on-year. The profit attributable to the owners of the Company was approximately RMB832,876,000, representing an increase of 27.19% year-on-year. Basic earnings per Share was approximately RMB0.272 (the same period of 2018: approximately RMB0.214). As at 30 June 2019, the Group's total assets amounted to approximately RMB37,430,449,000 and net assets amounted to approximately RMB15,943,428,000.

(II) Operating conditions of the “toll roads and bridges” segment of the Group

During the Reporting Period, the operating conditions of all the expressways of the Group were as follows:

Item	Shareholding percentage (%)	Average daily traffic flow (vehicles)			Toll income (before deduction of turnover tax) (RMB'000)		
		For the period	Same period in 2018	Increase/ (decrease) (%)	For the period	Same period in 2018	Increase/ (decrease) (%)
Chengyu Expressway	100.00	22,573	27,735	-18.61%	481,564	414,773	16.10
Chengya Expressway	100.00	42,019	41,051	2.36%	487,766	462,466	5.47
Chengren Expressway	100.00	39,425	39,085	0.87%	498,998	420,415	18.69
Chengle Expressway	100.00	34,504	37,102	-7.00%	307,763	298,099	3.24
Chengbei Exit Expressway (including Qinglongchang Bridge)	60.00	55,169	59,335	-7.02%	57,816	60,186	-3.94
Suiguang Expressway	100.00	7,006	6,388	9.67%	109,005	91,027	19.75
Suixi Expressway	100.00	3,048	2,903	5.00%	87,886	44,788	96.23

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the toll income (before deduction of turnover taxes) of the Group was approximately RMB2,030,798,000, representing an increase of approximately 13.34% as compared with the same period last year. The percentage of the toll income (after deduction of turnover taxes) in the Group's revenue was approximately 61.04%, representing an increase of approximately 4.68 percentage points as compared with the same period last year. During the Reporting Period, the following factors constituted combined effects on the overall operating performance of the Group's expressways:

(1) Economic factors

In the first half of 2019, economy in China operated within a reasonable range and continued the development momentum of general stability and making progress while maintaining stability. The gross domestic product (GDP) for the first half amounted to RMB45,099.3 billion, representing a year-on-year increase of 6.3%¹ in comparable price. Sichuan Province achieved a regional GDP of RMB2, 051. 72 billion, representing a year-on-year increase of 7.9% in comparable price, which is 1.6 percentage points² higher than the national average level. The sound economic development environment has led to an increase in demand for regional transportation, especially for freight transportation. Most of the toll road projects of the Group recorded some increase in traffic flow as compared with the same period of last year. Total toll income of the Group increased by 13.34%.

¹ Source: Preliminary results released by the National Bureau of Statistics of China

² Source: Preliminary results released by the Sichuan Provincial Bureau of Statistics

(2) Policy factors

During the Reporting Period, a series of policy documents in relation to the operation of expressways were promulgated in Sichuan, which would affect the operational performance of the expressways of the Group on a continuous basis.

- According to the Announcement in Relation to Weight-Based Tolling for Cargo Vehicles on Toll Roads(關於收費公路貨車計重收費有關事項的公告) issued by the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department: commencing from 15 January 2019, the 20% preferential toll cut applicable to normally loaded 2-shaft and 3-shaft weight-based-tolling cargo vehicles as well as the 30% preferential toll cut applicable to normally loaded 4-shaft (or above) weight-based-tolling cargo vehicles would no longer be implemented. The tolls to be collected for such vehicles would be calculated based on the basic weight-based-tolling rates for cargo vehicles.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- According to the Notice on Collection of Toll against Passenger Vehicles of 20 to 30 Seats as Class III Vehicles issued by the Department of Transportation of Sichuan Province, the Development and Reform Commission of Sichuan Province and Sichuan Provincial Finance Department, from 1 January 2019, in Sichuan Province, the policy on toll based on downward classification would no longer be executed for passenger vehicles of 20 to 30 seats, the toll for which would be restored to that for class III vehicles.
- According to the Notice on Implementation of Differentiated Toll Collection for Expressways (《關於實施高速公路差異化收費的通知》) issued by Sichuan Provincial Department of Transportation, Sichuan Provincial Development and Reform Commission and the Sichuan Provincial Department of Finance, differentiated toll collection has been implemented for toll-by-weight trucks which are normally loaded for legal transportation in Sichuan Province since 00:00 on 1 April 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The main contents are as follows:

- ① Implementation of differentiated toll collection of “lower unit transportation cost for longer distance” for ordinary trucks on 53 expressway sections which are wholly state-owned or controlled by Sichuan Province for a period of 1 year (from 00 : 00 on 1 April 2019 to 24 : 00 on 31 March 2020). The implementation method is set out in the following table:

Total mileage in the expressway network Axle type of ordinary trucks	Single continuous mileage of less than 100 km (100 km excluded)	Single continuous mileage of 100 km-200 km	Single continuous mileage of over 200 km (200 km excluded)
2 axles, 3 axles	-	A discount of 5% for the toll of 53 expressway sections	A discount of 10% for the toll of 53 expressway sections
4 axles or above	A discount of 5% for the toll of 53 expressway sections	A discount of 10% for the toll of 53 expressway sections	A discount of 15% for the toll of 53 expressway sections

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- ② Implementation of differentiated toll collection for international standard containers in the expressway network of the province for a period of 5 years (from 00:00 on 1 April 2019 to 24:00 on 31 March 2024) (The expressway toll will be collected at a discount of 30% for international standard container vehicles; the expressway toll will be collected at a discount of 60% for container vehicles which are accessed to and from Luzhou and Yibin ports).

- ③ Implementation of discount for toll payment with ETC card for trucks in the expressway network of the province for a period of 5 years (from 00:00 on 1 April 2019 to 24:00 on 31 March 2024) (For the trucks which use ETC card of Sichuan Province for toll payment, the expressway toll will be collected at a discount of 5%).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- According to the Notice on Furthering the Toll Road System Reform and Removal of Inter-provincial Toll Stations Alongside Expressways (《關於深化收費公路制度改革取消高速公路省界收費站的通知》) issued by the Office of the People's Government of Sichuan Province, nine inter-provincial toll stations alongside expressway in Sichuan will be removed by the end of 2019, and it shall be ensured that ETC apps are to be installed on over 80% of Sichuan-registered vehicles in different cities (prefecture) and over 90% of vehicles running on the expressways across the province will use the ETC system by the end of 2019. Expenses for upgrade and transformation of the provincial interconnected system, construction of ETC online distribution comprehensive platform, Cybersecurity protection and renovation of the interconnected toll system shall be disbursed from the expressway network distribution and settlement service fees. Expenses for constructing ETC portals and the lane system shall be borne by the expressway operation enterprises.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- In addition, on 2 July 2019, the General Office of the Ministry of Transport issued the Notice on Issues Concerning Implementation of the Industry Standard (JT_T489-2019) for Toll Collection Based on Vehicle Types Along Toll Roads (《關於貫徹〈收費公路通行費車型分類〉行業標準(JT_T489-2019)有關問題的通知》), pursuant to which, the newly validated vehicle toll collection standard will be implemented from 1 January 2020. Such policy is expected to have a certain effect on the future operational performance of the expressways of the Group.

(3) Regional development factors

Thanks to the abundant tourist resources in Sichuan Province, people's enthusiasm for road trip continue to rise, which contributes to the lasting growth of traffic flow along Chengren Expressway, Suiguang Expressway and Suixi Expressway. With the gradually well-established infrastructure in the Tianfu New District and rapid progress of construction of Xinglong Lake, the mobile population in such area is increasing, which promoted the growth in traffic flow of Chengren Expressway. Meanwhile, the construction of the Tianfu New District alongside Chengren Expressway, Shigao Economic Development Zone and the express passage around Tianfu New District will also bring about additional truck flow. Moreover, the accelerated progress in the construction of Hongxinglu Southbound extension lane, Baofei section of Chengdu-Yibin Expressway, Lianjie-Leshan railway, Chengdu Tianfu International Airport and Jianyang Xincheng Industrial

Development Zone aroused stronger demand for building materials, which will boost the rapid growth of truck flow. Besides, the operation of the large-scale e-commerce enterprises surrounding Jianyang, the accelerated industrial construction in Suining and Guang'an, the construction of new plants and commencement of construction of a number of premises in Pengxi County and Guang'an Industrial Park, injected vitality to the freight transportation market, which in turn stimulated the increase in the truck flow of Chengde, Suixi and Chengren Expressways.

(4) Road network changes and road construction

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

Chengyu Expressway: from 31 October 2018 to 30 April 2019, the access to the downtown through Chengdu Toll Station was closed for construction; and from 15 October 2018 to 1 February 2019, the ramp at Jianyang Toll Station was closed for construction, which resulted in diversion of traffic flow from Chengyu Expressway to a certain extent.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Chengle Expressway and Chengya Expressway:

Meishan section to Qinglong section of Chengle Expressway was closed for capacity expansion construction of Chengle Expressway from 8 : 00 on 28 May 2019, which resulted in substantial decrease in the vehicle flow and toll income from Chengle Expressway and Chengya Expressway.

Chengren Expressway: as driven by the closure of Chengle Expressway for construction of the renovation and expansion construction project, the traffic flow at the exit increased slightly.

Chengbei Exit Expressway: from 17 June 2019 to 30 September 2019, Chengbei exit expressway would be closed both ways (excluding Chengmian interchange ramp) for construction, which will have adverse impact on the toll income.

Suixi Expressway: on 22 November 2018, the official opening of Bazhong-Shaanxi Expressway drove up the traffic flow of Suixi Expressway on a continuous basis.

(III) Operations of the Group's diversified businesses

“City operation” segment: Relying on the expertise and experience accumulated over the years in construction projects, and leveraging on capital advantage, location advantage and brand advantage, the Group has made great efforts to expand urban infrastructure, real estate development along the expressways, and steadily promote the assets, service areas, advertising management and other businesses along the expressways, so as to promote the extension of related industries and increase the overall profit of the Group. In the first half of 2019, the operating income of the Group's city operation segment amounted to approximately RMB419,289,000 (in the first half of 2018: RMB577,484,000), representing a decrease of approximately 27.39% from the same period of last year. Among them, construction contract revenue (including those in respect of service concession arrangements and from the third parties) amounted to approximately RMB343,421,000 (in the first half of 2018: RMB443,757,000), representing a decrease of approximately 22.61% from the same period of last year. Net revenue from advertising along expressways, lease of assets, chain stores in service areas and other trades and logistics amounted to approximately RMB75,868,000 (in the first half of 2018 : RMB46,980,000), representing an increase of approximately 61.49% from the same period of last year. No sales revenue was recorded from property development in the first half of the year (in the first half of 2018 : RMB86,747,000).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

“Energy investment” segment: The Company cooperates with energy giants including PetroChina and Sinopec to proactively develop the energy investment business, mainly related to the gas station business along the Group’s expressways and sales of petroleum products. In the first half of 2019, the Group operated 32 gas stations, and recorded a net revenue of approximately RMB823,988,000 (in the first half of 2018: RMB780,056,000) from operation of gas stations along the Group’s expressways, representing an increase of approximately 5.63% from the same period of last year.

“Financial investment” segment: The Company has an efficient and professional capital operation team and has formed a relatively complete financial ecosystem relying on the advantages of domestic and overseas financing platforms. It has built admirable cooperation with over 50 banks, financial leasing companies and other financial institutions, and its business scope covers industrial funds, merger and acquisition funds, financing leasing, trusts, banking and other segments. During the Reporting Period, the operating income of the Group’s financial investment segment amounted to approximately RMB61,096,000 (in the first half of 2018: RMB37,232,000), representing an increase of approximately 64.1% from the same period of last year.

“Transport, tourism, culture and education” segment: the “transport, tourism, culture and education” segment is a new business established by the Company in accordance with the revised “Thirteenth Five-Year” strategic plan. In the future, leveraging on the road network resources, the Company will develop a presence in the transport, tourism, culture and education businesses: following the development idea of “vocational education + preschool education”, the Company will set its presence in culture and education industry to proactively promote preschool education and early education, Internet-based education, vocational education, building of university for the elderly and other projects; centering on “traffic + tourism”, the Company will build new business forms of tourism which will synergize with road economy to develop self-driving tour, rural tourism, and tourism real estate along expressways; and for the purpose of industrial synergy, the Company will develop the healthcare business and build health intuitions relying on tourist attractions and featured towns along expressways. The Company will give full play to the synergic relationship among education, tourism and healthcare, and proactively seek for and reserve a number of high-quality projects through project platform companies, acquisitions, capital increase, strategic alliances, etc., so as to drive the development of the Company through joint development of multiple businesses, achieve synergic development of businesses and foster new profit growth drivers. As at the reporting date, the “transport, tourism, culture and education” segment has made breakthrough progress, and an investment intention agreement has been entered into for Dachuan Project. Chengyu Education Company has entered into a letter of investment intent on the Vocational Education Project with the People’s Government of Qionglai, Sichuan.

(IV) Major financing and investment projects of the Group

(1) Chengle Expressway Expansion Construction Project

The proposal in respect of investment in the expansion construction of Chengle Expressway and relevant matters was considered and approved at the extraordinary general meeting of the Company held on 30 October 2017. According to the reply on approval of the project from the Sichuan Provincial Development and Reform Commission, the total mileage of the project was 138.41km. The project's estimated total investment was approximately RMB23.133 billion. According to the opinion on approval of the project from the Ministry of Transport, the total mileage of the project was 130 km. The project's estimated total investment was approximately RMB22.16 billion. After the completion of the project, it will help ease the traffic pressure on Chengle Expressway, and improve the overall traffic capacity and service level of the Chengle Expressway. From the commencement date of construction to 30 June 2019, an accumulated investment of approximately RMB1,821 million had been invested in the Chengle Expressway Expansion Construction Project.

(2) **Renaming of Tianyi United Company and its consolidation into the combined statements of the Company**

In order to proactively grasp the opportunities brought by the national “One Belt, One Road” strategy, conform to the supply-side structure reforms of transport industry in the PRC, deeply implement the “Thirteenth Five-Year” strategic plan of the Company, improve its core competitiveness, and achieve the industry synergies with complementary advantages, the Company held the general manager’s office meeting on 16 October 2017, at which the proposal for the joint establishment of Sichuan Tianyi United Investment and Development Co., Ltd. (“**Tianyi United Company**”) with Chengdu Communications Investment Group Co., Ltd. (“**CCI**”) and China Railway Chengdu Group Co., Ltd. (“**Chengdu Railway Bureau**”) was considered and approved. On 24 October 2017, the Company entered into an investor agreement with CCI and Chengdu Railway Bureau, pursuant to which the registered capital of Tianyi United Company was RMB1 billion. The Company, CCI and Chengdu Railway Bureau contributed RMB510 million, RMB440.5 million and RMB49.5 million, respectively, each holding 51%, 44.05% and 4.95% of the equity interests in Tianyi United Company, respectively. It has become a joint venture of the Company. On 19 January 2018, Tianyi United Company completed the industrial and commercial registration with the Administration for Industry and Commerce of Tianfu New District (Chengdu Area), Sichuan Province.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

On 4 April 2019, Tianyi United Company completed the formalities for registration of industry and commerce changes in relation to the renaming, changes to the articles of association and other matters, and renewed the business license. Hereafter, Tianyi United Company was renamed from Sichuan Tianyi United Investment and Development Co., Ltd. to Sichuan Multimodal United Transportation Investment and Development Co., Ltd. (四川省多式聯運投資發展有限公司), and consolidated into the combined statements of the Company in the capacity of a controlled subsidiary of the Company at the same time.

(3) Dachuan Project

In order to fully capitalize on the advantages of resources along the expressways, the Group proactively developed tourism projects along the expressways. On 17 October 2018, the Group participated in the public tender for Dachuan Project and won the bid in mid-November of 2018. On 25 December 2018, the Group (“**Party B**”) and the People’s Government of Lushan County (“**Party A**”) entered into an investment intention agreement on Dachuan Project. Pursuant to the agreement, the project adopts the “investment-construction-operation” mode, with a total investment of approximately RMB6 billion and

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

a tentative construction period of 6 years. The two parties will enter into a formal investment agreement within six months commencing from the date of the signing of the investment intention agreement (in case of any failure in satisfying the demands concerning approval by either the competent department of Party A or the internal and external authorities of Party B, the project can be postponed as appropriate and the concrete time shall be otherwise determined by the parties through negotiation). Currently, Shunan Company, a wholly owned subsidiary of the Group, is responsible for the preliminary work of this project temporarily.

The aforesaid agreement is a framework agreement on the cooperation intention of both parties. Save as a bid bond of RMB10 million paid to the People's Government of Lushan County, it does not involve any exact amount of the final investment. Concrete investment plan and implementation particulars have yet to be finalized and specified, and the entering into the subsequent formal investment agreement is still uncertain. If the formal investment agreement is executed, the Company will go through relevant consideration procedures according to the follow-up progress and perform its information disclosure obligation in a timely manner.

(4) Chengbei New City Real Estate Project in Renshou County

On 30 January 2013, the general manager's office meeting of the Company considered and approved the proposal in relation to bidding for 3 state-owned construction land use rights at Chengbei New City, Renshou County, Meishan City, Sichuan Province to invest and develop real estate project. On 22 February 2013, the Company won the bid for the land use rights of such land, involving a land area of 235,558.10 square meters, and the transaction price was RMB920,160,000. In May of the same year, Renshou Landmark Company was established, fully responsible for the development and construction of Renshou County Chengbei New City Real Estate Project. On 15 May 2014, Renshou Landmark Company once again won 5 state-owned construction land use rights, involving a land area of 194,810.52 square meters, and the transaction price was RMB787,100,000. At present, the sale and delivery of the real estate project, namely, Beichengshidai (Phase I) has substantially completed; for the Beichengshidai (Phase II), the land A project construction is steadily pressed ahead and solid sales are achieved. As at 30 June 2019, the cumulative sales revenue achieved from the projects amounted to approximately RMB477,628,000 (after tax), and sales recoveries from Land A (Phase II) amounted to RMB1,122 million, which has not been recognized as revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Name of project	Location	Commencement time	Construction progress	Completion time	Usage	Site area and floor area	Percentage as owned by the Group
Beichengshidai (Phase II)	Central Business Avenue Wenlin Town, Renshou County	31 October 2014	Completed	December 2017	Residential, commercial and parking lots	Site area: 34,167.31 square meters Construction area: 195,883.43 square meters	91%
Land A of Beichengshidai (Phase II)	Central Business Avenue, Wenlin Town, Renshou County	18 May 2018	64.79%	Expected to be completed in July 2020	Residential, commercial and parking lots	Site area: 64,862.22 square meters; Construction area: 269,276.7 square meters	91%

(5) Establishment of Chengyu Education Company and investment in the Vocational Education Project

In accordance with the “Thirteenth Five Year” development plan of the Group, the Group will speed up the layout of the cultural and educational industries and promote the development of the “transport, tourism, culture and education” segment of the Group, to seek new development direction and profit growth drivers. On 12 November 2018, the Company held the 2018 fifth general manager’s office meeting, at which it was approved to establish Chengyu Education Company. On 20 February 2019, Chengyu Education Company was incorporated at the Administrative Service Center of Tianfu New District, Chengdu with a registered capital of RMB480 million. It was wholly funded by the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

On 24 July 2019, Chengyu Education Company has entered into a letter of investment intent on the Vocational Education Project with the People's Government of Qionglai, Sichuan, pursuant to which, the Vocational Education Project was proposed to be invested and constructed in Qionglai, Sichuan. The project would comprise a characteristic vocational and technical junior college and a characteristic vocational and technical secondary school, which will be constructed in four phases with a total estimated investment of approximately RMB1.5 billion (further investment and development particulars and investment amount shall be subject to the project plan).

II. ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Summary of the Group's Operating Results

	For the six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Revenue	3,327,239	3,179,304
Including: Net toll income	2,022,866	1,784,532
Net construction contract revenue	343,421	443,757
Profit before tax	1,072,413	868,067
Profit attributable to owners of the Company	832,876	654,818
Earnings per share attributable to owners of the Company (<i>RMB</i>)	0.272	0.214

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Summary of the Group's Financial Position

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Total assets	37,430,449	36,035,058
Total liabilities	21,487,021	21,150,659
Non-controlling interests	921,444	392,793
Equity attributable to owners of the Company	<u>15,021,984</u>	<u>14,491,606</u>
Equity per share attributable to owners of the Company (RMB)	<u>4.912</u>	<u>4.739</u>

ANALYSIS OF OPERATING RESULTS

Revenue

The Group's net revenue for the Reporting Period amounted to RMB3,327,239,000 (the same period in 2018: RMB3,179,304,000), representing a year-on-year increase of 4.65%, of which:

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (1) The net toll income was RMB2,022,866,000 (the same period in 2018: RMB1,784,532,000), representing a year-on-year increase of 13.36%, which was mainly due to: (1) the natural growth of traffic volume as driven by the macroeconomic development of regions along the expressways, (2) the effect of toll policies (to be specific, the preferential toll cut for weight-based cargo vehicles, whereby normally loaded 2–3 shaft and 4–6 shaft cargo vehicles are entitled to 20% and 30% preferential toll cut, respectively, was revoked on 15 January and the basic rate of handling was resumed; and after the cancellation of inter-provincial toll station on 1 January, the policy on toll based on downward classification would no longer be executed for passenger vehicles of 20 to 30 seats, the toll for which would be restored to that for class III vehicles from II vehicles. As a result of the foregoing, the toll of Chengyu Expressway, Chengren Expressway, Suiguang Expressway and Suixi Expressway under the Group increased at a faster pace. In particular, the toll income Chengyu Expressway, against the decline trend resulting from traffic diversion since 2012, tended to be stable in 2018 and embraced a year-on-year increase of 16% in the first half of 2019; Alongside Chengren Expressway, freight traffic flow arose from the construction of Tianfu New District, Shigao Development Zone and the express lanes linked to Tianfu New District, and the freight traffic flow was driven up by the strong demands of building materials due to the accelerated progress in the construction of Hongxinglu Southbound extension lane, Chengdu Tianfu International Airport, Baofei section of Chengdu-Yibin Expressway, and Lianjie-Leshan railway projects; Meanwhile, the traffic flow of Chengren Road increased as effected by the half-opening of Chengle Road due to construction; the traffic flow of Suiguang Expressway and Suixi Expressway has maintained growth at a relatively high rate

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

since their opening for traffic in 2016. Especially in this year, with the implementation of the environmental inspection, all sandpits in the city were closed and all sand used for construction had to be transported through the section from Suixi Expressway to Banan Expressway Tiefotang Station with large vans at class IV or above, which accounted for 60% of large vans at class IV or above that passing through Suixi Expressway. Benefiting from such an event, toll income of Suixi Expressway increased substantially. Please refer to “operating conditions of the ‘toll roads and bridges’ segment of the Group” in this announcement for details of the main factors affecting the toll income of the Group during the Reporting Period;

- (2) Construction contract revenue (before deduction of turnover taxes) in respect of service concession arrangements was RMB323,207,000 (the same period in 2018: RMB266,029,000), representing a year-on-year increase of 21.49%. This was mainly due to construction contract revenue from the project for expansion construction of Chengle Expressway recognized under the input method during the Reporting Period.
- (3) Construction contract net revenue in respect of construction works performed for third parties amounted to RMB20,214,000 (the same period in 2018: RMB177,728,000), representing a year-on-year decrease of 88.63%, which was the construction contract revenue from the Ziyang Jiaozi Avenue project recognized under the input method. The decrease in the construction contract revenue in respect of construction works performed for third parties during the Period was mainly due to the fact that as Renshou Shigao, Zongbao and Xihanggang BT projects were all completed and presented for auditing,

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

no output value of the aforesaid projects was recognized for the Period; besides, under the new revenue standards, construction contract revenue was recognized for the Period on a basis different from that for the same period last year. Such difference was mainly reflected by the recognition of interest income from funds of BT projects with financing attribute, which was accounted for by the Company as other income for the Period (interest income from receivables of approximately RMB58,472,000, was accounted for as construction contract revenue in the same period last year);

- (4) Net revenue from operation of gas stations along expressways and sales of other products amounted to RMB850,955,000 (the same period in 2018: RMB780,056,000), representing a year-on-year increase of 9.09%, mainly due to (1) the an increase in sales volume of refined oil product for the Period; (2) an increase of RMB28,474,000 in revenue arising from the consolidation of Multimodal United Transportation Company into the combined statements for the Period.
- (5) No revenue from property development and operation was recognized for the Period, (the same period of 2018: RMB86,747,000), mainly due to the fact that the residence of Beichengshidai (phase I) Project was completed and delivered during the previous years, while the other land parcels were under construction or in the preparing process for development and construction.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Other Income and Gains

The Group's other income and gains for the Reporting Period amounted to RMB132,141,000 (the same period in 2018: RMB45,181,000), representing a year-on-year increase of 192.47%. This was mainly attributable to an increase in interest income of RMB68,547,000 from the construction contract revenue recognized from Renshou Gaotan BT Project, Renbao BT Project, Ziyang Jiaozi Avenue Project and South of Ziyang Development Project. In addition, increases at varied levels were also recorded in respect of interest income for the Period, dividend income from financial assets at fair value through other comprehensive income for the holding period and income from compensation for road property.

Operating Expenses

The Group's operating expenses for the Reporting Period amounted to RMB2,029,696,000 (the same period in 2018: RMB1,988,226,000), representing a year-on-year increase of 2.09%, of which:

- (1) During the year, construction contract cost recognized under the input method in respect of service concession arrangements was RMB323,207,000 (the same period in 2018: RMB266,029,000), representing a year-on-year increase of 21.49%. This mainly included construction contract costs recognized for the technical renovation projects of expressways;
- (2) During the year, construction contract costs recognized under the input method in respect of construction works amounted to RMB16,250,000 (the same period in 2018: RMB110,430,000). This mainly included the construction contract costs of the Ziyang Jiaozi Avenue project;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Depreciation and amortization expenses increased by 2.66% from RMB422,869,000 for the same period last year to RMB434,119,000 for the Reporting Period, mainly attributable to amortization for service concession arrangements;
- (4) The cost of sales of refined oil and other products was RMB737,133,000 (the same period in 2018: RMB697,815,000), representing a year-on-year increase of 5.63%, which was mainly due to (1) the increase in the sales costs as a result of the increase in sales of refined oil products during the Period; (2) the increase in sales costs of RMB27,829,000 as a result of the consolidation of Multimodal United Transportation Company into the combined statements for the Period;
- (5) Staff costs increased by 20.37% from RMB248,256,000 for the same period last year to RMB298,825,000 for the Reporting Period, mainly due to (1) the increase in expenses for employees' salary after the change of consolidation scope as a result of the adding of three subsidiaries (or sub-subsidiary), namely, Multimodal United Transportation Company, Commercial Factoring Company and Chengyu Education Company to the combined statements; (2) the higher percentage of enterprise annuity fund provided during the Reporting Period as compared to that of the same period last year; (3) certain adjustments to the payroll made based on the performance appraisal results in the first half of the year;
- (6) Repair and maintenance costs increased by 47.4% from RMB66,167,000 for the same period last year to RMB97,527,000 for the Reporting Period, being the daily maintenance costs of the ancillary facilities of all expressways of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Finance Costs

The Group's finance costs for the Reporting Period amounted to RMB369,802,000, representing a decrease of 5.02% as compared with RMB389,344,000 for the same period last year, mainly due to: (1) a year-on-year decrease in interest-bearing liabilities for the Period and a year-on-year retrenching in financial expenses thanks to Group's emphatic efforts on reduction of interest-bearing debts by making full use of its internal funds and continuously improving capital utilization efficiency; (2) a year-on-year decrease of RMB10,838,000 in expensed interest expenditure as a result of the capitalization of certain interest expenditure during the Period following the present engineering construction of Project Beichengshidai (Phase II).

Income Tax

The income tax expense of the Group for the Reporting Period amounted to RMB198,163,000, representing an increase of approximately 9.68% as compared with RMB180,672,000 for the same period of 2018, mainly due to the change in profit.

Profit

The Group's profit for the Reporting Period amounted to RMB874,250,000, representing an increase of approximately 27.18% as compared with RMB687,395,000 for the same period last year, of which the profit attributable to owners of the Company was RMB832,876,000, representing an increase of 27.19% as compared to the same period last year. This was mainly due to:

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (1) During the Period, the economic growth in regions along the expressways has led to an increase in demand for regional transportation, especially for freight transportation on the one hand; as driven by the toll collection policy, toll income of most expressways under the Group grew at different levels as compared to the same period last year, on the other hand. Net toll income of the Group's expressway business increased by RMB238,334,000 as compared with the same period of last year. Profit of the toll operation segment was approximately RMB958,688,000, representing a year-on-year increase of approximately RMB206,683,000;
- (2) Profit of the construction contracts segment for the Period amounted to approximately RMB54,470,000, representing an increase of approximately RMB4,513,000 as compared with the same period last year, which was mainly due to a year-on-year increase in interest income from recognition of construction contract revenue for the Period as affected by the recognition basis under the revenue standards;
- (3) During the Reporting Period, the profit of the operating segment amounted to approximately RMB83,701,000, representing a year-on-year increase of approximately RMB25,902,000 due to higher sales volume of refined oil as compared with the same period last year;
- (4) Profit of the property development segment amounted to approximately RMB-9,305,000, representing a decrease of approximately RMB13,630,000 as compared with the same period last year, which was due to the fact that no operating income was recognized from the property development segment for the Period.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (5) Profit of other segments amounted to approximately RMB41, 657, 000, representing a decrease of approximately RMB8,380,000 as compared with the same period last year.

ANALYSIS OF FINANCIAL POSITION

Non-current Assets

As at 30 June 2019, the Group's non-current assets amounted to RMB28,332,186,000 representing a slight increase of 0.26% as compared with the end of 2018, mainly attributable to:

- (1) A decrease of RMB36,860,000 in service concession arrangements which included an increase of approximately RMB334,237,000 from Chengle Expressway Expansion Construction Project and the provision for amortization of service concession arrangements of approximately RMB371,097,000;
- (2) An increase of RMB465,166,000 in right-of-use assets. The Group adopted new leasing standards from 1 January 2019, pursuant to which, the Group accounted for the assets previously recognized under operating leases as right-of-use assets and reclassified the project assets previously recognized under prepaid land lease payments into right-of-use assets;
- (3) A decrease of RMB612,580,000 in investment in associates and joint ventures, mainly due to (1) the decrease of RMB510,121,000 in the carrying amount of Multimodal United Transportation Company as it was accounted for by cost method instead of equity method commencing from April 2019 and consolidated into the combined statements of the Group

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

after the change of its controlling right; (2) decrease in carrying amount after the recovery of cost and investment income in a total amount of RMB186,040,000 after the termination of the water project initiated by Chengyu Development Fund during the Period; and (3) the new increase of RMB71,050,000 in the investments in CCI International Supply Chain Management Co., Ltd. (成都交投國際供應鏈管理有限公司) during the Reporting Period;

- (4) An increase of RMB44,183,000 in financial assets at fair value through other comprehensive income, which was mainly due to the Group's acquisition of 10,271,703 additional shares in China Everbright Bank at a cost of RMB39,805,000 in the secondary market during the Period; in addition, there was a cumulative effect of RMB4,378,000 arising from changes of fair value for the Period;
- (5) An increase of approximately RMB28,038,000 in restricted bank deposits, which were mostly security deposits for mortgage of real estate projects;
- (6) An increase of RMB456,163,000 in loans to customers;
- (7) A decrease of RMB8,478,000 in long term compensation receivables;
- (8) An increase of RMB2,742,000 in property, plant and equipment;
- (9) An increase of approximately RMB37,767,000 in contract assets and contract cost.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Current Assets and Current Liabilities

As at 30 June 2019, the current assets of the Group amounted to RMB9,098,263,000, representing an increase of 16.98% as compared with the end of 2018, mainly attributable to:

- (1) An increase of RMB913,659,000 in the balance of cash and cash equivalents as compared with the end of 2018, mainly due to the additional consolidation of 3 subsidiaries (sub-subsidiaries) including Multimodal United Transportation Company, Commercial Factoring Company and Chengyu Education Company as a result of the changes in the consolidation scope, resulting in an increase in the cash and bank balances;
- (2) An increase of approximately RMB136,726,000 in loan to customers due within one year compared with the end of 2018, mainly due to the increase in financial leasing funds receivable (recovery by instalment);
- (3) Trade and other receivables increased by RMB45,030,000 as compared to the end of 2018, mainly due to an increase in trade receivables (including bills receivable), other receivables and prepayment of RMB65,695,000, RMB2,292,000 and RMB22,957,000 respectively;
- (4) An increase of approximately RMB164,772,000 in property under development as compared with the end of 2018, mainly due to an increase of development costs;
- (5) An increase of approximately RMB29,866,000 in inventories as compared with the end of 2018;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (6) An increase of RMB29,742,000 in pledged time deposits as compared with the end of 2018.

As at 30 June 2019, the Group's current liabilities amounted to RMB5,157,864,000, representing a decrease of 2.26% as compared with the end of 2018, mainly attributable to a decrease of RMB593,451,000 in trade and other payables, an increase of RMB2,612,000 in contract liabilities; an increase of RMB63,012,000 in shareholders dividend payable; an increase of approximately RMB50,648,000 in tax payable; the inclusion of the present value of remaining lease payable for the future periods in lease liabilities and the recognition of lease liabilities due within one year during the Period of RMB25,966,000 as a result of adoption of new lease standards by the Group since 1 January 2019; an increase of approximately RMB331,896,000 in interest-bearing bank and other loans, mainly due to the repayment of approximately RMB906,014,000 of short-term borrowings and long-term borrowings due within one year during the Period; approximately RMB200,000,000 of new current loans, an increase in the reclassification of approximately RMB1,327,910,000 of bank loans due within one year and transfer-out of the medium-term notes previously reclassified as due within one year in an amount of RMB290,000,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Non-current Liabilities

As at 30 June 2019, the non-current liabilities of the Group amounted to RMB16,329,157,000, representing an increase of 2.87% as compared with the end of 2018, which was principally attributable to an increase of RMB768,013,000 in the contract liabilities during the Period as a result of an increase in the advances from real estate projects; the inclusion of the present value of remaining lease payable for the future periods in lease liabilities and recognition of non-current portion of RMB120,405,000 as a result of adoption of new lease standards by the Company since 1 January 2019; a decrease of approximately RMB425,610,000 in bank and other interest-bearing loans as a result of the increase of approximately RMB632,300,000 in bank and other interest-bearing loans, the reclassification of approximately RMB1,327,910,000 as current liabilities during the Reporting Period, early repayment of part of long-term borrowings of RMB20,000,000 and transfer-out of the medium-term notes previously reclassified as due within one year in an amount of RMB290,000,000.

Equity

As at 30 June 2019, the Group's equity amounted to RMB15,943,428,000, representing an increase of 7.12% as compared with the end of 2018, mainly attributable to: (1) profit of RMB874,250,000 for the Period, which increased the equity; (2) an increase in equity of RMB3,723,000 due to the adjustment to the fair value of financial assets as a result of presenting changes in other comprehensive income; (3) the final dividend of 2018 declared in the Period amounting to RMB305,806,000, which decreased the equity; (4) payment of dividends of RMB3,254,000 to non-controlling shareholders, which decreased the equity; and (5) consolidation of subsidiaries, which increased the carrying value of non-controlling interests of RMB490,116,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure

As at 30 June 2019, the Group had total assets of RMB37,430,449,000 and total liabilities of RMB21,487,021,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 57.41% (31 December 2018: 58.69%).

Cash Flow

As at 30 June 2019, the cash and bank balances of the Group amounted to RMB4,571,079,000, representing an increase of approximately RMB913,659,000 as compared with the end of 2018. It comprised approximately HKD155,000 (equivalent to approximately RMB132,000) deposits in Hong Kong dollars, and RMB4,570,947,000 cash and deposits in Renminbi.

During the Reporting Period, net cash inflow from operating activities of the Group amounted to RMB597,808,000 (the same period of 2018: net cash inflow of RMB601,629,000), representing a decrease of RMB3,821,000 in cash inflows compared with the same period last year, which was mainly because: profit before tax increased by RMB204,346,000 as compared with the same period last year; the new service concession arrangements resulted in an increase of RMB66,244,000 in cash outflows as compared with the same period last year; the increase in properties under development resulted in an increase of RMB102,586,000 in cash outflows as compared with the same period last year; the decrease in the properties held for sale resulted in a decrease of RMB72,077,000 in cash inflows compared with the same period last year; the payment of mortgage security resulted in an increase in cash outflows of RMB28,038,000; cash outflows from loans to customers increased by RMB439,707,000

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

compared with the same period last year; the increase in trade receivables and other receivables resulted in a decrease of RMB830,491,000 in net cash outflow compared with the same period last year; the increase in contract assets and contract costs resulted in an increase of RMB912,714,000 in the cash outflows for the Period compared with the same period last year; the increase in contract liabilities resulted in an increase of RMB822,233,000 in the net cash inflows for the Period compared with the same period last year; the decrease in trade payables and other payables resulted in an increase of RMB145,529,000 in cash outflows for the Period compared with the same period last year.

Net cash inflow used in investing activities of the Group amounted to RMB1,038,366,000 (the same period of 2018: net outflow of RMB528,158,000), with an increase in net cash inflow of RMB1,566,524,000 compared with the same period last year. It was mainly due to the presentation of the cash and bank balances of Multimodal United Transportation Company in an amount of RMB943,534,000 as cash received from investing activities on the date of consolidation as a result of the changes in the consolidation scope during the Period; the recovery of investment costs of RMB150,000,000 and investment income of RMB36,040,000 due to the termination of the water project of Chengyu Development Fund; the cash expenditure on equity investment during the Period amounted to RMB110,855,000, representing a decrease of RMB474,145,000 as compared with the expenditure on similar equity investment in the same period last year, mainly attributable to the increase of RMB71,050,000 in investment in CCI International Supply Chain Management Co., Ltd.* (成都交投國際供應鏈管理有限公司) and the Company's increase in shareholding in China Everbright Bank by acquisition of 10,271,703 shares from the secondary market at a cost of RMB39,805,000 during the Period

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(the equity investment in the last year amounted to RMB585,000,000, which was mainly due to contribution to establish Multimodal United Transportation Company and the capital increase in Sichuan Trading Construction Engineering Co., Ltd.); the receipt of dividend income of RMB6,621,000 during the period of holding financial assets at fair value through other comprehensive income during the Period; the decrease in pledged time deposits resulted in a decrease of RMB15,117,000 in cash inflows compared with the same period last year.

Net cash outflow used in financing activities was RMB722,515,000 (the same period of 2018: net cash outflow of RMB188,217,000), representing an increase in net cash outflow of RMB534,398,000 as compared with the same period last year, which was mainly due to a decrease of RMB1,507,572,000 in cash inflow from new bank loans as compared with the same period last year; a decrease of RMB1,103,607,000 in cash outflow from repayment of bank loans and medium term notes and payment of lease principal as compared with the same period last year; an increase of RMB183,717,000 in cash outflow from dividend paid to the owners of the Company compared with the same period last year; a decrease of RMB3,334,000 in cash outflow from dividend paid to non-controlling shareholders as compared with the same period last year, a decrease of RMB50,050,000 in cash outflow from interest paid compared with the same period last year.

Capital Commitments

Details of the Group's capital commitments as at 30 June 2019 are set out in note 21 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Exchange Fluctuations Risks

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

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

Borrowings and Solvency

As at 30 June 2019, the Company's bank and other interest-bearing borrowings amounted to RMB17,463,479,000, all of which bore fixed interest rates. In particular, the balance of domestic bank loans was RMB14,824,979,000, with annual interest rates ranging from 3.65% to 6.175%; the balance of other loans amounted to RMB138,500,000, with annual interest rate of 4.75%; the balance of medium-term notes amounted to RMB1,500,000,000, with coupon interest rates ranging from 3.65% to 6.30% per annum; the balance of corporate bonds amounted to RMB1,000,000,000, with an coupon interest rate of 3.48% per annum. The relevant balances are set out as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Interest-Bearing Bank and other Loans

	Total amount	1 year or within 1 year	Over 1 year to 5 years	Over 5 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans from				
domestic banks	14,824,979	2,357,916	3,813,395	8,653,668
Other loans	138,500	138,500		
Medium-term				
notes	1,500,000	10,000	1,200,000	290,000
Corporate bonds	<u>1,000,000</u>		<u>1,000,000</u>	
 Total (as at 30 June 2019)	 <u><u>17,463,479</u></u>	 <u><u>2,506,416</u></u>	 <u><u>6,013,395</u></u>	 <u><u>8,943,668</u></u>
 Total (as at 31 December 2018)	 <u><u>17,557,193</u></u>	 <u><u>2,174,520</u></u>	 <u><u>7,391,018</u></u>	 <u><u>7,991,655</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB38,334 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying on businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. As at 30 June 2019, the balance of the syndicated loan for the project amounted to RMB2,936 million.

In 2013, China Development Bank (Sichuan Branch) as leader and other three banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB8,330 million. Such loan is specially used for construction of Suiguang-Suixi Expressways BOT Project. As at 30 June 2019, the balance of the syndicated loan for the project amounted to RMB8,010 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Pledge of assets

As at 30 June 2019, the Group's time deposits of RMB15,000,000 (31 December 2018: RMB16,258,000) was pledged for the performance guarantee of road construction project; bills security of RMB31,000,000 was paid for the cement trade business engaged in by the Multimodal United Transportation Investment and Development Co., Ltd. (31 December 2018: nil); mortgage security of RMB28,038,000 was provided for North Town Times Project (31 December 2018: nil); the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB6,733,482,000 (31 December 2018: RMB6,816,504,000) was pledged to secure the syndicated loan amounting to RMB2,936,154,000 (31 December 2018: RMB2,948,398,000); the concession right to collect toll pertaining to Suiguang-Suixi Expressways with net carrying value of RMB11,893,793,000 (31 December 2018: RMB11,967,716,000) was pledged to secure the syndicated loan amounting to RMB8,010,000,000 (31 December 2018: RMB8,110,000,000); loans to customers with net carrying value of RMB782,812,000 (31 December 2018: RMB253,123,000) were used for the pledge of bank loans amounting to RMB658,825,000 (31 December 2018: RMB220,295,000); and the land use right with a total carrying value of RMB360,500,000 (31 December 2018: RMB360,500,000) was pledged to secure bank loans amounting to RMB200,000,000 (31 December 2018: RMB100,000,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 30 June 2019.

III. BUSINESS DEVELOPMENT PLAN

Based on the analysis of the operating situation, policy environment and development status of the Company in the second half of 2019, we have formulated the following work plan around the Group's business objectives of 2019:

- (1) Continue to consolidate the fundamental position of the expressway businesses. The Group will continue to improve the quality and standard of its service supply system, promote the refined, standardized, information-based, professional and intelligent development of its expressways and enhance its capability of operating and managing its principal businesses. Faced with the major adjustment to the expressway toll collection mode and the promulgation of relevant toll collection policy, the Group will, under the guidance of competent transport authorities, closely follow and execute the investment, construction, upgrade and renovation of relevant technical facilities so as to ensure the smooth progress of toll road reform tasks.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (2) Increase the synergy of relevant diversified businesses. In addition to focusing on its principal businesses, the Group will expand its business scope by accelerating the strategic cultivation of new economic growth drivers, increasing investments in trendy industries and sunrise establishments, and proactively promoting further advancement of relevant diversified businesses. The first is to proceed with work for boosting the “transport, tourism, culture and education” business such as Dachuan project and the Vocational Education Project through careful study of business landscape, energetic communications with relevant governmental departments and making programmed land available as soon as possible. The second move is to enhance efforts on tapping the potential of roadside economies and develop prime land resources, tourist resources and municipal PPP projects alongside the roads. The third initiative is to carry out more communication and cooperation with financial companies and professional investment institutes with the view to seeking for investment opportunities and project reserves proactively, innovating cooperating mode and promoting the sustainable development of the financial segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Level up capital operation efficiency and optimize capital composition. Firstly, the Group will, giving full play to the role of the capital center, make rational allocations of its internal capital to continually improve capital operation efficiency for cost reduction and efficiency enhancement; secondly, it will cement the capital guarantee function, provide reliable capital guarantee for significant special expenditures concerning Chengde Expressway Expansion Construction Project, removal of inter-provincial toll stations and others, and intensify supervision and inspection over the utilization of special funds; thirdly, it will take initiative to innovate financing modes and capital channels, experiment on more efficient and less costly financing mode, and strive for the optimization of debt structure.
- (4) Innovate system and mechanism reform to strengthen the vitality and competitiveness of enterprises. The Group will formulate a salary and performance appraisal system that assorts with the Company's strategic development and staffing system and explore and improve the long-effecting incentive mechanism compatible to the development of the Company. In addition, it will uphold the strategy of "strengthening enterprises through talents", give due weight to the construction of a core team and cultivation of reserved personnel for future appointment, and build a management team brave in innovation and adept at learning.

OTHER SIGNIFICANT EVENTS

I. PROFIT DISTRIBUTION

1. 2019 interim dividend

The Board resolved not to pay an interim dividend for the six months ended 30 June 2019 nor transfer capital reserve into share capital.

2. Profit distribution plan for the year 2018 and its implementation

As approved at the 2018 AGM of the Company, the Company paid a cash dividend of RMB0.10 per Share (tax inclusive) calculated based on the total share capital of 3,058,060,000 Shares as at the end of 2018, amounting to an aggregate of approximately RMB305,806,000 (tax inclusive), on 24 June and 11 July 2019 to holders of A Shares and holders of H Shares respectively, representing 49.87% of the distributable profit (calculated according to China Accounting Standards) earned by the Company for 2018, and 36.01% of the profit (calculated according to China Accounting Standards) attributable to the owners of the Company in the consolidated financial statements for 2018.

OTHER SIGNIFICANT EVENTS (CONTINUED)

II. MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal carried out by the Group and its associated companies during the Reporting Period.

III. EMPLOYEES, REMUNERATION, INSURANCE, WELFARE AND TRAINING

As at 30 June 2019, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,589
Number of in-service employees of major subsidiaries	1,908
Total number of in-service employees	4,497
Number of retired employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	Nil

OTHER SIGNIFICANT EVENTS (CONTINUED)

Composition of expertise

Type of Expertise	Number of employees
Production	3,233
Sales	32
Technical	482
Financial	146
Administrative	<u>604</u>
Total	<u><u>4,497</u></u>

Education level

Type of Education Level	Number of employees
Postgraduate	191
University graduate	1,199
Junior college graduate	2,116
Technical secondary school and below	<u>991</u>
Total	<u><u>4,497</u></u>

OTHER SIGNIFICANT EVENTS (CONTINUED)

1. **Employees' remuneration**

The total remuneration of the Company's employees is correlated with the operating results of the Company. The salary of the employees is comprised of basic salary (salaries determined by the position and period of service) and performance incentive bonus. Employee's salary is determined with reference to his position (i.e. the salary changes in accordance with the position of service) and performance. During the Reporting Period, the employees' salary incurred by the Group was approximately RMB143,500,620 of which approximately RMB79,768,580 was for the employees of the Company (including its branches).

2. **Employee's insurance and welfare**

The Company cherishes employees and protects their lawful interests. The Company has improved various types of social insurance for employees in strict compliance with all applicable PRC labour security policies. Expenses for various types of social insurances for retirement, healthcare, unemployment, work related injury, childbirth, catastrophic illness and accident have been paid in full by the Company for the employees. Meanwhile, the Company has made contributions to the housing accumulation fund and enterprise annuity fund for the employees in compliance with the requirements under applicable laws and policies.

OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Staff training

The Company highly values staff training and provides trainings of various aspects and types to improve the comprehensive quality and business standard of its staff. During the Reporting Period, the Company has organized various centralized and specific trainings such as operating training for technical staff, and continuing education and training for professional technical staff. The attendance of the Company (including its branches) reached 11,217 person-time.

IV. CORPORATE GOVERNANCE REPORT

1. Corporate governance

Since establishment, the Company has set up a corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the management, and has conducted on-going review and improvement of such structure in practice. To date, the Company has successively established special committees under the Board, including the Audit Committee, the Strategic Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The Company has also adopted an independent internal audit system, established a relatively comprehensive risk management and internal control system and formulated multi-tier governance rules based on the Articles of Association, aiming at clearly defining the job duties, authority and model of conduct. In accordance with laws, regulations and the governance rules, the general meeting, the Board, the Supervisory Committee and the management of the Company discharge their own duties, coordinate and counter-balance each other effectively, and

OTHER SIGNIFICANT EVENTS (CONTINUED)

continuously enhance corporate governance standards, thereby laying a solid foundation for driving the Company's development and maximizing value for the Shareholders. For details, please refer to the 2018 Annual Report of the Company.

2. Corporate governance code

As a listed company with both A Shares and H Shares, in addition to complying with the applicable laws and regulations, the Company is also required to comply with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Stock Exchange and the Code of Corporate Governance for Listed Companies of the CSRC regarding the practice of corporate governance. During the Reporting Period, Corporate Governance of the Company in practice was of no material difference with the Code of Corporate Governance for Listed Companies, and the Company has adopted and fully complied with the requirements of the Corporate Governance Code.

3. Amendments to and improvements in corporate governance system

During the Reporting Period, the Company has further supplemented and improved the corporate governance rules according to the Listing Rules and the requirements of relevant competent authorities. On 28 March 2019, as approved by the Board, the Company amended and improved the Detailed Implementation Rules for the Audit Committee under the Board. The details about amendments to such rules and systems are available for Shareholders and investors on the websites of SSE, the Stock Exchange and the Company.

OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Audit committee

As at the date of this report, the Audit Committee of the Company comprises three independent non-executive Directors including Mr. Yu Haizong, Mr. Guo Yuanxi and Madam Liu Lina who are all professionals experienced in finance and economy. The Audit Committee has reviewed and confirmed the unaudited interim condensed financial information and interim results report of the Group for the half year ended 30 June 2019.

5. Model code for securities transactions by directors and supervisors

During the Reporting Period, the Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange. Having made specific enquiries of all Directors and Supervisors of the Company, it was confirmed that all Directors and Supervisors have complied with the Model Code in relation to securities transactions by the Directors and Supervisors and the Company's own code of conduct and there had not been any non-compliance with the relevant requirements of the Model Code.

OTHER SIGNIFICANT EVENTS (CONTINUED)

V. MEMBERS OF THE BOARD

As at the date of this report, the Board comprises Mr. Zhou Liming (Chairman), Mr. Gan Yongyi (Vice Chairman) and Mr. Luo Maoquan and Mr. He Zhuqing as executive Directors, Mr. Ni Shilin (Vice Chairman), Mr. Tang Yong, Mr. Huang Bin and Mr. Wang Shuanming as non-executive Directors, and Mr. Sun Huibi, Mr. Guo Yuanxi, Mr. Yu Haizong and Madam Liu Lina as independent non-executive Directors.

By order of the Board

Sichuan Expressway Company Limited*

Zhou Liming

Chairman

Chengdu, Sichuan Province, the PRC
29 August 2019

* *For identification purposes only*