

Yan



CHENGDU

Leshan

Renshou

Ziyang

Suining

2013

Interim Report



Sichuan Expressway Company Limited

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

(Stock Code: 00107)



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DEFINITIONS

In this section, the definitions are presented in alphabetic 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
Chengnan Expressway	Sichuan Chengnan (Chengdu-Nanchong) 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

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
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
Ganghang Company	Sichuan Ganghang Development Company Limited
Shugong Testing Company	Sichuan Shugong Road Construction Engineering Testing Company Limited
Shuhai Company	Chengdu Shuhai Investment Management Company Limited

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Shuhong Company	Chengdu Shuhong Property Company Limited
Shunan Company	Sichuan Shunan Investment Management Company Limited
Shusha Company	Sichuan Shusha Industrial Company Limited
Renshou Landmark Company	Renshou Trading Landmark Company Limited
Trading Construction Company	Sichuan Trading Construction Engineering Co., Ltd. (formerly known as “Sichuan Shugong Expressway Engineering Company Limited”, hereinafter referred to as “Shugong Comapny”)
Trading Landmark	Sichuan Trading Landmark Company Limited
Trading Industry	Sichuan Trading Industry Company Limited
Suiguang Suixi Company	Sichuan Suiguang Suixi Expressway Company Limited
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited

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.

III. Others

2012 AGM	the 2012 annual general meeting of the Company convened on Tuesday, 28 May 2013, the resolutions of which were published on the website of the Stock Exchange on the same date
A Share(s)	ordinary share(s) of the Company with a nominal value of RMB1.00 each, which is/ 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 Company
Board	the Board of Directors of the Company
Company	Sichuan Expressway Company Limited
Director(s)	director(s) of the Company
Group	the Company and its subsidiaries

H Share(s)	overseas listed share(s) of the Company with a nominal value of RMB1.00 each, which is/are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the Stock Exchange
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Huajian Company	China Merchants Huajian Highway Investment Co., Ltd. (formerly known as Huajian Transportation Economic Development Centre), a substantial Shareholder of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Securities on the SSE (as the case may be)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 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

PRC	the People's Republic of China, for the purpose of this interim report, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
Renshou Land-linked Pilot BT Project	the land-linked pilot project in Renshou County, Meishan City in the form of BT (build-transfer)
Shareholder(s)	holder(s) of Shares
Share(s)	A Share(s) and/or H Share(s) (as the case may be)
Shuangliu West Airport Phase VI BT Project	the road project within the Airport High-tech Industrial Functional Zone, Shuangliu County, Chengdu City, in the form of BT (build-transfer), which is referred to as the "West Airport Development Zone Phase VI Road Engineering BT Project" by the Transportation Bureau of Shuangliu County, Chengdu City, the tenderee of this project
Shuangliu Zongbao BT Project	the Phase I road project within Zongbao ancillary area at Shuangliu County, Chengdu City in the form of BT (build-transfer)

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Sichuan Highway Development	Sichuan Highway Development Holding Company, a subsidiary of STI Group
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
STI Group	Sichuan Transportation Investment Group Corporation, the controlling Shareholder of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
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
Period or Reporting Period	the 6 months ended 30 June 2013

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 & 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	Zhang Hua
Tel	(86)28-8552-7510
Fax	(86)28-8553-0753
Investors' Hotline	(86)28-8552-7510/(86)28-8552-7526
E-mail	cygzh@163.com

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Contact Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Stock Exchanges of the Listing Shares	A Shares: Shanghai Stock Exchange Stock Code: 601107 Stock Name: Sichuan Express H Shares: The Stock Exchange of Hong Kong Limited Stock Code: 00107 Stock Name: Sichuan Express
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	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong

International Auditor	Ernst & Young Certified Public Accountants 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
PRC Auditor	Shinewing Certified Public Accountants 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	Messrs. Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
PRC Legal Adviser	Beijing Zhong Yin (Chengdu) Law Firm (北京 市中銀(成都)律師事務所) Room 3104, 31/F, Building 3, Triumph Plaza, No. 118 Jitai Fifth Road, High-tech District, Chengdu City
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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

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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
Latest Date of Registration Update	19 December 2012
Registration Number of Business Licence	510000400003856
Tax Registration Number	51010720189926X
Organization Code	20189926-X
Principal Banker	China Construction Bank

COMPANY PROFILE

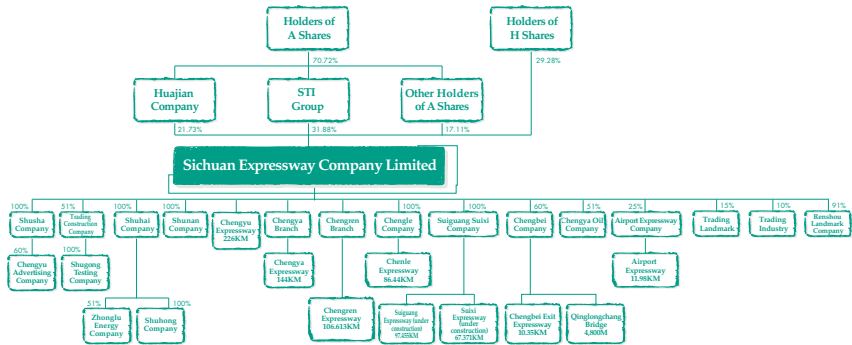
The Company was incorporated in Chengdu City, Sichuan Province, the PRC on 19 August 1997. The Company was listed on the Stock Exchange (stock code: 00107) on 7 October 1997 and on the SSE (stock code: 601107) on 27 July 2009, respectively.

The Group is principally engaged in the investments in, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC as well as the operation of other businesses related to toll roads. Currently, the Group mainly owns all or substantially all interests in a number of toll roads in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway as well as Suiguang Expressway and Suixi Expressway which are under construction. As at 30 June 2013, the length of completed expressways of the Group has reached approximately 573 km in total and the length of the expressways under construction amounted to approximately 165 km. Total assets of the Group and net assets (attributable to owners of the Company) approximate to RMB21,918,048,000 and RMB10,471,603,000, respectively.

As at 30 June 2013, the total number of Shares of the Company was 3,058,060,000 Shares (comprising 895,320,000 H Shares and 2,162,740,000 A Shares).

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The shareholdings and major asset structure of the Company were as follows:



INTERIM CONDENSED FINANCIAL INFORMATION

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		For the six months ended 30 June	
	Notes	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
REVENUE	4	3,472,360	3,444,354
Cost of sales and other direct operating costs		<u>(2,659,158)</u>	<u>(2,585,539)</u>
Gross profit		813,202	858,815
Other income and gains	4	91,105	67,395
Administrative expenses		(71,726)	(64,069)
Other operating expenses		(9,646)	(3,424)
Finance costs	5	(228,997)	(79,926)
Share of profits and losses of associates		<u>5,620</u>	<u>11,002</u>
PROFIT BEFORE TAX	6	599,558	789,793
Income tax expense	7	<u>(102,426)</u>	<u>(122,431)</u>
PROFIT FOR THE PERIOD		<u>497,132</u>	<u>667,362</u>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
Notes	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME		
<i>Items to be reclassified subsequently to profit or loss:</i>		
Changes in fair value of available-for-sale investments	(2,728)	(682)
Income tax effect	506	127
	<hr/>	<hr/>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(2,222)	(555)
	<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	494,910	666,807
	<hr/> <hr/>	<hr/> <hr/>
Profit attributable to:		
Owners of the Company	478,087	646,934
Non-controlling interests	19,045	20,428
	<hr/>	<hr/>
	497,132	667,362
	<hr/> <hr/>	<hr/> <hr/>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Total comprehensive		
income attributable to:		
Owners of the Company	475,865	646,379
Non-controlling interests	19,045	20,428
	<u>494,910</u>	<u>666,807</u>

EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

— Basic and diluted	8	<u>RMB0.156</u>	<u>RMB0.212</u>
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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

		30 June	31 December
		2013	2012
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
NON-CURRENT ASSETS			
Property, plant and equipment	9	620,847	636,334
Service concession arrangements	9	15,011,800	14,136,239
Prepaid land lease payments	9	458,742	475,041
Investments in associates		60,717	69,326
Available-for-sale investments	10	112,574	70,302
Long term compensation receivables		61,649	65,527
Other receivables	14	—	90,270
Payments in advance	11	58,360	3,957
Deferred tax assets		155	155
		<hr/>	<hr/>
Total non-current assets		16,384,844	15,547,151
CURRENT ASSETS			
Interests in land held for property development	12	864,066	—
Inventories		61,257	38,120
Due from customers for contract work	13	136,125	56,755
Trade and other receivables	14	2,042,860	1,796,047
Investments in debt instruments		30,688	—
Pledged deposits	15	167,348	77,651
Cash and cash equivalents	15	2,230,860	1,820,676
		<hr/>	<hr/>
Total current assets		5,533,204	3,789,249

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

30 June 2013

		30 June	31 December
		2013	2012
	Notes	RMB'000	RMB'000
		(Unaudited)	
CURRENT LIABILITIES			
Tax payable		63,565	204,922
Trade and other payables	16	1,842,405	1,825,240
Interest-bearing bank and other loans	17	691,543	765,727
		<u>2,597,513</u>	<u>2,795,889</u>
Total current liabilities		2,597,513	2,795,889
NET CURRENT ASSETS			
		<u>2,935,691</u>	<u>993,360</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES			
		<u>19,320,535</u>	16,540,511
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	17	8,331,048	6,085,867
Deferred tax liabilities		7,712	8,218
Other payables	16	14,432	—
		<u>8,353,192</u>	<u>6,094,085</u>
TOTAL NON-CURRENT LIABILITIES			
		<u>8,353,192</u>	6,094,085
Net assets		<u>10,967,343</u>	<u>10,446,426</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

30 June 2013

	30 June 2013	31 December 2012
Notes	RMB'000	RMB'000
	(Unaudited)	
EQUITY		
Equity attributable to owners of the Company		
Issued capital	3,058,060	3,058,060
Reserves	7,413,543	6,950,521
Proposed final dividend	—	244,645
	10,471,603	10,253,226
Non-controlling interests	495,740	193,200
Total equity	10,967,343	10,446,426



Director



Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company											
	Issued capital	Share premium account	Statutory surplus reserve	General surplus reserve	Difference arising from changes in controlling interests	Available-for-sale investment revaluation reserve	Merger difference	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2012	3,058,060	2,654,601	983,731	1,096,521	(248,470)	15,373	(533,123)	2,043,242	275,225	9,345,160	162,116	9,507,276
Profit for the period	-	-	-	-	-	-	-	646,934	-	646,934	20,428	667,362
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	(555)	-	-	-	(555)	-	(555)
Total comprehensive income for the period	-	-	-	-	-	(555)	-	646,934	-	646,379	20,428	666,807
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	14,324	14,324
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(12,922)	(12,922)
Dividend declared to owners of the Company	-	-	-	-	-	-	-	-	(275,225)	(275,225)	-	(275,225)
At 30 June 2012	<u>3,058,060</u>	<u>2,654,601</u>	<u>983,731</u>	<u>1,096,521</u>	<u>(248,470)</u>	<u>14,818</u>	<u>(533,123)</u>	<u>2,690,176</u>	<u>-</u>	<u>9,716,314</u>	<u>183,946</u>	<u>9,900,260</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

For the six months ended 30 June 2013

	Attributable to owners of the Company													Total equity RMB'000 (Unaudited)
	Issued Capital RMB'000 (Unaudited)	Share premium account RMB'000 (Unaudited)	Statutory surplus reserve RMB'000 (Unaudited)	General surplus reserve RMB'000 (Unaudited)	Difference arising from changes in non- controlling interests RMB'000 (Unaudited)	Available- for-sale Investments valuation reserve RMB'000 (Unaudited)	Merger difference RMB'000 (Unaudited)	Safety fund reserve** RMB'000 (Unaudited)	Other capital reserve RMB'000 (Unaudited)	Retained profits RMB'000 (Unaudited)	Proposed final dividend RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non- controlling interests RMB'000 (Unaudited)	
At 1 January 2013	3,058,060	2,654,601*	1,134,442*	1,486,435*	(248,470)*	17,733*	(533,123)*	–	–	2,426,288*	244,645	10,253,226	193,200	10,446,426
Profit for the period	–	–	–	–	–	–	–	–	–	478,087	–	478,087	19,045	497,132
Other comprehensive income for the period:														
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	(2,222)	–	–	–	–	–	(2,222)	–	(2,222)
Total comprehensive income for the period	–	–	–	–	–	(2,222)	–	–	–	478,087	–	475,865	19,045	494,910
Establishment for safety fund surplus reserve	–	–	–	–	–	–	2,527	–	(2,527)	–	–	–	–	–
Utilisation of safety fund surplus reserve	–	–	–	–	–	–	(738)	–	738	–	–	–	–	–
Acquisition of non-controlling interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(234)	(234)
Disposal of equity interests in a subsidiary without loss of control (note 20 (g))	–	–	–	–	(13,564)	–	–	–	–	–	–	(13,564)	276,529	262,965
Capital injection by a non- controlling shareholder (note 20 (h))	–	–	–	–	–	–	–	–	–	–	–	–	7,200	7,200
Capital injection to a subsidiary by way of capitalisation of retained profits and statutory surplus reserve	–	–	(12,615)	–	–	–	–	–	32,820	(20,205)	–	–	–	–
Share of increase in capital reserve of an associate	–	–	–	–	–	–	–	–	721	–	–	721	–	721
Final 2012 dividend declared	–	–	–	–	–	–	–	–	–	(244,645)	(244,645)	–	–	(244,645)
At 30 June 2013	3,058,060	2,654,601*	1,134,442*	1,486,435*	(262,034)*	15,511*	(533,123)*	1,789*	33,541*	2,882,381*	–	10,471,603	495,740	10,967,343

* These reserve accounts comprise the consolidated reserves of RMB7,413,543,000 (31 December 2012: RMB6,950,521,000) in the consolidated statement of financial position.

** Pursuant to a Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the Group is required to establish for safety fund surplus reserve based on construction revenue recognised. The safety fund can only be transferred to retained profits to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(1,402,324)	(752,613)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	<u>144,135</u>	<u>(27,297)</u>
NET CASH OUTFLOWS BEFORE FINANCING ACTIVITIES	(1,258,189)	(779,910)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>1,699,061</u>	<u>1,419,651</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	440,872	639,741
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,820,676</u>	<u>1,768,418</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,261,548</u>	<u>2,408,159</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2013

**For the six months
ended 30 June**

2013	2012
RMB'000	RMB'000
(Unaudited)	(Unaudited)

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	2,169,779	2,304,889
Non-pledged time deposits	61,081	103,270
	2,230,860	2,408,159
Cash and cash equivalents as stated in the statement of financial position	2,230,860	2,408,159
Investments in debt instruments	30,688	—
	2,261,548	2,408,159
Cash and cash equivalents as stated in the statement of cash flows	2,261,548	2,408,159

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2013

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 principal activities of the Group were investment holding, the construction, management and operation of expressways and a high-grade toll bridge, the operation of gas stations along expressways and property development.

In the opinion of the directors of the Company, the parent and the ultimate holding company of the Company is STI Group.

2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Period has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The unaudited 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 2012.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs issued by the HKICPA that are mandatory for annual periods beginning on or after 1 July 2012 and 1 January 2013. The new HKFRSs and amendments to HKFRSs have had no significant financial effect on the financial position or performance of the Group. Further information about those new HKFRSs and amendments to HKFRSs that are applicable to the Group is described below:

HKFRS 10 Consolidated Financial Statements

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK-SIC 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim condensed financial information has been modified accordingly.

3. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions. For management purposes, the Group is organised into business units based on their services and products and has five reportable operating segments during the Period (six months ended 30 June 2012: four), as follows:

- (a) the toll operation segment comprises the operation of expressways and a high-grade toll bridge in Mainland China;
- (b) the construction contracts segment comprises construction and upgrade services provided under the service concession arrangements and construction contracts;

3. OPERATING SEGMENT INFORMATION *(continued)*

- (c) the gas stations operation segment comprises the operation of gas stations along expressways and sale of petrochemical products;
- (d) the property development segment, which was newly established during the Period (note 20(h)) comprises the investment and development of properties located in Mainland China; and
- (e) the “others” segment mainly comprises advertising and the rental of properties along expressways.

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income on bank deposits and investments in debt instruments, dividend income and unallocated gains, as well as head office, corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents, available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION *(continued)*

The following tables present the Group's consolidated revenue, consolidated results and other consolidated information by operating segment for each of the six months ended 30 June 2013 and 2012:

For the six months ended 30 June 2013

	Toll operation	Construction contracts	Gas stations operation	Property development	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE	1,160,331	1,264,079	1,034,388	–	13,562	3,472,360
SEGMENT RESULTS	518,630	95,318	25,051	–	5,383	644,382
<i>Reconciliation:</i>						
Interest income on bank deposits and investments in debt instruments						13,438
Dividend income and unallocated income and gains						14,279
Corporate and other unallocated expenses						<u>(72,541)</u>
Profit before tax						<u>599,558</u>
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	5,620	–	–	–	–	5,620
Depreciation and amortisation	<u>250,601</u>	<u>4,416</u>	<u>1,562</u>	<u>–</u>	<u>594</u>	<u>257,173</u>

3. OPERATING SEGMENT INFORMATION (continued)**For the six months ended 30 June 2012**

	Toll operation RMB'000 (Unaudited)	Construction contracts RMB'000 (Unaudited)	Gas stations operation RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
SEGMENT REVENUE	1,158,241	1,805,224	474,166	—	6,723	3,444,354
SEGMENT RESULTS	797,509	(5,199)	29,001	—	855	822,166
<i>Reconciliation:</i>						
Interest income on bank deposits						10,587
Dividend income and unallocated income and gains						17,780
Corporate and other unallocated expenses						<u>(60,740)</u>
Profit before tax						<u><u>789,793</u></u>
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	11,190	(188)	—	—	—	11,002
Depreciation and amortisation	<u>183,135</u>	<u>3,751</u>	<u>1,136</u>	<u>—</u>	<u>613</u>	<u>188,635</u>

3. OPERATING SEGMENT INFORMATION *(continued)*

The following tables present the Group's consolidated assets, consolidated liabilities and other consolidated information by operating segment as at 30 June 2013 and 31 December 2012:

As at 30 June 2013

	Toll operation RMB'000 (Unaudited)	Construction contracts RMB'000 (Unaudited)	Gas stations operation RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
SEGMENT ASSETS	16,270,326	1,672,222	547,954	864,988	20,933	19,376,423
<i>Reconciliation:</i>						
Available-for-sale investments						112,574
Deferred tax assets						155
Investments in debt instruments						30,688
Pledged deposits						167,348
Cash and cash equivalents						<u>2,230,860</u>
Total assets						<u>21,918,048</u>
SEGMENT LIABILITIES	9,162,625	1,295,386	368,060	–	53,357	10,879,428
<i>Reconciliation:</i>						
Tax payable						63,565
Deferred tax liabilities						<u>7,712</u>
Total liabilities						<u>10,950,705</u>
OTHER SEGMENT INFORMATION						
Investments in associates	56,267	–	–	–	4,450	60,717
Capital expenditure*	<u>1,078,808</u>	<u>19,294</u>	<u>5,915</u>	<u>36</u>	<u>245</u>	<u>1,104,298</u>

3. OPERATING SEGMENT INFORMATION (continued)

As at 31 December 2012

	Toll operation RMB'000	Construction contracts RMB'000	Gas stations operation RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
SEGMENT ASSETS	15,458,141	1,797,538	90,865	—	21,072	17,367,616
<i>Reconciliation:</i>						
Available-for-sale investments						70,302
Deferred tax assets						155
Pledged deposits						77,651
Cash and cash equivalents						<u>1,820,676</u>
Total assets						<u><u>19,336,400</u></u>
SEGMENT LIABILITIES	7,416,643	1,221,197	11,065	—	27,929	8,676,834
<i>Reconciliation:</i>						
Tax payable						204,922
Deferred tax liabilities						<u>8,218</u>
Total liabilities						<u><u>8,889,974</u></u>
OTHER SEGMENT INFORMATION						
Investments in associates	64,876	—	—	—	4,450	69,326
Capital expenditure*	<u>3,314,212</u>	<u>10,528</u>	<u>20,298</u>	<u>—</u>	<u>814</u>	<u>3,345,852</u>

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Entity-wide disclosures

Geographical information

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

Information about major customers

Revenue from sales of petrochemical products to a third-party customer amounting to RMB357,822,000 accounted for more than 10% of the Group's revenue during the Period. During the six months ended 30 June 2012, no revenue was derived from a customer which amounted to 10% or more the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Toll income		
— Chengyu Expressway	474,766	591,714
— Chengya Expressway	289,632	336,130
— Chengren Expressway	207,444	—
— Chengle Expressway	190,013	215,970
— Chengbei Exit Expressway and Qinglongchang Bridge	39,492	55,666
	1,201,347	1,199,480
Less: Revenue taxes	(41,016)	(41,239)
Sub-total	1,160,331	1,158,241
Construction revenue in respect of		
— Service concession arrangements	1,083,308	1,681,392
— Construction works performed for third parties	194,868	129,187
	1,278,176	1,810,579
Less: Revenue taxes	(14,097)	(5,355)
Sub-total	1,264,079	1,805,224
Revenue from operation of gas stations	1,034,388	474,166
Others (including income from rental of properties and advertising)	13,562	6,723
Total revenue	3,472,360	3,444,354

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income from bank deposits and investments in debt instruments	13,438	10,587
Interest income from discounting of long term compensation receivables	9,595	10,011
Interest income from construction contracts	53,793	29,016
Gain on disposal of land use rights	1,943	—
Rental income	2,245	3,443
Dividend income from available-for-sale investments	1,023	5,621
Compensation	8,781	7,267
Miscellaneous	287	1,450
	91,105	67,395
Total revenue, other income and gains	3,563,465	3,511,749

5. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans wholly repayable within five years	214,621	153,138
Interest on other bank loans	4,150	3,322
Interest on short term commercial papers	—	17,560
Interest on medium term notes	29,236	317
Cost on issuance of medium term notes	—	600
Bank charges	240	3,080
	<u>248,247</u>	<u>178,017</u>
Less: Interest and bank charges capitalised in service concession arrangements (<i>note 9 (c)</i>)	<u>(19,250)</u>	<u>(98,091)</u>
	<u>228,997</u>	<u>79,926</u>
Interest rate of borrowing costs capitalised in the range of:	5.48%- 6.43%	5.85%- 7.05%

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Construction costs in respect of:		
– Service concession arrangements*	1,060,832	1,681,392
– Construction works performed for third parties*	161,326	126,458
Depreciation and amortisation expenses (<i>note 9</i>)	257,173	188,635
Employee costs	196,542	151,915
Repairs and maintenance expenses	14,254	21,525
Auditors' remuneration	581	674
Minimum lease payments under operating leases:		
Land and buildings	11,187	9,842
Gain on disposal of land use rights	(1,943)	—
Loss on disposal of items of property, plant and equipment	3,016	542
	<u>3,016</u>	<u>542</u>

* During the Period, employee costs of RMB20,814,000 (six months ended 30 June 2012: RMB16,287,000) and depreciation charge of RMB3,305,000 (six months ended 30 June 2012: RMB3,302,000) are included in the construction costs in respect of service concession arrangements and construction works performed for third parties.

7. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charged for the Period	101,805	121,548
Underprovision in prior years	621	883
	<hr/>	<hr/>
Total tax charge for the period	<u>102,426</u>	<u>122,431</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 and associates of the Company are required to pay corporate income tax at the standard rate of 25%.

7. INCOME TAX EXPENSE (Continued)

Pursuant to the approval document, “Announcement of the State Administration of Taxation [2012] No. 12” dated 6 April 2012 issued by the State Administration of Taxation, enterprises in encouraged industries that are established in the western region are able to enjoy a preferential tax rate of 15% from 2011 to 2020. The Group has made reference to “*Guiding Catalog for Adjustment in the Industrial Structure (2011 version)* (產業結構調整目錄 (2011年本))” issued by the National Development and Reform Commission of the PRC. For entities within the scope of the transportation industry, e.g., the Company, Chengle Company, Chengbei Company and Airport Expressway Company, which have been approved to enjoy the preferential tax rate of 15% before 2011 and have no changes in their business operations, income tax expenses of these entities for the period ended 30 June 2013 continued to be calculated at a tax rate of 15%.

The share of tax attributable to associates amounting to RMB999,000 (six months ended 30 June 2012: RMB1,911,000) is included in “Share of profits and losses of associates” on the face of the interim consolidated statement of comprehensive income.

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 RMB478,087,000 (six months ended 30 June 2012: RMB646,934,000) and the number of ordinary Shares of 3,058,060,000 (six months ended 30 June 2012: 3,058,060,000) in issue during the Period.

No adjustment has been made to the basic earnings per Share amounts presented for each of the six months ended 30 June 2012 and 2013 in respect of a dilution as the Company had no potentially dilutive ordinary Shares in issue during these periods.

9. PROPERTY, PLANT AND EQUIPMENT, SERVICE CONCESSION ARRANGEMENTS AND PREPAID LAND LEASE PAYMENTS

Movements in property, plant and equipment, service concession arrangements and prepaid land lease payments during the Period are as follows:

	Property, plant and equipment	Service concession arrangements	Prepaid land lease payments
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Carrying amounts at beginning of the Period	636,334	14,136,239	507,173
Additions	20,990	1,083,308	—
Disposals	(3,080)	—	(328)
Depreciation/amortisation charged for the Period	<u>(33,397)</u>	<u>(207,747)</u>	<u>(16,029)</u>
Carrying amounts at end of the Period	620,847	15,011,800	490,816
Portion classified as current assets	<u>—</u>	<u>—</u>	<u>(32,074)</u>
Non-current portion	<u><u>620,847</u></u>	<u><u>15,011,800</u></u>	<u><u>458,742</u></u>

9. PROPERTY, PLANT AND EQUIPMENT, SERVICE CONCESSION ARRANGEMENTS AND PREPAID LAND LEASE PAYMENTS

(Continued)

Notes:

- (a) At 30 June 2013 and 31 December 2012, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 17 (a)):

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Chengren Expressway	7,413,454	7,469,649
Chengle Expressway	1,123,594	1,144,993
Chengbei Exit Expressway	146,217	153,640
Chengya Expressway	2,450,555	—
	<u>11,133,820</u>	<u>8,768,282</u>

- (b) During the Period, the Group was in the construction of the Suiguang-Suixi Expressways BOT Project (by the mode of build-operate-transfer). Total construction costs of RMB1,044,498,000 (six months ended 30 June 2012: Nil) were incurred, among which RMB808,133,000 is sub-contracted to third party subcontractors.

In addition, construction revenue of RMB1,063,050,000 (six months ended 30 June 2012: Nil) was recognised in respect of the construction service provided by the Group for the Suiguang-Suixi Expressways BOT Project using the percentage of completion method during the Period. Construction revenue was included in the additions to service concession arrangements which will be amortised upon the commencement of operation of the Suiguang-Suixi Expressways.

- (c) Additions to service concession arrangements during the Period include interests and bank charges capitalised in respect of bank loans amounting to RMB19,250,000 (six months ended 30 June 2012: RMB98,091,000).

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June	31 December
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	
Listed equity investments, at fair value:		
Mainland China	49,275	52,003
Unlisted equity investments, at cost	63,299	18,299
	112,574	70,302

The above investments consisted of investments in equity securities which are designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. The fair values of listed equity investments are based on quoted market prices.

The unlisted equity investments represent the Group's investments in enterprises domiciled in Mainland China. They are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

11. PAYMENTS IN ADVANCE

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Payments in advance in respect of:		
– Suiguang-Suixi Expressways BOT Project	57,165	—
– Upgrading projects along existing expressways	<u>1,195</u>	<u>3,957</u>
	<u>58,360</u>	<u>3,957</u>

12. INTERESTS IN LAND HELD FOR PROPERTY DEVELOPMENT

On 22 February 2013, the Group entered into three separate land use rights transfer contracts with the Land Resources Bureau of Renshou County, pursuant to which the Group obtained the land use rights of three parcels of land with an aggregate granted area of 235,558.10 square metres at an aggregate consideration of RMB920,160,000. The three parcels of land are all located in the Chengbei New Town of Renshou County, Meishan City, Sichuan Province, the PRC and with lease term of 40 years for commercial use and 70 years for residential use, respectively.

As at 30 June 2013, interests in land held for property development represented partial consideration of RMB819,560,000 paid by the Group and incidental costs of RMB44,506,000 incurred in connection with the acquisition of land. The balance of the purchase of consideration of RMB100,600,000 has been settled by the Group in July 2013.

13. CONSTRUCTION CONTRACTS IN PROGRESS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Contract costs incurred plus recognised profits to date	240,434	59,141
Less: Progress billings	(104,309)	(2,386)
Construction contracts in progress	<u>136,125</u>	<u>56,755</u>
<i>Representing:</i>		
Amount due from customers for contract work	<u>136,125</u>	<u>56,755</u>

At 30 June 2013, retentions held by customers for contract works included in the Group's trade receivables amounted to approximately RMB24,201,000 (31 December 2012: RMB19,121,000).

14. TRADE AND OTHER RECEIVABLES

		30 June	31 December
		2013	2012
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Trade receivables			
Trade receivables		1,268,871	1,015,952
Impairment		<u>—</u>	<u>—</u>
Trade receivables, net	(a)	<u>1,268,871</u>	<u>1,015,952</u>
Other receivables			
Other receivables	(b)	757,675	868,209
Impairment		<u>(112,771)</u>	<u>(112,771)</u>
Other receivables, net		644,904	755,438
Deposits		47,575	52,479
Prepayments		<u>81,510</u>	<u>62,448</u>
Other receivables, net		<u>773,989</u>	<u>870,365</u>
Total trade and other receivables		<u>2,042,860</u>	<u>1,886,317</u>
Non-current portion		<u>—</u>	<u>(90,270)</u>
		<u>2,042,860</u>	<u>1,796,047</u>

14. TRADE AND OTHER RECEIVABLES (continued)

Notes:

- (a) The Group's trade receivables which arose from construction contracts are settled in accordance with the terms specified in the contracts governing the relevant construction works. The Group does not have a standardised and universal credit period granted to its construction contract customers. The credit period of 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, as at 30 June 2013, trade receivables of RMB761,419,000 (31 December 2012: RMB922,688,000) are to be settled by instalments within two to three years upon completion of the relevant construction works and bear interest at rates ranging from 6.65% to 10.00% (31 December 2012: 6.65% to 10.00%) per annum.

In addition, a credit period of 1 month from the invoice date is granted to certain customers that purchase petrochemical products from the Group.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Within 3 months	426,031	201,227
3 to 6 months	174	—
6 to 12 months	203,934	47,587
Over one year	638,732	767,138
	1,268,871	1,015,952

14. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(a) (continued)

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Neither past due nor impaired	701,062	890,001
Past due but not impaired:		
Within 3 months	507,013	119,281
3 to 6 months	17	3,675
6 to 12 months	59,022	2,551
Over one year	1,757	444
	1,268,871	1,015,952

Receivables that were neither past due nor impaired relate to government agencies and a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group. Based on past experience, in the opinion of the Directors, no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Except as disclosed above, the remaining trade receivables are unsecured and non-interest-bearing.

14. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Temporary advances	442,830	544,614
Interest receivables on temporary advances	75,050	56,516
Long term compensation receivables to be received within one year	16,878	3,405
Miscellaneous	222,917	263,674
	757,675	868,209

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 as "BT Projects"), the Group is also required to provide temporary advances to the government agencies for the resettlement of residents and removal of obstacles performed by the relevant government agencies. Such advances bear interest at rates ranging from 7.00% to 10.00% per annum (31 December 2012: 7.00% to 10.00% per annum).

14. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

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

The aged analysis of the other receivables (net of impairment) as at the end of the reporting period that are not considered to be impaired is as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Neither past due nor impaired	265,570	454,981
Past due but not impaired:		
Within 3 months	215,334	300,457
6 to 12 months	164,000	—
	644,904	755,438

Receivables that were neither past due nor impaired related to a large number of diversified debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to certain customers that have good payment records with the Group. Based on past experience, in the opinion of the Directors, no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June	31 December
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	
Cash and bank balances	2,169,779	1,747,430
Time deposits	228,429	150,897
	2,398,208	1,898,327
Less: Pledged time deposits for:		
– Bidding Chengren Expressway BOT Project	(11,159)	(10,868)
– Performance guarantee under Suiguang-Suixi Expressways BOT Project	(10,333)	(10,333)
– Performance guarantee for a construction contract	(4,530)	–
– Bank loans (<i>note 17 (a)(iii)</i>)	(141,326)	(56,450)
Cash and cash equivalents	2,230,860	1,820,676

16. TRADE AND OTHER PAYABLES

		30 June	31 December
		2013	2012
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
<i>Current portion:</i>			
Trade payables	(a)	720,473	304,789
Other payables	(b)	1,057,016	1,473,902
Accruals	(c)	60,540	46,549
Deferred income	(d)	4,376	—
		<u>1,842,405</u>	<u>1,825,240</u>
<i>Non-current portion:</i>			
Deferred income	(d)	14,432	—
		<u>1,856,837</u>	<u>1,825,240</u>

16. TRADE AND OTHER PAYABLES (Continued)

Notes:

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Within 3 months	517,890	92,495
3 to 6 months	34,909	12,574
6 to 12 months	90,434	152,355
Over one year	77,240	47,365
	720,473	304,789

The trade payables are non-interest-bearing and are normally settled within one to twelve months, except for retention payables from construction projects of RMB6,666,000 (31 December 2012: RMB7,929,000) which are normally settled within two years.

- (b) Other payables at 30 June 2013 mainly included the following balances:
- (i) Progress billing payables of RMB486,926,000 (31 December 2012: RMB851,362,000) in connection with the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project.
 - (ii) Retention payables and deposits of RMB205,989,000 (31 December 2012: RMB290,458,000) in respect of the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project, among which a performance guarantee deposit of approximately RMB17,045,000 (31 December 2012: RMB24,024,000) received from subcontractors bears interest at a rate of 0.35% (31 December 2012: 0.35% to 0.50%) per annum.
- (c) The balance as at 30 June 2013 consisted of interest accrued in respect of medium term notes of RMB23,595,000 (31 December 2012: RMB6,823,000) and interest-bearing bank loans of RMB36,945,000 (31 December 2012: RMB39,726,000).

16. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

- (d) Deferred income represents leasing income received in advance from the long-term operating lease and is released to profit or loss as rental income in accordance with the operating lease tenure of 17 years. Deferred income to be released to profit or loss after twelve months from 30 June 2013 of RMB14,432,000 has been recorded as non-current liabilities.

Except for the performance guarantee deposit 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.

17. INTEREST-BEARING BANK AND OTHER LOANS

		30 June	31 December
		2013	2012
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	
Bank loans:			
Secured and guaranteed	(a)	2,106,400	1,106,400
Secured	(a)	4,986,802	4,002,012
Unsecured		593,026	1,000,000
Medium term notes	(b)	1,300,000	700,000
Other loans, unsecured	(c)	36,363	43,182
		9,022,591	6,851,594
Portion classified as current liabilities		(691,543)	(765,727)
Non-current portion		8,331,048	6,085,867

At 30 June 2013, all interest-bearing bank and other loans of the Group were denominated in RMB.

17. INTEREST-BEARING BANK AND OTHER LOANS (continued)

Notes:

- (a) Bank loans were secured and/or guaranteed by:

		30 June	31 December
		2013	2012
Notes		RMB'000	RMB'000
		(Unaudited)	
		<i>(Bank loan amount)</i>	
Secured by			
concession rights of:			
Chengbei Exit			
Expressway (note 9)		48,000	91,000
Chengle Expressway			
(note 9)	(i)	106,400	106,400
Chengren Expressway			
(note 9)		3,911,012	3,911,012
Chengya Expressway			
(note 9)		1,000,000	—
Secured by pledged time			
deposits (note 15)	(ii)	2,027,790	1,000,000
		7,093,202	5,108,412

- (i) The bank loan was also guaranteed by Sichuan Highway Development for nil consideration (note 20(c)).

17. INTEREST-BEARING BANK AND OTHER LOANS *(continued)*

Notes: *(continued)*

(a) *(continued)*

(ii) As at 30 June 2013, time deposits of RMB112,150,000 (31 December 2012: RMB56,450,000) were pledged to China Construction Bank Chengdu Xinhua Branch to counter guarantee the Group's bank loans of RMB2,000,000,000 (31 December 2012: RMB1,000,000,000) granted by China Construction Bank (Asia) and China Construction Bank (Tokyo).

As at 30 June 2013, time deposits of RMB29,176,000 (31 December 2012: nil) were pledged for a short term loan of RMB27,790,000 (31 December 2012: nil) granted by China CITIC Bank Chengdu Gaosheng Road Branch.

The bank loans bear interest at the respective fixed rates ranging from 5.26% to 7.05% (31 December 2012: 5.27% to 7.05%) per annum.

(b) In June 2012 and November 2012, the Company issued medium term notes totalling RMB200 million and RMB500 million, respectively, to domestic institutional investors participating in the PRC interbank debt market. The medium term notes of RMB200 million and RMB500 million were issued at par value of RMB100 per unit, at interest rates of 4.75% and 5.57% per annum, and will be repaid in June 2017 and November 2017, respectively.

In March 2013, the Company issued medium term notes of RMB600 million to domestic institutional investors participating in the PRC interbank debt market. The medium term notes were issued at a par value of RMB100 per unit, with an interest rate of 5.23% per annum, and will be repaid in March 2018.

(c) Other loans are unsecured and bear interest at the respective fixed rates ranging from 3.80% to 5.00% (six months ended 30 June 2012: from 2.82% to 5.00%) per annum.

17. INTEREST-BEARING BANK AND OTHER LOANS (Continued)

The carrying amounts of the Group's current portion of bank and other loans approximate to their fair values. The fair values of the Group's bank and other loans (non-current portion) have been estimated using a valuation technique based on assumptions that are supported by observable market rates, which are as follows:

	Carrying amounts		Fair values	
	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Bank loans	7,017,412	5,365,412	6,436,314	5,073,892
Medium term notes	1,300,000	700,000	1,245,675	621,475
Other loans	13,636	20,455	12,517	18,551
	<u>8,331,048</u>	<u>6,085,867</u>	<u>7,694,506</u>	<u>5,713,918</u>

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

18. DIVIDENDS

At a meeting of the Board of Directors held on 29 August 2013, the Directors of the Company resolved not to pay an interim dividend to Shareholders (six months ended 30 June 2012: Nil).

The proposed final dividend of RMB0.080 per ordinary Share for the year ended 31 December 2012 (2011: RMB0.090) was declared and paid during the Period.

19. COMMITMENTS

(a) Capital commitments

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Contracted, but not provided for	7,062,309	7,343,234
Authorised, but not contracted for	<u>3,654,115</u>	<u>4,245,840</u>
	<u><u>10,716,424</u></u>	<u><u>11,589,074</u></u>

19. COMMITMENTS (Continued)**(a) Capital commitments** (Continued)

Further details of the capital commitments of the Group as of 30 June 2013 and 31 December 2012 are analysed as follows:

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
In respect of:		
Service concession arrangements	10,463,855	11,456,672
Property, plant and equipment	151,968	132,402
Property development	100,601	—
	<u>10,716,424</u>	<u>11,589,074</u>

(b) Operating lease arrangements – as lessee

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000
Within one year	22,950	24,938
In the second to fifth years, inclusive	79,699	81,036
After five years	177,014	185,328
	<u>279,663</u>	<u>291,302</u>

20. RELATED PARTY TRANSACTIONS

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

- (a) In previous years, the Group obtained state loans amounting to RMB250,000,000 in aggregate pursuant to the loan repayment agreements (the “Loan Repayment Agreements”) entered into between the Company and Sichuan Highway Development. Both the Company and Sichuan Highway Development are controlled by STI Group. The state loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development of the Sichuan Province. For the purpose of financing the construction of the Chengya Expressway, Sichuan Highway Development had initially obtained the state loans, and pursuant to the Loan Repayment Agreements, the state loans were then transferred to the Group. During the Period, the Group repaid part of the state loans amounting to RMB6,819,000 (six months ended 30 June 2012: RMB6,818,000).
- (b) During the Period, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a subsidiary of Sichuan Highway Development, 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 RMB4,784,000 (six months ended 30 June 2012: RMB4,766,000).
- (c) As at 30 June 2013, bank loans of Chengle Company aggregating RMB106,400,000 (31 December 2012: RMB106,400,000) were guaranteed by Sichuan Highway Development (note 17(a)(i)) for nil consideration.

20. RELATED PARTY TRANSACTIONS *(continued)*

- (d) During the Period, the Company leased out a certain part of its office buildings to STI Group. During the Period, the rental received from STI Group amounted to RMB1,221,000 (six months ended 30 June 2012: RMB1,017,000). The Directors consider that the office rental income received by the Group from STI Group as determined under the tenancy agreement are based on the market rate for similar premises in similar location.

- (e) During the Period, Sichuan Highway Development leased out certain part of its office buildings to Chengle Company. During the Period, the rental payable to Sichuan Highway Development amounted to RMB484,000 (six months ended 30 June 2012: RMB569,000). The Directors consider that the office rental expenses paid by the Group to Sichuan Highway Development as determined under the tenancy agreement are based on the market rate for similar premises in similar location.

- (f) On 21 January 2013, the Company entered into two agreements with STI Group, Sichuan Highway Development and Ganghang Company to establish Trading Industry and Trading Landmark. Ganghang Company is a wholly-owned subsidiary of STI Group. The Company holds 10% and 15% equity interests in Trading Industry and Trading Landmark, respectively. Particulars of the establishment of Trading Industry and Trading Landmark were disclosed in the Company's announcement dated 21 January 2013.

20. RELATED PARTY TRANSACTIONS *(continued)*

- (g) On 2 April 2013, the Company entered into an equity transfer agreement with Sichuan Highway Development and Ganghang Company, pursuant to which the Company agreed to sell 39% equity interest in Shugong Company to Sichuan Highway Development at a consideration of RMB209,298,900 and 10% equity interest in Shugong Company to Ganghang Company at a consideration of RMB53,666,400. The respective considerations were determined by reference to the asset valuation report prepared a qualified independent valuer in the PRC. The respective considerations payable by Sichuan Highway Development and Ganghang Company are calculated based on the book value of Shugong Company and the respective percentage of equity interest to be held by them in Shugong Company upon completion of disposal.
- (h) On 16 May 2013, the Company and Trading Landmark entered into an agreement, pursuant to which both parties agreed to establish Renshou Landmark Company with a registered capital of RMB200,000,000. Trading Landmark is controlled by STI Group.

Renshou Landmark Company is owned as to 91% and 9% by the Company and Trading Landmark, respectively. Renshou Landmark Company was established for the purpose of property development of the land parcels to be acquired at the Renshou County (note 12), and was classified under “property development segment”. As at 30 June 2013, the paid up capital of Renshou Landmark Company was RMB80,000,000, out of which, RMB7,200,000 was contributed by the non-controlling shareholder, namely Trading Landmark. Particulars of the establishment of Renshou Landmark Company were disclosed in the Company’s announcement dated 16 May 2013.

20. RELATED PARTY TRANSACTIONS (continued)

- (i) Compensation of the key management personnel of the Group during the Period

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	<u>140</u>	<u>120</u>
Other emoluments:		
Salaries, allowances and benefits in kind	1,336	1,552
Pension scheme contributions	116	102
Supplementary pension scheme contributions	<u>147</u>	<u>155</u>
	<u>1,599</u>	<u>1,809</u>
Total compensation paid to key management personnel	<u>1,739</u>	<u>1,929</u>

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

20. RELATED PARTY TRANSACTIONS *(continued)*

As at the date of this report, the executive and non-executive Directors of the Company are:

Mr. Zhou Liming
Mr. Gan Yongyi
Mr. Wu Xinhua
Mr. Tang Yong
Mr. Huang Bin
Mr. Wang Shuanming
Madam Hu Yu

And the independent non-executive Directors are:

Mr. Sun Huiyi
Mr. Guo Yuanxi
Mr. Fang Guijin
Mr. Yu Haizong

21. EVENTS AFTER THE REPORTING PERIOD

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

22. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

23. 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 2013.

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 2013, the Company had 101,501 Shareholders, including 101,191 holders of A Shares and 310 holders of H Shares.**

- III. Substantial Shareholders' and other persons' interests in Shares and underlying Shares**

So far as the Company was aware, as at 30 June 2013, the following persons (other than the Directors, Supervisors and chief executive of the Company) held 5% or more interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long/short positions in the ordinary Shares of the Company:

Name	Type of Shares	Long position/ short position	Number of the Company's Shares held	Approximate percentage in the total share capital of the Company	Approximate percentage in A/H Shares	Capacity
STI Group	A Shares (state-owned shares)	Long Position	975,060,078	31.88%	45.08%	Beneficial owner
Huajian Company	A Shares (legal person shares)	Long position	664,487,376	21.73%	30.72%	Beneficial owner
JPMorgan Chase & Co. ^(Note 1)	H Shares	Long position	4,871,417	0.16%	0.54%	Beneficial owner
		Long position	2,000,000	0.07%	0.22%	Investment manager
		Long position	55,578,800	1.82%	6.21%	Custodian
		Total	62,450,217	2.04%	6.98%	—
Zhu Nansong (朱南松) ^(Note 2)	H Shares	Long position	1,320,000	0.04%	0.15%	Beneficial owner
		Long position	8,675,600	0.28%	0.97%	Interest of children under 18 or spouse
		Long position	45,908,000	1.50%	5.13%	Interests of controlled corporations
				Total	55,903,600	1.83%
Yang Liwen (楊荔雯) ^(Note 2)	H Shares	Long position	8,675,600	0.28%	0.97%	Beneficial owner
		Long position	1,320,000	0.04%	0.15%	Interest of children under 18 or spouse
		Long position	45,908,000	1.50%	5.13%	Interests of controlled corporations
				Total	55,903,600	1.83%
Tempo Asset Management (Asia) Co., Ltd. ^(Note 3)	H Shares	Long position	6,612,000	0.22%	0.74%	Beneficial owner
		Long position	1,764,000	0.06%	0.20%	Interests of controlled corporations
		Long position	37,532,000	1.23%	4.19%	Interests of controlled corporations
				Total	45,908,000	1.51%

Notes:

1. JPMorgan Chase & Co. ("**JPM Chase**") holds the entire issued share capital of each of JPMorgan Chase Bank, N.A. ("**JPM Bank**") and JPMorgan Asset Management Holdings Inc. ("**JPM Asset**"). JPM Bank directly held 55,578,800 Shares in a lending pool of the Company, and JPM Asset indirectly held 2,000,000 H Shares (long position) of the Company. Pursuant to the SFO, JPM Chase was deemed to be interested in the same Shares of the Company as interested by JPM Bank and JPM Asset, being 62,450,217 H Shares (long position).
2. Zhu Nansong and his spouse, Yang Liwen directly held 1,320,000 H Shares and 8,675,600 H Shares of the Company, respectively. Zhu Nansong and Yang Liwen held 51.67% equity interest in Tempo Asset Management (Asia) Co., Ltd ("**Tempo Asset**"). Pursuant to the SFO, Zhu Nansong was deemed to be interested in the same Shares of the Company as interested by Yang Liwen and Tempo Asset, being 55,903,600 H Shares (long position), and Yang Liwen was deemed to be interested in the same Shares of the Company as interested by Zhu Nansong and Tempo Asset, being 55,903,600 H Shares (long position).
3. Tempo Asset directly held 6,612,000 H Shares of the Company, and held 1,764,000 H Shares and 37,532,000 H Shares of the Company through its directly owned subsidiaries Tempo Asset Management (Hong Kong) Co., Limited ("**Tempo Hong Kong**") and China Opportunities H-B Fund ("**China Opportunities**"), respectively. Tempo Asset held 90% and 63.86% equity interests in Tempo Hong Kong and China Opportunities, and Zhu Nansong also directly held 8.56% equity interest in China Opportunities. Pursuant to the SFO, Tempo Asset was deemed to be interested in the same Shares of the Company as interested by Tempo Hong Kong and China Opportunities, being 45,908,000 H Shares (long position).

Save as disclosed above, as at 30 June 2013, no persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which were required to be notified to the Company and the Stock Exchange in accordance with Section 336 of the SFO.

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 STI Group.

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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Shareholding of Directors, Supervisors and chief executive

So far as the Company was aware, as at 30 June 2013, none of the Directors, Supervisors or chief executive of the Company or their respective associates had any interests or short positions in Shares, underlying Shares or debentures (as the case may be) of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be registered pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

II. Changes of Directors, Supervisors and Senior Management

The term of the fourth session of the Board and the Supervisory Committee of the Company expired on 28 March 2013. At the 2013 first extraordinary general meeting of the Company held on 28 March 2013, Mr. Gan Yongyi was appointed as executive Director of the fifth session of the Board, and was elected as Vice Chairman at the meeting of the Board on the same day; Mr. Huang Bin was appointed as non-executive Director of the fifth session of the Board; Mr. Sun Huibi, Mr. Guo Yuanxi, Mr. Fang Guijin and Mr. Yu Haizong were appointed as independent non-executive Directors of the fifth session of the Board; and Mr. Dan Yong and Madam Zhou Wei were appointed as Shareholder representative Supervisors of the fifth session of the Supervisory Committee. On the same day, Mr. Liu Mingli retired as executive Director, Mr. Zhang Zhiying and Mr. Gao Chun retired as non-executive Directors and Madam Luo Xia, Mr. Feng Jian, Mr. Zhao Zesong and Mr. Xie Bangzhu retired as independent non-executive Directors of the fourth session of the Board; Mr. Hou Bin and Mr. Dong Zhi retired as Supervisors of the fourth session of the Supervisory Committee; Mr. Li Guogang, the Financial Controller of the Company, left office due to his retirement.

On 18 April 2013, Madam Zhang Yang resigned as Vice Chairman and non-executive Director of the Company due to adjustment of her personal career commitments. At the 2012 AGM held on 28 May 2013, Mr. Wu Xinhua was appointed as non-executive Director of the fifth session of the Board of the Company, and was elected as Vice Chairman at the meeting of the Board held on the same day.

At the meeting of the Board held on 29 August 2013, Mr. He Zhuqing was appointed as Deputy General Manager of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review and Analysis

1. Results overview

The revenue and profit of the Group were mainly derived from the operation of and investments in toll roads. During the Reporting Period, the Group saw a decline in its overall profitability due to combined impact of various negative factors including slowing macro-economic growth, toll-free travel for small passenger vehicles on major festivals and holidays, earthquakes, changes in road networks and periodic losses after opening of new roads. To cope with the changes in business environment, the Group, on one hand, strove to improve the business performance of its road assets through continuous enhancement and improvement of the operation and management of its existing assets and the adoption of proactive management and marketing strategies in the Reporting Period; and on the other hand steadily promoted its oil and petrochemical products sales and project construction businesses and actively expanded other new business types with a view to fostering new profit drivers and securing the healthy and sustainable development of the Group.

During the Reporting Period, the revenue of the Group amounted to approximately RMB3,472,360,000, representing an increase of approximately 0.81% year-on-year, among which the net toll income amounted to approximately RMB1,160,331,000, up approximately 0.18% year-on-year, the net revenue from construction contracts amounted to approximately RMB1,264,079,000, down approximately 29.98% year-on-year (including the construction contracts revenue of approximately RMB1,064,167,000 from Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project, which was recognized according to the Hong Kong Financial Reporting Standards, down 36.16% year-on-year), the revenue from operation of gas stations along the expressways amounted to approximately RMB1,034,388,000, representing an increase of 118.15% year-on-year, and revenue from other income and gains (before revenue taxes) amounted to approximately RMB91,105,000, up 35.18% year-on-year. The profit attributable to the owners of the Company was approximately RMB478,087,000, representing a decrease of 26.10% year-on-year. Basic earnings per Share was approximately RMB0.156 (the same period of 2012: approximately RMB0.212).

As at 30 June 2013, the Group's total assets amounted to approximately RMB 21,918,048,000 and equity attributable to the owners of the Company amounted to approximately RMB10,471,603,000.

2. Operating conditions of the Group's principal operations

Operating results of the Company and its major branches and subsidiaries:

Item	Toll income for the Period (RMB'000)	Percentage in the total toll income (%)	Toll income for the same period in 2012		Profit/ (loss) for the Period (RMB'000)	Year-on- year increase/ (decrease) in profit/ (loss) (%)
			same period in 2012 (RMB'000)	Percentage in the total toll income (%)		
The Company (Note 1)	474,766	39.52	591,714	49.33	261,657	(23.70)
Chengya Branch (Note 2)	289,632	24.11	336,130	28.02	124,063	(25.52)
Chengle Company (Note 3)	190,013	15.82	215,970	18.01	100,275	(20.73)
Chengren Branch (Note 4)	207,444	17.27	—	—	(41,972)	—
Chengbei Company (Note 5)	39,492	3.28	55,666	4.64	19,846	(39.25)
Total	<u>1,201,347</u>	<u>100.00</u>	<u>1,199,480</u>	<u>100.00</u>	<u>463,869</u>	<u>(30.63)</u>

Notes:

- For the purpose of this table only, the Company does not include Chengya Branch and Chengren Branch. The Company is responsible for the operation and management of Chengyu Expressway, and profit for the Period does not include any dividend income from associated companies, subsidiaries and available-for-sale investments.
- Chengya Branch, a branch company of the Company, is responsible for the operation and management of Chengya Expressway.

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3. Chengle Company, a wholly-owned subsidiary of the Company, is responsible for the operation and management of Chengle Expressway.
4. Chengren Branch, a branch company of the Company, is responsible for the operation and management of Chengren Expressway.
5. Chengbei Company, a subsidiary of the Company, is responsible for the operation and management of Chengbei Exit Expressway and Qinglongchang Bridge. The toll income of Chengbei Company was the aggregate amount of the toll incomes of Qinglongchang Bridge and Chengbei Exit Expressway. For the purpose of this table only, profit for the Period does not include any dividend income from available-for-sale investments.

Operation of major expressways of the Group:

Item	Shareholding percentage	Converted average daily traffic flow			Toll income		
		For the			For the		
		For the	same period	Increase/ (decrease)	For the	same period	Increase/ (decrease)
		Period	in 2012	(%)	Period	in 2012	(%)
		(vehicles/times)	(vehicles/times)	(%)	(RMB'000)	(RMB'000)	(%)
Chengyu Expressway	100%	19,993	24,075	(16.96)	474,766	591,714	(19.76)
Chengya Expressway	100%	19,283	17,662	9.18	289,632	336,130	(13.83)
Chengle Expressway	100%	20,782	19,444	6.88	190,013	215,970	(12.02)
Chengren Expressway	100%	19,993	—	—	207,444	—	—
Chengbei Exit Expressway (including Qinglongchang Bridge)	60%	34,422	35,025	(1.72)	39,492	55,666	(29.06)

During the Reporting Period, the net toll income of the Group was approximately RMB1,160,331,000, representing a slight increase of approximately 0.18% as compared with the same period last year. The percentage of the toll income to the Group's total revenue was approximately 33.42%, representing a year-on-year decrease of approximately 0.21 percentage point. During the Reporting Period, the following factors constituted combined effects on the operating performance of the Group's toll roads:

- (1) The economic development level is a key factor which the growth of traffic demand hinges on. According to preliminary estimation, China's gross domestic product for the first half of 2013 was approximately RMB24,800.9 billion, up approximately 7.6%¹ year-on-year. China's macro-economy did not sustain the rebounding trend seen at the end of 2012 and the domestic economic growth decelerated. The lack of drivers in the real economy for endogenous growth directly cramped the transport demand, especially the demand for freight transportation, leading to a slowdown in natural growth rate of traffic flows of all toll roads across the board.
- (2) In the first half of 2013, with Sichuan Province hit by natural disasters such as earthquake and rainstorm, the production and operation activities of many enterprises within the province as well as the frequent travel of residents were affected. At the same time, the Company allowed toll-free travel from 20 April 2013 (ie. the date when the earthquake took place in Sichuan Ya'an) for all vehicles on its Chengya Expressway in the aftermath of the earthquake in Ya'an of Sichuan province and continued such practice for disaster-relief vehicles after resumption of tolls collection from 9 June 2013, resulting a decline in the Group's toll income.

¹ Source: preliminary accounting results announced by the National Bureau of Statistics.

- (3) Although the economic and social development of Sichuan Province was depressed by natural disasters, the impact was regional and short-term. Boosted by the policies such as the Development of the Western Regions, the construction of Chengyu Economic Zone and Tianfu New District, the interactive development of new industrialization and new urbanization and the “multipoint and multi-pole underpinning” strategy, the gross regional product of the province for the first half of 2013 amounted to approximately RMB1,165.51 billion, up approximately 10.1%² year-on-year and 2.5 percentage points higher than the national average growth level, creating a relatively stable regional environment for operation of the Group.
- (4) Sichuan Province pushed ahead with the construction of an integrated transportation hub in western regions at a faster speed, and continuously stepped up efforts in construction of traffic road networks. In May 2013, the provincial government formulated the “Plan for Advancing the Construction of Expressways in Sichuan Province (2013-2017)”. Pursuant to this plan, by the end of 2013 and 2015, the total length of expressways opened to traffic in the province will be more than 5,000km and 6,000km respectively; the target for the end of 2017 is more than 7,000km for the total length of expressways opened to traffic and 8,500km for the length of expressways with construction completed or under construction, to materialize the expressways with construction completed or under construction in all places where the municipal (prefectural) government are located and in 144 of the 158 counties (cities or regions) covered by the plan, to build 20 routes leading out of Sichuan, to substantially finish the construction of a wide-coverage network of expressways with convenient traffic and well-established supporting facilities³. The rapid development of the industry and the regional economy will promote each other, bringing better development opportunities for enterprises operating expressways within the province.

² Source: preliminary accounting results announced by Sichuan Bureau of Statistics.

³ Source: the website of the People’s Government of Sichuan Province.

- (5) During the 2013 Chinese New Year, Ching Ming Festival and May Day, the Group continued to implement the toll-free policy for small passenger vehicles at all of its expressways, which resulted in a noticeable decrease in the Group's toll income.
- (6) Tolls on all those secondary roads within Sichuan Province with repayment of their bank loans undertaken by the government were cancelled from 1 January 2013, which on one hand would help to reduce road transport costs and social burdens and improve the efficiency of passenger and freight transport, but on the other would cause changes in the distribution of traffic flows within the province. As such, the operating performance of some of the Group's expressways was affected.

In addition to the aforementioned factors, the operating performance of the toll roads was also affected either positively or negatively by the changes of circumjacent competing or cooperative road networks as well as the maintenance and repairing works conducted on circumjacent roads. During the Reporting Period, the Group's expressways were affected by such factors to various extents:

Changes in expressway networks — As the Chengdu-Meishan (Renshou) section and Neijiang-Zigong section of ChengZiLuChi (Chengdu-Zigong-Luzhou-Chishui) Expressway were completed and open to traffic on 10 September 2012 and 19 December 2012 respectively, and the Yilu (Yibin-Luzhou) Expressway (completed on 26 December 2012) and Luyu (Luzhou-Chongqing) Expressway (completed on 3 June 2013) were open to traffic successively, the expressway network of southern Sichuan began to take shape. The interconnection and improvement of the road networks not only expanded the highway transport capabilities of southern Sichuan, but also led to corresponding changes in the traffic distribution and composition in the region, causing traffic diversion to the Group's Chengyu Expressway, Chengle Expressway and Chengya Expressway to various extents.

Local parallel highways becoming toll-free — The Panduhe Toll Station of the local Jiajiang-Leshan highway and the Yongxin Toll Station of the local Jiajiang-Emei highway were removed in succession since December 2012, and these local highways became toll-free, which has diverted some traffic from Chengle Expressway. On 4 February 2013, the expansion and reconstruction works at Chengdu-Xindu section of Dajian Highway were completed and the highway was open to traffic, thus connecting Gaosuntang and Xindu districts in Chengdu and, together with the Ring Expressway (繞城高速), the Freight Highway (貨運大道), and Logistics Highway (物流大道) forming a circumferential traffic network. Furthermore, as the Dajian Highway is toll-free, certain vehicles bypass Chengbei Exit Expressway, thereby leading to a decrease in its toll income.

Construction works on circumjacent roads — The main highways from Pengshan Exit of Chengle Expressway to the county seat of Pengshan have been closed due to the construction of Chengmianle intercity rail since 18 May 2013, leaving vehicles heading for Chengdu and Leshan to travel through Qinglong Station or Meishan Station to access Chengle Expressway. The construction works is expected to last for six months, which causes a decrease in the traffic volume at Qinglong-Meishan section of Chengle Expressway during the Period.

3. Operating results of other businesses

During the Reporting Period, other than revenue from toll operation segment, the Group recorded revenue from other segments, other income and gains of approximately RMB2,403,134,000, representing an increase of approximately 2.11% over the same period last year, including RMB1,264,079,000 (the same period last year: RMB1,805,224,000) from the construction contracts segment, RMB1,034,388,000 from the gas stations operation segment (the same period last year: RMB474,166,000) and RMB104,667,000 of revenue from other segments, other income and gains (the same period last year: RMB74,118,000).

Shuhai Company, a subsidiary of the Company, is mainly engaged in the investment in road infrastructure projects and other industrial investment. In order to cater to the Group's overall development plan and facilitate further development of Shuhai Company, the Company entered into an equity transfer agreement on 26 March 2013 to purchase the 0.1% equity interest in Shuhai Company from Sichuan Jingchuan Highway Engineering (Group) Company Limited (四川京川公路工程(集團)有限公司) at the consideration of RMB235,200. Upon completion of change in business registration on 24 April 2013, Shuhai Company became a wholly-owned subsidiary of the Company.

Shugong Company, formerly a wholly-owned subsidiary of the Company, is mainly engaged in construction and maintenance of infrastructures such as roads, bridges and tunnels. It possesses the qualifications for Grade-1 Engineering, Procurement and Construction (EPC) for road projects, and Grade-1 professional contracting services for road surface projects. In order to integrate industrial advantages and accelerate the development of Shugong Company, the Board of the Company passed a resolution on 2 April 2013, approving the Company to transfer, by way of transfer agreement, its 39% equity interest in Shugong Company to Sichuan Highway Development at a consideration of RMB209,298,900 and its 10% equity interest in Shugong Company to Ganghang Company at a consideration of RMB53,666,400. Upon completion of the said equity transfers, Shugong Company became a joint stock limited company. On 28 May 2013, Shugong Company reformed as Trading Construction Company after completion of change in business registration, and all of its then existing assets, liabilities, businesses, organizations, personnel, together with its credits and debts, were transferred to and assumed by Trading Construction Company. The Company, Sichuan Highway Development and Ganghang Company respectively holds 51%, 39% and 10% equity interest in Trading Construction Company.

4. Project investment

Suiguang-Suixi Expressways BOT Project

At the 2012 first extraordinary general meeting of the Company held on 13 January 2012, the investment in Suiguang-Suixi Expressways BOT Project was considered and approved. According to the preliminary design document of the project, its total length is approximately 164.826km with an operation period of 29 years and 336 days, and the approved estimated preliminary investment is approximately RMB11,887 million. In July 2012, the Company established a project company Suiguang Suixi Company, which is in overall charge of the preparation, construction, operation, management and transfer of Suiguang-Suixi Expressways BOT Project. During the six months ended 30 June 2013, approximately RMB1,064 million has been invested in Suiguang-Suixi Expressways BOT Project. Since commencement of construction of this project, a total of approximately RMB1,286 million had been invested, accounting for approximately 10.82% of the estimated total investment of the project.

Suiguang Expressway starts from the intersection of Guojunba interchange and Miansui Expressway, and ends at Zaoshan interchange overpass. Its total length is approximately 97.455 km and the approved estimated preliminary investment is approximately RMB7,063 million. Suiguang Expressway will further improve the expressway network within Sichuan Province, and as the most direct and convenient expressway between Suining City and Guang'an City it would divert some traffic from Suining-Guang'an Section of G42 Hulong Expressway.

Suixi Expressway, starting from Fushanba of Jixiang Town, Suining City and ending at the intersection of Taiping interchange and Guangnan Expressway, has a total length of approximately 67.371km with an approved estimated preliminary investment of approximately RMB4,824 million. This expressway, located at Suining City and Nanchong City of Sichuan Province, connects a number of major expressways in the province such as Miansuinei Expressway, Chengnan Expressway, Guangnan Expressway and Chengde'nanba Expressway into a more complete and convenient expressway network, thereby enhancing the transport efficiency of the road network.

The investment in and construction of Suiguang Expressway and Suixi Expressway will ensure the sustainable development of the Group's principal businesses and are in line with the Group's development strategy of "one main body and two wings".

Renshou Land-linked Pilot BT Project

At the 34th meeting of the fourth session of the Board of the Company held on 28 January 2011, the proposal in relation to the investment in Renshou Land-linked Pilot BT Project was considered and approved. Shuhong Company was established in July 2011 to take charge of the implementation of this project. The Renshou Land-linked Pilot BT Project, with an estimated total investment of approximately RMB317.846 million, is located at Gaotan village, Wenlin Town (where the county government is located), Renshou County which involves a land area of approximately 4,848 Mu. The investment includes relocation of farmers' houses, settlement of "San Tong Yi Ping" (generally referred to as site clearance and resettlement, connecting temporary water and electricity supply to the site and road connection to the site) as well as construction of ancillary municipal roads, resettlement houses (including preparation work) (approximately 112,700 sq.m.) and ancillary facilities and roads at the resettlement site.

As at 30 June 2013, a total of approximately RMB122 million had been invested in Renshou Land-linked Pilot BT Project since its commencement of the construction, representing approximately 38.36% of the estimated total investment of this project.

Shuangliu West Airport Phase VI BT Project

At the 41st meeting of the fourth session of the Board held on 13 January 2012, the Board considered and approved the resolutions such as the investment in and construction of the Shuangliu West Airport Phase VI BT Project by the Company, and approved Shunan Company to be the project company responsible for the preparation, construction and transfer of the project. On 17 January 2012, the Company was chosen to undertake the project, content of which includes a total of 4 roads, i.e. south extension line of Aviation Avenue, the road on the east side of Rayspower, Airport Road No. 4 and the west extension line of Industrial Park Avenue, with a total length of approximately 8.84km. The estimated total investment amount is approximately RMB616,070,000, including land requisition and relocation fee of approximately RMB163,030,000 and expenditures for road construction and installation of relevant facilities of approximately RMB453,040,000.

As at 30 June 2013, approximately RMB144 million was invested on a cumulative basis in Shuangliu West Airport Phase VI BT Project since commencement of construction, representing approximately 23.38% of the estimated total investment of the project.

Shuangliu Zongbao BT Project

At the 42nd meeting of the fourth session of the Board held on 28 March 2012, the Board considered and approved the resolutions in relation to Company's investment in Shuangliu Zongbao BT Project, and approved Shunan Company to be the project company responsible for the preparation, construction and transfer of the project. On 6 April 2012, the Company won the bid to undertake the project, content of which includes 2 roads, i.e. Qinglan Road and the south extension line of Shuanghuang Road, with a total length of approximately 3.23 km. The estimated total investment amount is approximately RMB279,630,000, including land requisition and relocation fee of approximately RMB79,370,000 and expenditures for road construction and installation of relevant facilities of approximately RMB200,260,000.

As at 30 June 2013, approximately RMB63 million was invested on a cumulative basis in Shuangliu Zongbao BT Project since commencement of construction, representing approximately 22.50% of the estimated total investment of the project.

Participation in Establishment of Trading Landmark and Trading Industry

On 10 January 2013, the Company's participation in the establishment of Trading Landmark and Trading Industry and relevant matters were approved at the General Manager's work meeting of the Company pursuant to the Company's Administrative Measures for External Investment. On 21 January 2013, the Company entered into the Trading Landmark JV Agreement and the Trading Industry JV Agreement with STI Group, Sichuan Highway Development and Ganghang Company. Pursuant to the Trading Landmark JV Agreement, the registered capital of Trading Landmark shall be RMB100 million, of which the Company, STI Group, Sichuan Highway Development and Ganghang Company shall contribute RMB15 million, RMB30 million, RMB25 million and RMB30 million respectively for 15%, 30%, 25% and 30% equity interests respectively. Pursuant to the Trading Industry JV Agreement, the registered capital of Trading Industry shall be RMB300 million, of which the Company, STI Group, Sichuan Highway Development and Ganghang Company shall contribute RMB30 million, RMB120 million, RMB120 million and RMB30 million respectively for 10%, 40%, 40% and 10% equity interests respectively. Both Trading Landmark and Trading Industry were established on 31 January 2013.

Real Estate Projects in Chengbei New Town of Renshou County

On 30 January 2013, the Company's participation in the bidding for the land use rights of three state-owned construction land parcels in Chengbei New Town, Renshou County, Meishan City, Sichuan Province for the investment and development of real estate projects was approved at the General Manager's work meeting of the Company pursuant to the Company's Administrative Measures for External Investment. On 7 February 2013, the Company won the bid for the land use rights of such land parcels, and obtained the auction confirmation (《拍賣成交確認書》). On 22 February 2013, the Company and the Land Resources Bureau of Renshou County entered into 3 separate land use rights transfer contracts in relation to the acquisition of the land use rights of such land parcels (with a total site area of 235,558.10 sq.m.) at a transfer price of RMB920,160,000. At the 5th meeting of the fifth session of the Board of the Company held on 16 May 2013, the proposal in relation to the establishment of Renshou Landmark Company was considered and approved, and the related capital contribution agreement was entered into with Trading Landmark after the meeting. Pursuant to this agreement, Renshou Landmark Company, with a registered capital of RMB200 million will be owned as to 91% and 9% by the Company and Trading Landmark respectively by virtue of their respective capital contribution of RMB182 million and RMB18 million. Renshou Landmark Company was incorporated on 24 May 2013, and will take full charge of the development and construction of this project.

“One main body and two wings” is the mid to long term development strategy of the Company. Whilst focusing on its main business, the Company also aims to create profit growths in other business areas by participating in the establishment of Trading Landmark and Trading Industry, and investing and developing the real estate projects in Chengbei New Town of Renshou County, in order to enhance the contributions of such other business to the overall profitability level of the Group, thus further expand the business development and asset size of the Group and ensure sustainable development of the Group.

5. Financing activities of the Company

Medium-long term syndicated loan

In March 2010, the Company and nine banks including China CITIC Bank Corporation Limited Chengdu Branch entered into a medium-long term syndicated loan contract with a total loan amount not exceeding RMB4.89 billion for a term of 20 years (from 12 March 2010 to 11 March 2030). The proceeds from the loan shall be used for construction of the Chengren Expressway BOT Project. As of 30 June 2013, drawdown of the loan made by the Company aggregated approximately RMB3,911 million.

Offshore bank loans

In the first half of 2013, the Company successively entered into loan contracts with China Construction Bank Tokyo Branch and nine overseas financial institutions including The Hongkong and Shanghai Banking Corporation Limited to obtain an offshore loan of RMB1 billion and an offshore syndicated loan aggregating RMB1 billion, respectively. As at 30 June 2013, the said two RMB-denominated offshore loans had been fully drawn by the Company.

Medium-term notes

On 25 April 2012, the Company completed the registration for its RMB1.3 billion 5-year medium-term notes, and in June and November 2012, successfully issued the 2012 first and second tranches of medium-term notes of RMB200 million and RMB500 million, at annual interest rates of 4.75% and 5.57%, respectively. On 21 March 2013, the Company successfully issued the 2013 first tranche of medium-term notes of RMB600 million at an annual interest rate of 5.23%.

Entrusted Debt Investment

On 13 March 2013, the Company (as the financing party) entered into an entrusted debt investment agreement with aggregated amount of RMB400 million with Bank of China Limited Sichuan Branch (Wealth Management) (as the entrustor) and Bank of China Limited Sichuan Branch (as the trustee). As at 30 June 2013, drawdown of the financing facilities made by the Company under the entrusted debt investment agreement amounted to approximately RMB293 million.

6. Formulation and Implementation of Cash Dividends Policy

The Company's cash dividends distribution policy and detailed cash dividends distribution plan were formulated according to the relevant laws and regulations as well as the Articles of Association of the Company. The cash dividends distribution policy and plan must be first considered and approved at the Board meeting and then proposed at the general meeting for consideration and approval before they are implemented. Independent Directors shall discharge their duties and express independent opinions at the Board meeting whilst minority Shareholders may voice their opinions and demands at the general meeting. In October 2012, as approved by its general meeting, the Company amended and improved the provisions of the Articles of Association in relation to the profit distribution policy to further specify the decision making procedure and mechanism for profit distribution, specific conditions for making adjustments, the mode of profit distribution, time intervals for distribution, specific conditions and proportions of dividends in the form of cash and shares. The amended Articles of Association provide that the sum of any cash dividend shall not be less than 30% of the distributable profit earned by the Company for the period concerned (the lower of the respective profit attributable to the shareholders of the Company under the PRC and overseas accounting standards).

With the approval by the 2012 AGM, the Company implemented the profit distribution plan for the year 2012 according to the aforesaid cash dividends distribution policy, and paid a cash dividend of RMB0.08 per Share (tax inclusive), amounting to an aggregate of approximately RMB244,644,800 (tax inclusive), on 24 June and 25 June 2013 to holders of A Shares and holders of H Shares of the Company respectively, representing approximately 31.37% of the distributable profit earned by the Company for 2012, and 20.72% of the net profit attributable to the owners of the Company for 2012.

On 29 August 2013, the Board of the Company resolved not to pay an interim dividend for the six months ended 30 June 2013 or transfer capital reserve into share capital.

II. Analysis of Operating Results and Financial Position

Summary of the Group's operating results

	For the six months ended	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	3,472,360	3,444,354
Including: Net toll income	1,160,331	1,158,241
Net construction contract revenue	1,264,079	1,805,224
Profit before tax	599,558	789,793
Profit attributable to owners of the Company	478,087	646,934
Earnings per share attributable to owners of the Company (RMB)	0.156	0.212

Summary of the Group's financial position

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Total assets	21,918,048	19,336,400
Total liabilities	10,950,705	8,889,974
Non-controlling interests	495,740	193,200
Equity attributable to owners of the Company	10,471,603	10,253,226
Equity per share attributable to owners of the Company (RMB)	3.424	3.353

Analysis of Operating Results

Revenue

The Group's revenue for the Reporting Period amounted to RMB3,472,360,000 (the same period in 2012: RMB3,444,354,000), representing a year-on-year increase of 0.81%, of which:

- (1) The net toll income was RMB1,160,331,000 (the same period in 2012: RMB1,158,241,000, excluding Chengren Expressway), representing a year-on-year increase of approximately 0.18%, which was the net total toll income of Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway and Chengbei Exit Expressway. The main factors affecting the toll income of the Group during the Reporting Period are set out in the section headed "Business Review and Analysis" in this interim report.

- (2) Construction contract revenue (before revenue taxes) in respect of service concession arrangements was approximately RMB1,083,308,000 (the same period in 2012: approximately RMB1,681,392,000), representing a year-on-year decrease of approximately 35.57%. This was mainly attributable to the construction contract revenue (before revenue taxes) of approximately RMB1,117,000 (the same period in 2012: approximately RMB1,667,034,000) from the finishing-off work of Chengren Expressway BOT Project (Chengren Expressway was completed and open to traffic in September 2012), construction revenue (before revenue taxes) of approximately RMB1,063,050,000 (the same period in 2012: Nil) from the Suiguang-Suixi Expressways BOT Project and construction revenue (before revenue taxes) of approximately RMB19,141,000 (the same period in 2012: approximately RMB14,358,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway and Chengle Expressway during the Reporting Period being recognized under the percentage-of-completion method.
- (3) Construction contract revenue (before revenue taxes) in respect of construction works performed for third parties amounted to approximately RMB194,868,000 (the same period in 2012: approximately RMB129,187,000), representing a year-on-year increase of approximately 50.84%. This increase was mainly due to the construction contract revenue (before revenue taxes) of approximately RMB56,474,000 (the same period in 2012: approximately RMB47,280,000) from the Renshou Connection Line BT Project and other construction contract revenue (before revenue taxes) of approximately RMB138,394,000 during the Reporting Period being recognized under the percentage-of-completion method.

- (4) Revenue from operation of gas stations along the expressways amounted to approximately RMB1,034,388,000 (the same period in 2012: approximately RMB474,166,000), representing a year-on-year increase of approximately 118.15%. This was mainly attributable to the revenue of RMB536,632,000 from the newly launched sales business of petrochemical products.

Other Income and Gains

The Group's other income and gains for the Reporting Period amounted to approximately RMB91,105,000 (the same period in 2012: approximately RMB67,395,000), representing a year-on-year increase of approximately 35.18%. This was mainly attributable to the interest income of approximately RMB53,793,000 (the same period in 2012: approximately RMB29,016,000) generated from the advance payment for land appropriation and relocation in respect of the BT projects of the Group and the construction receivables pursuant to relevant agreements; and the rental income and interest income from bank deposits of approximately RMB15,683,000 (the same period in 2012: RMB14,030,000).

Operating Expenses

The Group's operating expenses for the Reporting Period amounted to RMB2,740,530,000 (the same period in 2012: RMB2,653,032,000), representing a year-on-year increase of 3.30%, of which:

- (1) Construction contract costs in respect of service concession arrangements were RMB1,060,832,000 (the same period in 2012: RMB1,681,392,000), representing a year-on-year decrease of 36.91%. This mainly comprised of construction costs of RMB1,042,022,000 (the same period in 2012: RMB1,667,034,000) from the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project and construction costs of RMB18,810,000 (the same period in 2012: RMB14,358,000) from the technical renovation projects of Chengyu Expressway, Chengya Expressway and Chengle Expressway during the Reporting Period, which were recognized under the percentage-of-completion method.
- (2) The costs in respect of construction works performed for third parties amounted to RMB161,326,000 (the same period in 2012: RMB126,458,000), representing a year-on-year increase of 27.57%. This was mainly due to the costs incurred by Shuangliu West Airport Phase VI BT Project and other BT projects undertaken by the Group.
- (3) Depreciation and amortization expenses increased by 36.33% year-on-year to RMB257,173,000, which was mainly attributable to the commencement of amortization for service concession arrangements in respect of Chengren Expressway after it was put into operation in September 2012.
- (4) Staff costs amounted to approximately RMB196,542,000 (the same period in 2012: RMB151,915,000), representing a year-on-year increase of 29.38%, which was mainly attributable to the increase in staff of the Company along with the commencement of operation of Chengren Expressway and the Company's business expansion and incorporation of a subsidiary as well as certain increase in labor costs along with the increase in average salary for the working population in Chengdu.

- (5) Costs of repairs and maintenance decreased by 33.78% to RMB14,254,000 as compared to the same period of 2012, which represented daily maintenance costs for the Company's roads and auxiliary facilities.

Finance Costs

The Group's finance costs charged to profit or loss during the Reporting Period amounted to RMB228,997,000 (the same period in 2012: RMB79,926,000), representing a year-on-year increase of 186.51%. This was mainly due to increase in interest expenses as a result of new offshore bank loans obtained and the issue of medium-term notes; coupled with the impact of the cessation of capitalization of interests accrued on the specific loans for Chengren Expressway which had been completed and put into operation.

Income Tax

The income tax of the Group for the Reporting Period amounted to RMB102,426,000 (the same period in 2012: RMB122,431,000), representing a year-on-year decrease of 16.34%. This was mainly due to the drop in toll income in the Reporting Period caused by the earthquake striking Ya'an of Sichuan Province on 20 April 2013 and the toll-free holiday policy and the decline in the pre-tax profit of the Group caused by the losses made by Chengren Expressway which was at the initial stage of operation.

Profit

The Group's profit for the Reporting Period amounted to RMB497,132,000 (the same period in 2012: RMB667,362,000), representing a year-on-year decline of 25.51%, of which the profit attributable to the owners of the Company was RMB478,087,000, representing a year-on-year decrease of 26.10%. This was mainly due to:

- (1) The toll income of Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway posted a year-on-year decrease under the impact of the 4.20 Sichuan Ya'an Earthquake and the toll-free holiday policy, and Chengren Expressway recorded a loss of RMB41,972,000 for the Reporting Period as it was newly put into operation and at the initial operation stage.
- (2) The finance costs for the Reporting Period saw a significant increase as set out in the paragraph headed "Finance Costs" in this interim report.
- (3) The Company disposed its 49% equity interest in Trading Construction Company (formerly known as Shugong Company) in the Reporting Period, resulting in a decrease in the profit of Trading Construction Company attributable to the owners of the Company.

Analysis of Financial Position

Non-current Assets

As at 30 June 2013, the Group's non-current assets amounted to RMB16,384,844,000, representing an increase of 5.39% as compared with the end of 2012. The increase was mainly due to:

- (1) an increase of RMB1,083,308,000 in service concession arrangements (including RMB1,117,000 of expenses of Chengren Expressway BOT Project, RMB1,063,050,000 of expenses of Suiguang-Suixi Expressways BOT Project and RMB19,141,000 of expenses of other technical renovation projects on road surface of expressways);
- (2) a total of RMB257,173,000 provision for depreciation and amortization for intangible assets for the Reporting Period;
- (3) an increase of RMB54,403,000 in prepayments for the Reporting Period, which was mainly attributable to the increase in the prepayment related to Suiguang-Suixi Expressways BOT Project;
- (4) an increase of RMB42,272,000 in available-for-sale investments during the Reporting Period, which was mainly attributable to the investments in Trading Industry and Trading Landmark in the Reporting Period.

Current Assets and Current Liabilities

As at 30 June 2013, the Group's current assets amounted to RMB5,533,204,000, representing an increase of 46.02% as compared with the end of 2012, mainly due to:

- (1) an increase of RMB410,184,000 in cash and cash equivalents in the Reporting Period, as compared with the end of last year as a result of the Company's issue of the medium-term notes, increase in bank loans and the use of cash and cash equivalents in operating and investing activities in the Reporting Period;
- (2) an increase of approximately RMB23,137,000 in inventories, mainly due to the increase in oil reserves of Zhonglu Energy Company and Chengya Oil Company as well as the increase in construction materials of Trading Construction Company;
- (3) addition of RMB864,066,000 in land use rights for property development;
- (4) an increase of RMB418,652,000 in trade receivables owing to the newly-launched petrochemical product sales business.

As at 30 June 2013, the Group's current liabilities amounted to RMB2,597,513,000, representing a decrease of 7.10%, as compared with the end of 2012, mainly attributable to a decrease of RMB141,357,000 in tax payable as compared with the beginning of the year as a result of the settlement of the enterprise income tax for the year 2012 and a decrease of RMB32,610,000 in the payroll payable as compared with the beginning of the year owing to the payment of performance bonus for the year 2012 in the Reporting Period. Trade and other payables of RMB1,842,405,000 mainly comprised of approximately RMB205,989,000 of deposits received in respect of Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project, RMB486,926,000 of progress billing payables in respect of the construction of Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project and RMB60,540,000 of interests payable.

Non-current Liabilities

As at 30 June 2013, the Group's non-current liabilities amounted to RMB8,353,192,000, representing an increase of 37.07% as compared to the end of 2012, which was principally attributable to an increase of RMB2,000,000,000 in RMB-denominated offshore bank loans and the issue of 5-year medium-term notes of RMB600,000,000.

Equity

As at 30 June 2013, the Group's equity amounted to RMB10,967,343,000, representing an increase of 4.99% as compared to the end of 2012, mainly attributable to: (1) profit for the Reporting Period of RMB497,132,000 which increased the equity; (2) the transfer of equity interest in Trading Construction Company, which increased the equity by RMB262,965,000, and (3) distribution of dividends of RMB244,645,000 in the Reporting Period which decreased the equity.

Capital Structure

As at 30 June 2013, the Group had total assets of RMB21,918,048,000 and total liabilities of RMB10,950,705,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets at the end of the Reporting Period, was 49.96% (31 December 2012: 45.98%).

Cash Flow

As at 30 June 2013, the Group's cash and bank balances and pledged time deposits amounted to approximately RMB2,398,208,000, including approximately HK\$62,000 (equivalent to approximately RMB50,000) deposits in Hong Kong dollars, and approximately RMB2,398,158,000 cash and deposits in Renminbi (31 December 2012: approximately RMB1,898,277,000), representing an increase of approximately RMB499,881,000 over the end of 2012. During the Reporting Period, the Group's net cash outflow from operating activities amounted to approximately RMB1,402,324,000 (the same period in 2012: RMB752,613,000).

During the Reporting Period, the cash outflow of the Group mainly consisted of: approximately RMB314,532,000 for various taxes paid, a total investment of approximately RMB45,000,000 in Trading Landmark and Trading Industry, total expenses of approximately RMB1,529,702,000 (including interests paid) for Chengren Expressway BOT Project and Suiguang-Suixi Expressway BOT Project, approximately RMB864,066,000 for the purchase of land, approximately RMB214,766,000 for interests payment (excluding capitalized interest expenses), and approximately RMB244,645,000 for dividend payment (including dividends to non-controlling interests and exchange loss).

Capital Commitments

Details of the Group's capital commitments as at 30 June 2013 are set out in note 19 to the interim condensed financial information.

Risk of Exchange Fluctuation

Save that the Company needs to purchase Hong Kong dollars to distribute dividends to the holders of H Shares, the operating income and expenses as well as the capital expenditures of the Group are mainly denominated in Renminbi and thus the fluctuation in exchange rate does not have material impact on the Group's results.

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

Borrowings And Solvency

As at 30 June 2013, the Group's interest-bearing bank and other loans amounted to RMB9,022,591,000. In particular, the balance of domestic bank loans was RMB4,393,202,000, with annual interest rates ranging from 5.535% to 7.05% (31 December 2012: 5.65% to 7.05%); the balance of overseas bank loans was RMB3,000,000,000, with annual interest rates ranging from 5.26% to 5.85%; medium-term notes of RMB1,300,000,000, with annual interest rates ranging from 4.75% to 5.57%; loans from entrusted debt investment of RMB293,026,000, with an annual interest rate of 5.60%; and other loans of RMB36,364,000, with annual interest rates ranging from 3.80% to 5.00%. The relevant balances are as follows:

Maturity profile of interest-bearing loans

	Total amount	1 year or less	More than 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 commercial banks	4,393,202	375,790	797,500	3,219,912
Loans from overseas commercial banks	3,000,000	—	3,000,000	—
Medium-term notes	1,300,000	—	1,300,000	—
Entrusted debt investment	293,026	293,026	—	—
Other loans	36,363	22,727	13,636	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total (as at 30 June 2013)	<u>9,022,591</u>	<u>691,543</u>	<u>5,111,136</u>	<u>3,219,912</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total (as at 31 December 2012)	<u>6,851,594</u>	<u>765,727</u>	<u>2,865,955</u>	<u>3,219,912</u>

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 RMB4,236 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan totaled RMB4,890 million. Such loan is specially used in Chengren Expressway BOT Project. As at 30 June 2013, approximately RMB3,911 million had been drawn down on an accumulative basis.

Contingent Liabilities and Pledge of Assets

As at 30 June 2013, the Group's time deposits of RMB26,022,000 were pledged to secure Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project and relevant construction contracts; time deposits of RMB141,326,000 were pledged to secure bank loans (31 December 2012: RMB56,450,000); the concession rights to collect toll income pertaining to Chengbei Exit Expressway and Chengle Expressway with the net carrying values of RMB146,217,000 and RMB1,123,594,000, respectively (31 December 2012: RMB153,640,000 and RMB1,144,993,000, respectively) were pledged by the Group to secure bank loans amounting to RMB48,000,000 and RMB106,400,000, respectively (31 December 2012: RMB91,000,000 and RMB106,400,000, respectively); the future concession rights to collect toll income pertaining to Chengren Expressway with net carrying value of RMB7,413,454,000 (31 December 2012: RMB7,469,649,000) were pledged to secure the syndicated loan amounting to RMB3,911,012,000 (31 December 2012: RMB3,911,012,000); and the concession rights to collect toll income pertaining to Chengya Expressway with net carrying value of RMB2,450,555,000 (31 December 2012: not applicable) were pledged to secure the overseas syndicated loan amounting to RMB1,000,000,000.

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 30 June 2013.

III. Business Development Outlook and Plan

In the second half of 2013, the government will step up efforts to adjust the economic structure by developing a new type of urbanisation and boosting domestic demand, maintaining and improving people's livelihood and achieving sustainable and healthy economic development and social harmony and stability. The Group will keep watching the economic trend, assess the impact of evolving business environment on the Company's operation and development and take feasible countermeasures in a timely manner.

Industry policy risk is one of the major risks faced by toll roads operators. Currently, the policy climate for the toll roads industry is evolving. On 8 May 2013, the amendment to the Regulation on the Administration of Toll Roads (consultation draft) was disclosed at the website of the Ministry of Transport of the PRC, which adds more detailed provisions and makes improvements to several policies governing the toll roads industry, such as implementation of toll-free policy, compensation principles for toll road expansion, principles for fixing the term of toll collection and toll fees. As this amendment is in the process of soliciting public comments, it remains uncertain yet as to whether these amendments would be finally adopted, with uncertainty surrounding the policy development trend. The Group will proactively take counter measures in response to policy change.

To accelerate the construction of comprehensive transport hub in western Sichuan province to build up full-fledged urban transport, the government and transportation authorities aim to establish a comprehensive and convenient road network through initiatives such as constructing new expressways and fast lines. It is expected that Leya (Leshan-Ya'an) Expressway and ChengZiLuChi Expressway will be fully open to traffic in succession in the second half of 2013. Some parallel highways such as Yangma-Shiqiao Section of the Chengjian Fast Line and the Chengren Fast Line are also expected to open to traffic. The Group will closely monitor the dynamics of the road networks and promptly take counter measures to offset the diversion impact imposed by competing roads.

Based on our analysis and judgment of the business conditions for the second half of 2013, we formulated the following business strategies and work plans accordingly:

1. Establish strategy-oriented thinking and ensure progress towards the pre-set strategic targets of the Group. Following the Group's overall requirement to "exploit advantages, expedite development" and the development guideline of "expanding one main body and two wings, and strengthening capital operation", the Group will vigorously focus on "five major segments", namely the toll roads and bridges, city operation, construction, energy and cultural media and financial investments to achieve diversified operations which are highly related to its principal businesses and achieve development that has multipoint underpinning and multi-pole breakthroughs and pursues both expansion and profitability. In line with the Company's strategic targets and with the aim of fulfilling the full-year targets, we will focus on improving profitability and operation quality, exploit potential and increase efficiency, step up management and control and ensure the Group's progress towards the established strategic targets.

2. Tighten up management of the Group's road assets operation. In response to the varying degrees of change in the operating environment of existing road assets, the Company will further analyze and study factors such as the change in road networks in the region and its impact, composition of traffic volume and price elasticity of demand, based on which, the Company will accordingly update its managerial philosophy and system in a timely manner and implement effective and feasible marketing initiatives, improve service quality, with a view to strengthening the market competitiveness of existing road assets.
3. Proceed with the projects under construction in an effective and orderly manner. The Group's toll roads under construction include Suiguang-Suixi Expressways BOT Project, and road infrastructure projects under construction include Renshou Land-linked Pilot Project, Shuangliu West Airport Phase VI BT Project and Shuangliu Zongbao BT Project, etc. The Group will strictly follow the administrative measures for construction projects, strengthen management, specify the responsibilities of constructors of various projects, break down targets and tasks for implementation and ensure quality and progress to build high-quality exemplary projects.
4. Actively develop investment projects and improve the project management system. Efforts will be made to integrate the Group's advantageous resources, deepen the Group's internal and external cooperation and develop strategic cooperation modes. In addition, the Company will proactively keep track of the key projects and conduct due analysis and assessment as well as negotiation for specific projects, producing a reserve of quality projects with great profitability and growth potential. Meanwhile, the Company will improve project management system, standardize and refine the pre-investment risk control processes and the post-investment management after making investment. Scientific project management tools and approaches would be introduced and assessments would be made from multiple perspectives including target, progress, efficiency and accuracy.

5. Tighten up financial control. The Company will raise the awareness of financial control in an all-round way and tighten up control over various costs and expenses. Meanwhile, under the premises of financial security, the Company will proactively explore various financing channels, step up capital operation, turn its credit and product advantages into financial edges, secure low-cost capital through diverse means, and accelerate capital expansion with an aim to ensure sufficient cash flow and financial resources to support the Group's liability level and business expansion.

6. Deepen reform, drive innovation and improve the corporate governance in an all-round way. On the basis of the Company's operation and development status and meticulous study, the Company will adjust the existing management system and models when and as appropriate, improve the "group-based" management architecture, optimize organisational structure, and cut decision-making hierarchies to achieve work efficiency. To execute the strategy of boosting the Company by talent, the Company will bring on board more sought-after talented staff, step up nurturing talent and team building and establish an efficient management system and operating mechanism which cater for needs of market competition.

OTHER SIGNIFICANT EVENTS

I. Material Acquisition and Disposal

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

During the Reporting Period, pursuant to the equity transfer agreement entered into among the Company, Sichuan Highway Development and Ganghang Company, the Company transferred 39% and 10% of its equity interest in its wholly-owned subsidiary, Shugong Company, to Sichuan Highway Development and Ganghang Company respectively at considerations determined by reference to the asset valuation report prepared by a qualified independent valuer in the PRC. For details, please refer to the sub-section headed “Operating Results of Other Businesses” under the section headed “Business Review and Analysis”.

II. Employees and Their Remuneration and Training

As at 30 June 2013, details of the Group’s employees were as follows:

Number of in-service employees of the Company (including its branches)	2,643
Number of in-service employees of major subsidiaries	1,813
Total number of in-service employees	4,456
Number of retired employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	66

Composition by Expertise

Type of Expertise	Number of people
Production	3,302
Sales	17
Technical	438
Financial	111
Administrative	588
	<hr/>
Total	4,456
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Educational Level

Type of Education Level	Number of people
Postgraduate	104
University graduate	788
Junior college graduate	1,736
Technical secondary school and below	1,828
	<hr/>
Total	4,456
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1. Employee's Remuneration

The total remuneration of the Group's employees is correlated with the operating results of the Group. The wages of the Group's employees are comprised of fixed wages (including basic salary, and 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 of the Group totaled approximately RMB115,921,000 (of which approximately RMB68,834,000 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. During the Reporting Period, 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.

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 organised various centralized and specific trainings such as management knowledge training for middle and senior level management, continuing education for professional technical staff and skill training for operating staff. A total of 2,177 employees of the Company (including its branches) attended the above training courses.

III. Corporate Governance

1. Corporate Governance Code

Sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for operating a listed company. More importantly, it fulfils the Company's internal development needs. The Company is committed to continuously enhancing its corporate governance standard. During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, and there has not been any violation of the code provisions.

2. Improvements in the Corporate Governing System

In order to further promote the Company's standard operation and corporate governance practices, on 29 August 2013, the Company, based on its existing governance systems, amended the Administrative and Application Measures for Raised Funds. Investors can inspect the details on the formulation and amendment of the rules and regulations of the Company on the websites of the SSE, the Stock Exchange and the Company.

3. Establishment and Improvement of the Internal Control System of the Company

After years of operation and development, the Company has established a relatively comprehensive internal control system, ensuring the normal production and operation of the Company and playing a vital role in controlling operation risks. As the Company further develops, its internal control system needs to be continuously optimized and enhanced. Meanwhile, in order to implement the "Basic Rules for Internal Control of Companies" and the Implementary Guideline for Enterprise Internal Control jointly issued by the Ministry of Finance, the China Securities Regulatory Commission, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the Implementary Guideline for Enterprise Internal Control, and in light of the "Guidelines on Internal Control for Companies Listed on the SSE" and the Code by the SSE, the Company has launched the construction of the corporate internal control system in an all-around way since the second half of 2010. During the Reporting period, the Company promptly completed self-assessment and audit of internal control for the year 2012. In addition, the Company made in-depth sorting and review of major business processes and potential risks through setting the control objectives, identifying control risks and improving control measures, and revised its Internal Control Manual (Second Edition) and Volume of Engineering Construction (工程建設分冊) based thereon.

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

4. Audit Committee

The Audit Committee of the Company comprises three independent non-executive Directors including Mr. Yu Haizong, Mr. Guo Yuanxi and Mr. Fang Guijin who are all professionals experienced in finance, economy and transportation industries. The Audit Committee has reviewed and confirmed the interim condensed financial information and interim report of the Company for the half year ended 30 June 2013.

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 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.

IV. Members of the Board

As at the date of this interim report, the Board comprises Mr. Zhou Liming (Chairman), Mr. Gan Yongyi (Vice Chairman) as executive Directors, Mr. Wu Xinhua (Vice Chairman), Mr. Tang Yong, Mr. Huang Bin, Mr. Wang Shuanming, Madam Hu Yu as non-executive Directors, and Mr. Sun Huibi, Mr. Guo Yuanxi, Mr. Fang Guijin and Mr. Yu Haizong as independent non-executive Directors.

By order of the Board

Sichuan Expressway Company Limited

Zhou Liming

Chairman

Chengdu, Sichuan Province, the PRC

29 August 2013