



Sichuan Expressway Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00107)

Interim Report
2017



CONTENTS

Definitions	2
Corporate Information	12
Company Profile	16
Interim Condensed Financial Information	18
Changes in Share Capital and Shareholding of Substantial Shareholders	82
Directors, Supervisors and Senior Management	85
Management Discussion and Analysis	86
Other Significant Events	134

DEFINITIONS

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

I. NAME OF EXPRESSWAY PROJECTS

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

DEFINITIONS (CONTINUED)

II. BRANCHES, SUBSIDIARIES AND PRINCIPAL INVESTED COMPANIES

Airport Expressway Company	Chengdu Airport Expressway Company Limited
Batai Company	Bazhong Batai Construction Company Limited (巴中市巴泰建設有限公司)
Chengbei Company	Chengdu Chengbei Exit Expressway Company Limited
Chengle Company	Sichuan Chengle Expressway Company Limited
Chengle Operation Branch	Operation and Management Branch of Sichuan Chengle Expressway Company Limited
Chengren Branch	Sichuan Expressway Company Limited Chengren Branch
Chengya Branch	Sichuan Expressway Company Limited Chengya Branch
Chengya Oil Company	Sichuan Chengya Expressway Oil Supply Company Limited
Chengyu Advertising Company	Sichuan Chengyu Expressway Advertising Company Limited

DEFINITIONS (CONTINUED)

Chengyu Branch	Sichuan Expressway Company Limited Chengyu Branch
Chengyu Development Fund	Sichuan Chengyu Development Equity Investment Fund Centre (Limited Partnership)
Chengyu Financial Leasing Company	Chengyu Financial Leasing Company Limited
Chengyu Jianxin Fund Company	Chengdu Chengyu Jianxin Equity Investment Fund Management Co., Ltd.
CSI SCE	CSI SCE Investment Holding Limited
Panxi Fund	Sichuan Panxi Strategic Resources Development Investment Fund Partnership Company (Limited Partnership)
Renshou Bank	Sichuan Renshou Rural Agricultural and Commercial Bank Limited
Renshou Landmark Company	Renshou Trading Landmark Company Limited
Renshou Shunan Company	Renshou Shunan Investment Management Company Limited
Shugong Testing Company	Sichuan Shugong Road Construction Engineering Testing Company Limited

DEFINITIONS (CONTINUED)

Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Shuhong Company	Chengdu Shuhong Property Company Limited
Shunan Chengxing Company	Ziyang Shunan Chengxing Project Construction & Management Co., Ltd.
Shunan Company	Sichuan Shunan Investment Management Company Limited
Shurui Company	Sichuan Shurui Construction Engineering Co., Ltd.
Shuxia Company	Sichuan Shuxia Industrial Company Limited
Suiguang Suixi Company	Sichuan Suiguang Suixi Expressway Company Limited
Trading Construction Company	Sichuan Trading Construction Engineering Co., Ltd. (formerly known as “Sichuan Shugong Expressway Engineering Company Limited”)
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited
Zhongxin Company	Sichuan Zhongxin Assets Management Co., Ltd.

DEFINITIONS (CONTINUED)

III. OTHERS

2016 AGM	the 2016 annual general meeting of the Company convened on Tuesday, 6 June 2017, the resolutions of which were published on the website of the Stock Exchange on the same date
A Share(s)	ordinary share (s) denominated in RMB of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
Articles of Association	the Articles of Association of the Company, as amended from time to time
associate(s)	has the meaning as ascribed to it under the Listing Rules of the Stock Exchange
associated corporation(s)	has the meaning as ascribed to it under the SFO
Audit Committee	the Audit Committee of the Board
Board	the Board of Directors of the Company
BOT Project	build – operate – transfer project

DEFINITIONS (CONTINUED)

BT Project	build – transfer project
Chengle Expressway Capacity Expansion Trial Project	Capacity Expansion Trial Project for Qinglongchang to Meishan Section of Chengle Expressway
Chengle Expressway Expansion Construction Project	Capacity Expansion Construction Project for the Chengdu – Leshan Expressway
China Merchants Expressway Company	China Merchants Expressway Network and Technology Holdings Co. Ltd (previously known as China Merchants Huajian Highway Investment Company Limited), a substantial shareholder of the Company
Company	Sichuan Expressway Company Limited
CSRC	China Securities Regulatory Commission
Development Investment Company	Sichuan Development Equity Investment Fund Management Co., Ltd.
Director(s)	director(s) of the Company
Group	the Company and its subsidiaries

DEFINITIONS (CONTINUED)

H Share(s)	overseas listed share(s) of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in HKD and listed on the main board of the Stock Exchange
HKD	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of 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
Nomination Committee	the Nomination Committee of the Board
Period or Reporting Period	for the six months ended 30 June 2017

DEFINITIONS (CONTINUED)

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

DEFINITIONS (CONTINUED)

RMB	Renminbi, the lawful currency of the PRC
SCI	Sichuan Communications Investment Group Company Limited, the controlling Shareholder of the Company
SCI Group	SCI and its subsidiaries
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	A Share(s) and/or H Share(s) (as the case may be)
Shareholder(s)	holder(s) of Shares
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 (build – transfer) Project” by the Transportation Bureau of Shuangliu County, Chengdu City, the tenderer 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)

DEFINITIONS (CONTINUED)

Sichuan Highway Development	Sichuan Highway Development Holding Company, a subsidiary of SCI
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategic Committee	the Strategic Committee of the Board
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

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

CORPORATE INFORMATION

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

CORPORATE INFORMATION (CONTINUED)

Stock Exchanges of the Listing
Shares

A Shares: Shanghai Stock
Exchange
Stock Code: 601107
Stock Name: Sichuan Express
H Shares: The Stock Exchange of
Hong Kong Limited
Stock Code: 00107
Stock Name: Sichuan Express

Newspapers Selected by the
Company for Information
Disclosure

China Securities Journal, Shanghai
Securities News

Websites Designated for Publication
of the Interim Report of the
Company

<http://www.sse.com.cn>
<http://www.hkex.com.hk>
<http://www.cygs.com>

Places for Inspection of the Interim
Report of the Company

PRC: 252 Wuhouci Da Jie,
Chengdu, Sichuan
Province, the PRC
Hong Kong: Rooms 2201-2203, 22/
F, World Wide House,
19 Des Voeux Road
Central, Central, Hong
Kong

International Auditor

Ernst & Young
22/F, CITIC Tower, 1 Tim Mei
Avenue, Central, Hong Kong

CORPORATE INFORMATION (CONTINUED)

PRC Auditor	Shinewing Certified Public Accountants (Special General Partnership) 9th Floor, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing City, the PRC
Hong Kong Legal Adviser	Li & Partners 22/F, World Wide House, 19 Des Voeux Road Central, Central, Hong Kong
PRC Legal Adviser	Beijing 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, Sichuan Province, the PRC
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

CORPORATE INFORMATION (CONTINUED)

Hong Kong Shares Registrar and Transfer Office	Hong Kong Registrars Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Place of Business in Hong Kong	Rooms 2201–2203, 22/F, World Wide House, 19 Des Voeux Road Central, Central, Hong Kong
Initial Registration Date and Place	19 August 1997 Chengdu, Sichuan Province, the PRC
Unified Social Credit Code	9151000020189926XW
Principal Banker	China Construction Bank

COMPANY PROFILE

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

The Group is principally engaged in the investments, construction, operation and management of expressway infrastructure projects as well as the operation of other businesses related to expressways. Currently, the Group mainly owns all or substantially all interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway as well as Suiguang Expressway and Suixi Expressway. As at 30 June 2017, the length of completed expressways of the Group has reached approximately 744 km in total. Total assets and net assets of the Group amounted to approximately RMB36,622,011,000 and approximately RMB14,184,551,000, respectively.

INTERIM CONDENSED FINANCIAL INFORMATION

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	3,620,376	3,741,312
Cost of sales and other direct operating costs		(2,402,144)	(2,576,091)
Gross profit		1,218,232	1,165,221
Other income and gains	4	58,071	56,624
Administrative expenses		(114,834)	(100,483)
Other expenses		(7,144)	(5,854)
Finance costs	5	(392,419)	(227,793)
Share of profits and losses of:			
Joint ventures		(1,177)	(495)
Associates		26,208	7,746
PROFIT BEFORE TAX	6	786,937	894,966
Income tax expense	7	(164,468)	(169,179)
PROFIT FOR THE PERIOD		622,469	725,787

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
Notes	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods		
Available-for-sale investments:		
Changes in fair value	2,337	(8,013)
Income tax effect	<u>(434)</u>	<u>1,486</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>1,903</u>	<u>(6,527)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>624,372</u>	<u>719,260</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

For the six months ended 30 June 2017

		For the six months ended 30 June	
	<i>Notes</i>	2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the Company		585,475	681,539
Non-controlling interests		36,994	44,248
		622,469	725,787
Total comprehensive income attributable to:			
Owners of the Company		587,378	675,012
Non-controlling interests		36,994	44,248
		624,372	719,260
EARNINGS PER SHARE			
ATTRIBUTABLE TO			
ORDINARY EQUITY			
HOLDERS OF			
THE COMPANY			
– Basic and diluted	8	RMB0.191	RMB0.223

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	<i>Notes</i>	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	627,395	663,302
Service concession arrangements	9	24,635,990	24,845,325
Prepaid land lease payments	9	347,168	363,620
Other intangible assets		675	832
Investments in joint ventures	10	220,849	212,026
Investments in associates	11	229,013	202,805
Available-for-sale investments	12	144,778	142,441
Loan to customers	13	401,293	362,418
Other receivable		–	9,952
Long term compensation receivables		39,930	46,462
Payments in advance		2,000	2,000
Deferred tax assets		9,409	10,202
Interests in land held for property development	14	164,266	164,266
Pledged deposits	18	11,880	68,265
Total non-current assets		26,834,646	27,093,916

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2017

	<i>Notes</i>	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
CURRENT ASSETS			
Properties under development	15	1,607,383	1,553,096
Properties held for sale	15	289,139	408,135
Inventories		60,821	42,844
Due from customers for contract works	16	457,079	331,389
Loan to customers	13	359,448	562,067
Trade and other receivables	17	2,519,731	2,466,596
Pledged deposits	18	56,450	–
Cash and cash equivalents	18	4,437,314	3,893,078
		<hr/> 9,787,365	<hr/> 9,257,205
Total current assets			
CURRENT LIABILITIES			
Tax payable		96,167	58,616
Trade and other payables	19	4,007,556	4,965,137
Dividend payables		347,341	141,599
Interest-bearing bank and other loans	20	3,510,050	1,980,050
		<hr/> 7,961,114	<hr/> 7,145,402
Total current liabilities			
NET CURRENT ASSETS		<hr/> 1,826,251	<hr/> 2,111,803
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 28,660,897	<hr/> 29,205,719

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	20	14,383,801	15,225,079
Deferred tax liabilities		6,415	6,207
Deferred income	19	86,130	90,401
Total non-current liabilities		14,476,346	15,321,687
Net assets		14,184,551	13,884,032
EQUITY			
Equity attributable to owners of the Company			
Issued capital		3,058,060	3,058,060
Reserves		10,517,134	10,266,143
		13,575,194	13,324,203
Non-controlling interests		609,357	559,829
Total equity		14,184,551	13,884,032



Director



Director

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company											
	Issued capital	Share premium account	Statutory reserve	Difference arising from changes in non-controlling interests	Available for-sale investment valuation reserve	Merger difference	Safety fund reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	3,058,060	2,654,601	3,863,374	(262,034)	33,545	(533,123)	22,552	32,820	3,649,471	12,519,266	777,382	13,296,648
Profit for the period	-	-	-	-	-	-	-	-	681,539	681,539	44,248	725,787
Other comprehensive loss for the period:												
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	(6,527)	-	-	-	-	(6,527)	-	(6,527)
Total comprehensive income for the period	-	-	-	-	(6,527)	-	-	-	681,539	675,012	44,248	719,260
Establishment for safety fund surplus reserve	-	-	-	-	-	-	9,013	-	(9,013)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	-	-	(2,919)	-	2,919	-	-	-
Acquisition of non-controlling interests	-	-	-	(2,464)	-	-	-	-	-	(2,464)	(130,445)	(132,909)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(12,600)	(12,600)
Final 2015 dividend declared	-	-	-	-	-	-	-	-	(244,645)	(244,645)	-	(244,645)
At 30 June 2016 (unaudited)	3,058,060	2,654,601	3,863,374	(264,498)	27,018	(533,123)	28,646	32,820	4,080,271	12,947,169	678,585	13,625,754

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

	Attributable to owners of the Company											
	Issued capital	Share premium account	Statutory surplus reserve	Difference arising from changes in non-controlling interests	Available -for-sale investment valuation reserve	Merger difference	Safety fund reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	3,058,060	2,654,601	4,383,053	(264,549)	29,058	(533,123)	31,965	32,820	3,932,318	13,324,203	559,829	13,884,032
Profit for the period	-	-	-	-	-	-	-	-	585,475	585,475	36,994	622,469
Other comprehensive income for the period:												
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	1,903	-	-	-	-	1,903	-	1,903
Total comprehensive income for the period	-	-	-	-	1,903	-	-	-	585,475	587,378	36,994	624,372
Transfer from/(to) reserves	-	-	1,342	-	-	-	-	-	(1,342)	-	-	-
Establishment for safety fund surplus reserve	-	-	-	-	-	-	3,828	-	(3,828)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	-	-	(2,522)	-	2,522	-	-	-
Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	28,110	28,110
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(15,576)	(15,576)
Final 2016 dividend declared	-	-	-	-	-	-	-	-	(336,387)	(336,387)	-	(336,387)
At 30 June 2017 (unaudited)	3,058,060	2,654,601*	4,384,395*	(264,549)*	30,961*	(533,123)*	33,271*	32,820*	4,178,758*	13,575,194	609,357	14,184,551

* These reserve accounts comprise the consolidated reserves of RMB10,517,134,000 (31 December 2016: RMB10,266,143,000) in the consolidated statement of financial position.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		For the six months ended 30 June	
	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		786,937	894,966
Adjustments for:			
Finance costs	5	392,419	227,793
Share of profits and losses of joint ventures and associates		(25,031)	(7,251)
Reversal of bad debt provision	6	(1,268)	–
Depreciation	9	40,596	35,983
Amortisation of service concession arrangements	9	356,413	241,659
Amortisation of prepaid land lease payments	9	16,282	18,190
Amortisation of other intangible assets		250	250
Net losses on disposal and write-off of items of property, plant and equipment	6	244	993
Gain on disposal of available- for-sale investments	4	–	(8,911)
Interest income	4	(24,232)	(38,202)
		1,542,610	1,365,470

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Additions to service concession arrangements	(146,941)	(396,350)
Additions to properties under development	(37,484)	(104,054)
Decrease in properties held for sale	118,996	–
Loan to customers	(200,000)	(221,100)
Repayment of loan to customers	363,744	71,210
Decrease in deferred income	(4,274)	(4,887)
Increase in amounts due from customers for contract works	(125,690)	(216,979)
Increase in trade and other receivables	(41,993)	(37,714)
Decrease/(increase) in inventories	(17,977)	79,532
Decrease in trade and other payables	(955,914)	(802,780)
Cash from/(used) in operations	495,077	(267,652)
Income tax paid	(126,350)	(209,993)
Interest received	10,285	13,296

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash flows from/(used) in operating activities	379,012	(464,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(23,563)	(11,339)
Purchases of other intangible assets	(93)	–
Investment in a joint venture	(10,000)	–
Proceed from disposal of available-for-sale investments	–	158,911
Proceeds from disposal of items of property, plant and equipment	1,827	1,907
Interest received	20,727	22,947
Decrease/(increase) in pledged deposits	(65)	56,313
Acquisition of non-controlling interests	–	(132,909)

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash flows from/(used) in investing activities	(11,167)	95,830
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(394,220)	(395,243)
Proceeds from bank loans	1,395,000	740,000
Repayment of bank loans	(506,278)	(527,244)
Proceeds from medium term notes	–	1,000,000
Repayment of medium term notes	(200,000)	–
Dividends paid to owners of the Company	(130,645)	(95,015)
Dividends paid to non-controlling shareholders	(15,576)	(12,600)
Capital injection by non-controlling shareholders	28,110	–

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows from financing activities	<u>176,391</u>	<u>709,898</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	544,236	341,379
Cash and cash equivalents at beginning of period	<u>3,893,078</u>	<u>3,067,744</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>4,437,314</u>	<u>3,409,123</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,355,251	3,409,123
Non-pledged time deposits	<u>82,063</u>	<u>—</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	18 <u>4,437,314</u>	<u>3,409,123</u>

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

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

During the six months ended 30 June 2017 (the “Period”), the Group was involved in the following principal activities:

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

In the opinion of the directors of the Company, Sichuan Communications Investment Group Company Limited (formerly known as “Sichuan Transport Industry Investment Group Company Limited”) (“SCI Group”), is the parent and the ultimate holding company of the Company, which is established the PRC.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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 2016.

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 2016, except for the adoption of amendments to a number of Hong Kong Financial Reporting Standards issued by the HKICPA that are mandatory for the first time for the financial year beginning on 1 January 2017. The adoption of these amendments has had no significant financial effect on the financial position or performance of the Group.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2017 and 2016.

For the six months ended 30 June 2017

	Toll operation	Construction contracts	Gas station and oil 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	1,604,015	705,282	1,102,747	137,230	71,102	3,620,376
SEGMENT RESULTS	603,699	112,705	55,840	7,885	53,940	834,069
<i>Reconciliation:</i>						
Interest income on bank deposits						13,463
Unallocated income and gains						35,513
Corporate and other unallocated expenses						(96,108)
Profit before tax						<u>786,937</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2016

	Toll operation <i>RMB'000</i> (Unaudited)	Construction contracts <i>RMB'000</i> (Unaudited)	Gas station and oil operation <i>RMB'000</i> (Unaudited)	Property development <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
SEGMENT REVENUE	1,387,086	1,579,211	714,397	-	60,618	3,741,312
SEGMENT RESULTS	754,504	153,776	52,646	(43,889)	25,975	943,012
<i>Reconciliation:</i>						
Interest income on bank deposits						17,927
Unallocated income and gains						20,728
Corporate and other unallocated expenses						<u>(86,701)</u>
Profit before tax						<u><u>894,966</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents the information of assets and liabilities for the Group's operating segments as at 30 June 2017 and 31 December 2016.

30 June 2017

	Toll operation	Construction contracts	Gas station and oil operation	Property development	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT ASSETS	25,942,611	2,735,627	229,811	2,106,108	948,023	31,962,180
<i>Reconciliation:</i>						
Available-for-sale investments						144,778
Deferred tax assets						9,409
Pledged deposits						68,330
Cash and cash equivalents						<u>4,437,314</u>
Total assets						<u><u>36,622,011</u></u>
SEGMENT LIABILITIES	18,397,537	2,318,582	46,882	529,324	695,212	21,987,537
<i>Reconciliation:</i>						
Tax payable						96,167
Dividend payable						347,341
Deferred tax liabilities						<u>6,415</u>
Total liabilities						<u><u>22,437,460</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

31 December 2016

	Toll operation <i>RMB'000</i>	Construction contracts <i>RMB'000</i>	Gas station and oil operation <i>RMB'000</i>	Property development <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
SEGMENT ASSETS	26,168,838	2,598,297	196,503	2,181,840	1,091,657	32,237,135
<i>Reconciliation:</i>						
Available-for-sale investments						142,441
Deferred tax assets						10,202
Pledged deposits						68,265
Cash and cash equivalents						<u>3,893,078</u>
Total assets						<u><u>36,351,121</u></u>
SEGMENT LIABILITIES	17,912,653	3,031,354	13,541	590,724	712,395	22,260,667
<i>Reconciliation:</i>						
Tax payable						58,616
Dividend payable						141,599
Deferred tax liabilities						<u>6,207</u>
Total liabilities						<u><u>22,467,089</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Toll income		
– Chengyu Expressway	409,476	416,692
– Chengya Expressway	424,813	389,066
– Chengle Expressway	235,127	224,090
– Chengren Expressway	374,769	343,948
– Chengbei Exit Expressway and Qinglongchang Bridge	53,567	47,105
– Suiguangsuixi Expressway	112,710	–
	1,610,462	1,420,901
Less: Revenue taxes	(6,447)	(33,815)
Sub-total	1,604,015	1,387,086

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Construction revenue in respect of:		
– Service concession arrangements	147,078	571,210
– Construction and maintenance works performed for other parties	558,204	1,008,001
	<u>705,282</u>	<u>1,579,211</u>
Sub-total		
Revenue of property development	137,230	–
Revenue from financial lease operation	27,625	25,873
Revenue from operation of gas stations and petrochemicals and other oil products	1,102,747	714,397
Others (including income from rental and advertising)	43,477	34,745
	<u>3,620,376</u>	<u>3,741,312</u>
Total revenue		

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income from bank deposits	13,463	17,927
Interest income from discounting long term compensation receivables	7,265	7,587
Interest income from construction contracts	3,504	12,688
Rental income	2,420	1,552
Government grants*	5,088	3,356
Compensation income	7,225	5,447
Reversal of bad debt provision	1,268	–
Gain on disposal of available-for-sale investments	–	8,911
Compensation for breach of contract	14,987	–
Others	2,851	(844)
	58,071	56,624
Total revenue, other income and gains	3,678,447	3,797,936

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

5. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans	314,633	341,497
Interest on medium term notes	77,923	63,229
	392,556	404,726
Less: Interest capitalised in respect of:		
– Service concession arrangements (<i>note 9(c)</i>)	(137)	(174,860)
– Properties under development (<i>note 15</i>)	–	(2,073)
	392,419	227,793
Interest rate of borrowing costs capitalised	3.915%	4.90%–6.55%

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Construction costs in respect of:		
– Service concession arrangements*	134,426	546,015
– Construction works performed for third parties*	458,693	877,775
Cost of sales of refined oil and chemical products	1,023,988	641,858
Cost of real estate	118,996	–
Depreciation and amortisation expenses (<i>note 9</i>)	413,291	295,832
Amortisation of other intangible assets	250	250
Employee benefit expenses	266,378	250,021
Repairs and maintenance expenses	23,395	21,702
Auditor's remuneration	460	460
Minimum lease payments under operating leases:		
Land and buildings	11,602	11,218
Reversal of bad debt provision	(1,268)	–
Net losses on disposal and write-off of items of property, plant and equipment	244	993

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

6. PROFIT BEFORE TAX (CONTINUED)

- * During the Period, employee costs of RMB21,034,000 (six months ended 30 June 2016: RMB29,122,000) and depreciation charge of RMB1,668,000 (six months ended 30 June 2016: RMB7,094,000) were included in the construction costs in respect of service concession arrangements and construction works performed for third parties.

7. INCOME TAX

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charged for the period	163,676	162,395
Underprovision in prior years	225	6,281
Deferred	567	503
Total tax charge for the period	<u>164,468</u>	<u>169,179</u>

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

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

7. INCOME TAX (CONTINUED)

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

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

7. INCOME TAX (CONTINUED)

On 21 May 2014, Sichuan Trading Construction Engineering Company Limited (“TCC”), a subsidiary of the Company, obtained the approval from the local tax bureau, which confirmed it was eligible to enjoy the preferential tax rate of 15% under the Western Development Policy by reference to the Catalogue as its eligible revenue exceeded 70% of its total revenue during 2013. During the Period, the directors of the Company considered the eligible revenue derived by TCC has not exceeded 70% of its total revenue, and the provision for income tax expense of TCC during the Period was calculated at the CIT rate of 25%.

The share of tax attributable to associates amounting to RMB7,463,000 (six months ended 30 June 2016: RMB1,391,000) is included in “Share of profits and losses of associates” on the face of the interim consolidated statement of profit or loss and other 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 RMB585,475,000 (six months ended 30 June 2016: RMB681,539,000) and the number of ordinary shares of 3,058,060,000 (six months ended 30 June 2016: 3,058,060,000) in issue during the Period.

No adjustment has been made to the basic earnings per share amount presented for each of the six months ended 30 June 2016 and 2017 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during these periods.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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 were as follows:

	Property, plant and equipment <i>RMB'000</i> (Unaudited)	Service concession arrangements <i>RMB'000</i> (Unaudited)	Prepaid land lease payments <i>RMB'000</i> (Unaudited)
Carrying amounts at beginning of the Period	663,302	24,845,325	396,040
Additions	23,563	147,078	–
Reclassify to property under development	(16,803)	–	–
Disposals	(2,071)	–	–
Depreciation/amortisation charged for the Period	<u>(40,596)</u>	<u>(356,413)</u>	<u>(16,282)</u>
Carrying amounts at end of the Period	627,395	24,635,990	379,758
Portion classified as current assets	<u>–</u>	<u>–</u>	<u>(32,590)</u>
Non-current portion	<u><u>627,395</u></u>	<u><u>24,635,990</u></u>	<u><u>347,168</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Notes:

- (a) At 30 June 2017 and 31 December 2016, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 20(a)):

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Chengren Expressway	7,132,837	7,208,863
Chengle Expressway	1,026,763	950,626
Suiguang-Suixi Expressways	12,292,802	12,358,860
	<u>20,452,402</u>	<u>20,518,349</u>

- (b) During the Period, the Group was in the construction of the remaining part of Suining-Guang'an Expressway and Suining-Xichong Expressway (the "Suiguang-Suixi Expressways BOT Project") in the form of Build-Operate-Transfer ("BOT") mode and the Chengle Expressway Capacity Expansion Trial Project. Total construction costs and borrowing costs of RMB134,426,000 (six months ended 30 June 2016: RMB538,176,000) were incurred, among which RMB122,459,000 (six months ended 30 June 2016: RMB362,303,000) was sub-contracted to third party subcontractors.

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

Notes: (Continued)

(b) (Continued)

In addition, construction revenue of RMB147,078,000 (six months ended 30 June 2016: RMB563,371,000) was recognised in respect of the construction service provided by the Group for the Suiguang-Suixi Expressways BOT Project and the Chengle Expressway Capacity Expansion Trial Project using the percentage of completion method during the Period. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the completion of the upgrade projects and commencement of operation.

(c) Additions to service concession arrangements during the Period include interest capitalised in respect of bank loans amounting to RMB137,000 (six months ended 30 June 2016: RMB174,860,000) (note 5).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

10. INVESTMENTS IN JOINT VENTURES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Share of net assets	<u>220,849</u>	<u>212,026</u>

Particulars of the indirectly held joint ventures by the Company, which were established in the PRC and operate in Mainland China, are as follows:

Name	Percentage of ownership interest attributable to the Group	Principal activities
Sichuan Zhongxin Assets Management Company Limited*	50	Asset management
Sichuan Chengyu Development Equity Investment Fund Center	49	Asset management
Chengdu Chengyujianxin Equity Investment Fund Management Company Limited	50	Asset management

* The above investment in the joint venture is indirectly held by the Company, through a subsidiary of the Company.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

11. INVESTMENTS IN ASSOCIATES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Share of net assets	238,176	211,968
Provision for impairment	(9,163)	(9,163)
	<u>229,013</u>	<u>202,805</u>

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

Name	Percentage of ownership interest attributable to the Group	Principal activities
Chengdu Airport Expressway Company Limited	25	Operation of Chengdu Airport Expressway
Sichuan Renshou Rural Commercial Bank Co., Ltd. ("Renshou Bank")	9.99	Banking operations

The Group's shareholdings in the major associates all comprise equity shares held by the Company, except for Renshou Bank, the shareholding in which is held through a subsidiary of the Company.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Listed equity investments, at fair value:		
Mainland China	67,611	65,274
Unlisted equity investments, at cost	<u>77,167</u>	<u>77,167</u>
	<u>144,778</u>	<u>142,441</u>

The fair values of listed equity investments are based on quoted market prices at the end of the Period.

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.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

13. LOAN TO CUSTOMERS

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

30 June 2017

	Net lease receivables <i>RMB'000</i> (Unaudited)	Unearned finance income <i>RMB'000</i> (Unaudited)	Total gross lease receivables <i>RMB'000</i> (Unaudited)
Amounts receivable:			
– Within one year	359,448	35,941	395,389
– In the second year	206,866	16,705	223,571
– In the third to fifth years, inclusive	194,427	7,164	201,591
	<u>760,741</u>	<u>59,810</u>	<u>820,551</u>
Total			
	<u>760,741</u>	<u>59,810</u>	<u>820,551</u>
Portion classified as current assets	<u>(359,448)</u>		
Non-current portion	<u>401,293</u>		

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

13. LOAN TO CUSTOMERS (CONTINUED)

31 December 2016

	Net lease receivables <i>RMB'000</i>	Unearned finance income <i>RMB'000</i>	Total gross lease receivables <i>RMB'000</i>
Amounts receivable:			
– Within one year	562,067	40,403	602,470
– In the second year	185,539	16,419	201,958
– In the third to fifth years, inclusive	<u>176,879</u>	<u>11,186</u>	<u>188,065</u>
Total	<u>924,485</u>	<u>68,008</u>	<u>992,493</u>
Portion classified as current assets	<u>(562,067)</u>		
Non-current portion	<u>362,418</u>		

At 30 June 2017, the Group has pledged lease receivables of RMB210,000,000 (31 December 2016: RMB227,425,000) to secure bank loans granted to the Group (note 20(a)). The loan to customers was secured by the collateral provided by the lessees including specific equipment or assets.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

14. INTERESTS IN LAND HELD FOR PROPERTY DEVELOPMENT

The Group's interests in land use rights for property development were in respect of a prepayment for the rights to use certain land situated in Mainland China. As at 30 June 2017 and 31 December 2016, the legal title of the land use rights with a carrying amount of approximately RMB164,266,000 that the Group acquired has not been transferred to the Group and the relevant title transfer is still under application. The directors of the Company do not foresee any major obstacles to complete the transfer of legal title of the above-mentioned land use rights to the Group.

15. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Properties under development		
Land costs	1,431,979	1,415,176
Development costs	175,404	137,920
	<u>1,607,383</u>	<u>1,553,096</u>

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Properties held for sale		
Land costs	72,555	95,891
Development costs	216,584	312,244
	<u>289,139</u>	<u>408,135</u>

The Group's properties under development and completed properties held for sale are situated on leasehold land in Mainland China. As at 30 June 2017, properties under development were expected to be completed or realised within normal operating cycle. Interest expenses capitalised as part of properties under development by the Group during the Period was nil (six months ended 30 June 2016: RMB2,073,000) (note 5).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

16. CONSTRUCTION CONTRACTS IN PROGRESS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Contract costs incurred plus recognised profits to date	3,103,737	2,588,074
Less: Progress billings	<u>(2,646,658)</u>	<u>(2,256,685)</u>
Construction contracts in progress	<u>457,079</u>	<u>331,389</u>
Representing:		
Amount due from customers for contract works	<u>457,079</u>	<u>331,389</u>

At 30 June 2017, retentions held by customers for contract works included in the Group's trade receivables amounted to approximately RMB162,784,000 (31 December 2016: RMB148,008,000).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER RECEIVABLES

		30 June 2017	31 December 2016
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Current portion:			
Trade receivables			
Trade receivables		1,825,304	1,837,413
Impairment		—	—
Trade receivables, net	(a)	1,825,304	1,837,413
Other receivables			
Other receivables	(b)	417,253	377,734
Impairment		(106,722)	(107,990)
Other receivables, net		310,531	269,744
Deposits		238,818	255,549
Prepayments		145,078	103,890
Other receivables, net		694,427	629,183
Total trade and other receivables		2,519,731	2,466,596

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. 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 2017, trade receivables of RMB1,243,712,000 (31 December 2016: RMB1,090,895,000) were to be settled by instalments within two to three years upon completion of the relevant construction works and bore interest at rates ranging from 5.60% to 14.98% (31 December 2016: 5.60% to 14.98%) per annum. The remaining trade receivables are non-interest-bearing.

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Within 3 months	165,355	528,506
3 to 6 months	143,820	125,250
6 to 12 months	422,226	365,164
Over 1 year	1,093,903	818,493
	<u>1,825,304</u>	<u>1,837,413</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Neither past due nor impaired	1,821,662	1,833,520
Past due but not impaired:		
Over 1 year	<u>3,642</u>	<u>3,893</u>
	<u>1,825,304</u>	<u>1,837,413</u>

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 government agencies and a number of independent customers. 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.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Interest receivables on temporary advances	30,772	37,553
Long term compensation receivables to be received within one year	6,532	5,735
Toll income receivables	149,926	126,874
Interest income from pledged deposits	12,243	2,290
Deductible input value added tax	29,477	22,411
Miscellaneous	188,303	182,871
	417,253	377,734
Interest income from pledged deposits, non-current portion	—	9,952
	417,253	387,686

As at the end of the reporting period, other receivables that are not considered to be impaired were not past due.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

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

	30 June	31 December
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	
Fellow subsidiaries under common control of SCI Group		
– Trade receivables	200,683	514,438
– Other receivables	39,959	41,317
– Prepayments	5,813	5,813
– Deposits	110,230	115,506
	356,685	677,074

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Cash and bank balances	4,355,251	3,824,078
Time deposits	<u>150,393</u>	<u>137,265</u>
	<u>4,505,644</u>	<u>3,961,343</u>
Less: Pledged time deposits for:		
Bidding of the construction of Chengren Expressway ("Chengren Expressway BOT Project")	(11,880)	(11,815)
Bank loans (<i>note 20 (a)(ii)</i>)	<u>(56,450)</u>	<u>(56,450)</u>
Cash and cash equivalents	<u>4,437,314</u>	<u>3,893,078</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

19. TRADE AND OTHER PAYABLES

		30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
<i>Current portion:</i>			
Trade payables	(a)	1,031,612	1,170,303
Other payables	(b)	2,870,051	3,687,274
Accruals	(c)	97,259	98,923
Deferred income		8,634	8,637
		4,007,556	4,965,137
<i>Non-current portion:</i>			
Deferred income		86,130	90,401
		4,093,686	5,055,538

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

19. 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Within 3 months	186,017	194,554
3 to 6 months	102,960	155,748
6 to 12 months	37,117	495,924
Over 1 year	705,518	324,077
	<u>1,031,612</u>	<u>1,170,303</u>

The trade payables are non-interest-bearing and are normally settled within one to twelve months, except for retention payables from construction projects of RMB136,310,000 (31 December 2016: RMB117,223,000) which are normally settled within two years.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

19. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

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

		30 June 2017	31 December 2016
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Advances		454,581	396,594
Payroll and welfare payable		33,348	112,564
Taxes and surcharge payables		55,438	75,438
Progress billing payables	(i)	1,842,884	2,512,895
Retention payables	(ii)	211,986	215,020
Deposits	(ii)	181,061	207,500
Others		90,753	167,263
		2,870,051	3,687,274

Notes:

- (i) Balance as at 30 June 2017 include progress billing payables of RMB260,496,000 (31 December 2016: RMB480,747,000) in respect of the construction of the Suiguang-Suixi Expressways BOT Project.
- (ii) Retention payables and deposits in aggregate of RMB238,387,000 (31 December 2016: RMB222,452,000) in respect of the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project, including performance guarantee deposits of approximately RMB34,950,000 (31 December 2016: RMB103,167,000) received from subcontractors, bear interest at a rate of 0.35% (31 December 2016: 0.35%) per annum.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

19. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

- (c) The balance as at 30 June 2017 consisted of interest accrued in respect of medium term notes of RMB70,495,000 (31 December 2016: RMB46,133,000) and interest-bearing bank loans of RMB26,764,000 (31 December 2016: RMB52,790,000).
- (d) Amounts due to related parties included in trade and other payables as at the end of the reporting period, which are on credit terms similar to those offered by the fellow subsidiaries to their major customers, are as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Fellow subsidiaries under common control of SCI Group		
– Trade payables	22,394	59,371
– Other payables	113,701	75,395
	136,095	134,766

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.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

20. INTEREST-BEARING BANK AND OTHER LOANS

		30 June 2017	31 December 2016
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Bank loans:			
Secured and guaranteed	(a)	1,106,400	1,106,400
Secured	(a)	11,548,951	11,176,229
Unsecured		1,500,000	984,000
Medium term notes	(b)	3,600,000	3,800,000
Other loans, unsecured	(c)	138,500	138,500
		17,893,851	17,205,129
Portion classified as current liabilities		(3,510,050)	(1,980,050)
Non-current portion		14,383,801	15,225,079

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Notes:

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

		30 June 2017	31 December 2016
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
		(Bank loans amount)	
Secured by concession rights of:			
Chengle Expressway	9(a) (i)	106,400	106,400
Chengren Expressway		3,482,851	3,495,129
Suiguang-Suixi Expressways		7,856,100	7,461,100
		11,445,351	11,062,629
Secured by pledged time deposits (<i>note 18</i>)	(ii)	1,000,000	1,000,000
Secured by loan to customers	13	210,000	220,000
		12,655,351	12,282,629

(i) The bank loans were also guaranteed by Sichuan Highway Development Holding Company ("Sichuan Highway Development") for nil consideration (note 24(c)).

(ii) As at 30 June 2017, time deposits of RMB56,450,000 (31 December 2016: RMB56,450,000) were pledged to China Construction Bank Chengdu Xinhua Branch to counter guarantee the Group's bank loans of RMB1,000,000,000 (31 December 2016: RMB1,000,000,000) granted by China Construction Bank (Hong Kong).

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

Notes: (Continued)

(a) (Continued)

The bank loans bear interest at the respective fixed rates ranging from 3.92% to 4.90% (31 December 2016: 4.41% to 6.55%) per annum.

(b) At 30 June 2017, the Company had five (31 December 2016: six) tranches of outstanding medium term notes totalling RMB3,600 million (31 December 2016: RMB3,800 million) issued to domestic institutional investors participating in the PRC interbank debt market. The effective interest rates for the medium term notes ranged from 3.56% to 6.30% (31 December 2016: 3.48% to 6.30%). The medium term notes were all issued at a par value of RMB100 per unit, and will be repaid after five years since the respective date of issuance.

(c) Other loans mainly consisted of unsecured shareholder loans of RMB138,500,000 (31 December 2016: RMB138,500,000) granted to the Group by a non-controlling shareholder and bearing interest of 4.28% (31 December 2016: 4.28% to 6.51%) per annum (note 24(h)).

21. DIVIDENDS

At a meeting of the board of directors held on 30 August 2017, the directors of the Company resolved not to pay an interim dividend to shareholders (six months ended 30 June 2016: Nil).

The proposed final dividend of RMB0.110 per ordinary share for the year ended 31 December 2016 (2015: RMB0.080) was declared during the Period and fully paid on 13 July 2017.

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 30 June 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June	31 December
	2017	2016
	RMB'000	RMB'000
Within one year	2,442	2,442
In the second to fifth years, inclusive	3,725	3,725
After five years	3,205	4,426
	9,372	10,593

22. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(b) As lessee

The Group has entered into commercial leases on certain land and office buildings as it is not in the best interest of the Group to purchase these assets. These leases have an average life of 1 to 22.5 years.

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 <i>RMB'000</i>	31 December 2016 <i>RMB'000</i>
Within one year	29,696	26,333
In the second to fifth years, inclusive	81,004	74,095
After five years	125,205	136,231
	235,905	236,659

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, the Group had the following commitments at the end of the reporting period:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for:		
Service concession arrangements	1,242,830	109,132
Capital contributions payable to a joint venture	90,000	90,000
	<u>1,332,830</u>	<u>199,132</u>

24. RELATED PARTY TRANSACTIONS

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

- (a) During the Period, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a subsidiary under common control of SCI Group, 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 RMB6,609,000 (six months ended 30 June 2016: RMB5,710,000).

24. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) During the Period, the rental payable to Sichuan Highway Development for leasing out certain part of its office buildings by Chengle Company amounted to RMB399,000 (six months ended 30 June 2016: RMB399,000). 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.
- (c) As at 30 June 2017, bank loans of Chengle Company aggregating RMB106,400,000 (31 December 2016: RMB106,400,000) were guaranteed by Sichuan Highway Development (note 20(a)(i)) for nil consideration.
- (d) During the Period, the Company leased out a certain part of its office buildings to SCI Group for half-year rental of RMB1,221,000 (six months ended 30 June 2016: RMB1,221,000). The directors consider that the office rental income received by the Group from SCI Group as determined under the tenancy agreement are based on the market rate for similar premises in similar location.
- (e) During the Period, TCC was engaged by fellow subsidiaries under common control of SCI Group to provided construction works including daily maintenance works and emergency or rescue works of expressways and ancillary facilities. Construction revenue recognised by TCC from providing such services amounted to RMB254,956,000 (six months ended 30 June 2016: RMB427,305,000).

24. RELATED PARTY TRANSACTIONS (CONTINUED)

- (f) During the Period, the Group purchased raw materials, machinery and electronic equipment for various infrastructure construction projects from subsidiaries of the SCI Group with an aggregate amount of RMB5,494,000 (six months ended 30 June 2016: RMB13,493,000).
- (g) During the Period, a fellow subsidiary under common control of SCI Group was engaged by the Group to provide construction works of Suiguang-Suixi Expressways. Construction costs recognised by the Group for such services amounted to RMB8,979,000 (six months ended 30 June 2016: RMB16,891,000).
- (h) At 30 June 2017, Renshou Trading Landmark Company Limited (“Renshou Landmark”) had outstanding loans due to its non-controlling shareholder, Sichuan Trading Landmark Co., Ltd. (“Trading Landmark”), totalled RMB138,500,000 (31 December 2016: RMB138,500,000). These balances are unsecured, with interest rate at 4.28% per annum. In addition, Renshou Landmark had outstanding interest expenses payable to Trading Landmark amounted to RMB432,000 (31 December 2016: RMB7,762,000).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

24. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	<u>160</u>	<u>160</u>
Other emoluments:		
Salaries, allowances and benefits in kind	1,392	1,339
Pension scheme contributions	187	155
Supplementary pension scheme contributions	<u>89</u>	<u>84</u>
	<u>1,668</u>	<u>1,578</u>
Total compensation paid to key management personnel	<u><u>1,828</u></u>	<u><u>1,738</u></u>

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000
Financial assets				
Pledged deposits, non-current portion	11,880	68,265	11,880	68,265
Long-term compensation receivables, non-current portion	39,930	46,462	39,930	46,462
Loan to customers, non-current portion	401,293	362,418	401,293	362,418
Available-for-sale investments, listed equity investments	67,611	65,274	67,611	65,274
	<u>520,714</u>	<u>542,419</u>	<u>520,714</u>	<u>542,419</u>
Financial liabilities				
Interest-bearing bank and other loans, non-current portion:				
– Bank loans	11,745,301	11,986,579	10,663,655	11,333,609
– Medium term notes	2,500,000	3,100,000	2,376,746	2,932,458
– Other loans	138,500	138,500	128,850	129,947
	<u>14,383,801</u>	<u>15,225,079</u>	<u>13,169,251</u>	<u>14,396,014</u>

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

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and notes receivables, trade payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of the Group's long term compensation receivable, loan to customers and interest-bearing bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, adjusted by the Group's own non-performance risk where appropriate.

The fair values of listed equity investments are based on quoted market prices (Level 1).

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2016: Nil).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy

Assets for which fair values are disclosed:

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
As at 30 June 2017				
Financial assets				
Pledged deposits, non-current portion	-	11,880	-	11,880
Long term compensation receivables, non-current portion	-	-	39,930	39,930
Loan to customers, non-current portion	-	-	401,293	401,293
	-	11,880	441,223	453,103

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy (Continued)

Assets for which fair values are disclosed: (Continued)

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
As at 31 December 2016				
Financial assets				
Pledged deposits, non-current portion	-	68,265	-	68,265
Long term compensation receivables, non-current portion	-	-	46,462	46,462
Loan to customers, non-current portion	-	-	362,418	362,418
	-	68,265	408,880	477,145

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

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

As at 30 June 2017

Financial liabilities

Interest-bearing bank and other loans	-	-	13,169,251	13,169,251
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	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	

As at 31 December 2016

Financial liabilities

Interest-bearing bank and other loans	-	-	14,396,014	14,396,014
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26. CONTINGENT LIABILITIES

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party claiming damage against the subsidiary for damaging the operating environment of swine farms. The directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

27. EVENTS AFTER THE REPORTING PERIOD

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

28. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the board of directors on 30 August 2017.

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 2017, THE COMPANY HAD A TOTAL OF 70,081 SHAREHOLDERS, INCLUDING 69,803 HOLDERS OF A SHARES AND 278 HOLDERS OF H SHARES.**
- III. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2017, the following interests and short positions of the Shares and underlying shares of the Company held by substantial Shareholders or other persons (other than the Directors, Supervisors and chief executives of the Company) were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

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

Name	Type of Shares	Long position/ short position	Number of the Company's Shares held	Approximate	Approximate	
				percentage in the total issued share capital of the Company	Percentage in the share capital of A Shares/ H Shares	
SCI	A Shares	Long position	975,060,078	31.88%	45.08%	Beneficial owner
	H Shares	Long position	60,854,200	1.99%	6.80%	Beneficial owner
		Total:	<u>1,035,914,278</u>	<u>33.87%</u>	<u>-</u>	Beneficial owner
China Merchants Expressway Company						
	A Shares	Long position	664,487,376	21.73%	30.72%	Beneficial owner

Save as disclosed above, as at 30 June 2017, no persons (other than the Directors, Supervisors and chief executives of the Company) had registered interests or short positions in the Shares and underlying Shares of the Company which were required to be recorded in accordance with Section 336 of the SFO.

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 SCI.

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

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

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

VI. ISSUE AND LISTING OF SECURITIES

As approved by CSRC with the approval document (Zheng Jian Xu Ke [2015] No. 1484), the Company issued the domestic fixed-rate corporate bonds publicly in a total amount of RMB1 billion on 17 June 2016, with a term of five years and issuing number of 10,000,000. This tranche of bonds was issued at nominal value of RMB100 each. The final coupon rate was 3.48%. The actual net proceeds raised after deducting issuance expenses amounted to RMB996 million and were to be used for loan repayment and replenishment of working capital. This tranche of bonds (stock name: 16 Chengyu 01; stock code: 136493) has been listed on SSE on 11 July 2016 and will expire on 17 June 2021. As at 30 June 2017, the Company has paid the interest for one year in full in respect of its bond named "16 Chengyu 01" according to schedule.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at 30 June 2017, interests and short positions held by Directors, Supervisors and chief executives of the Company in Shares, underlying shares or bonds of the Company or its associated corporation (as defined in Part XV of the SFO) that, by virtue of Parts 7 and 8 of the SFO, which shall be reported to the Company and the Stock Exchange (including interests and short positions, by virtue of the SFO or other regulations, deemed to be or treated as held by these directors, supervisors and chief executives); or any interests or short positions that shall be recorded in the register required to be kept under Section 352 of the SFO; or interests or short positions that, by virtue of Model Code as set out in Appendix 10 to the Listing Rules, shall be notified to the Company and the Stock Exchange, are as follows:

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

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 21 April 2017, Mr. Dan Yong resigned as a Supervisor of the Company due to his personal work re-allocation.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW AND ANALYSIS

(I) Results overview

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects, and implements diversified operation which is highly related to our main business. In the first half of 2017, the Group adhered to the guideline of leveraging strengths and expediting development and managed to achieve sustained and healthy operation and development through reforms and innovations as well as enhancement of quality and efficiency. It was much more difficult for the Group to boost the operating performance of its main business for the Reporting Period as compared with the same period last year, due to the fact that the costs incurred for Suiguang-Suixi Expressways project were recognized as expenses since the expressways were formally open to traffic and began toll collection at the end of the previous year and the toll road and bridge business was impacted by unfavorable factors such as diversion effect of competitive road networks and toll reductions and exemptions in the same period. In such circumstance, the management of the Group focused on business objectives and adopted a scientific operation and management strategy. In particular, through rational control of costs and expenses, the Group kept strengthening the management of its main business while proactively and steadily pushing forward the development of diversified operations such as financial investment, city operation, energy sales and advertising media, devoted to promoting steady growth of each business line under the Group and continuously enhancing its sustainable development potentials.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the net revenue of the Group amounted to approximately RMB3,620,376,000, representing a decrease of approximately 3.23% year-on-year, among which the net toll income amounted to approximately RMB1,604,015,000, up approximately 15.64% year-on-year; the net revenue from construction contracts amounted to approximately RMB705,282,000, down approximately 55.34% year-on-year (including the construction contracts revenue of approximately RMB40,867,000 from Suiguang-Suixi Expressways BOT Project, which was recognized according to the HKFRSs, down 92.75% year-on-year); the net revenue from operation of gas stations along the expressways and sales of petrochemicals and other oil products amounted to approximately RMB1,102,747,000, representing an increase of 54.36% year-on-year; the net revenue from sale of properties newly recognized amounted to approximately RMB137,230,000. Other income and gains amounted to approximately RMB43,477,000, up 25.13% year-on-year. The profit attributable to the owners of the Company was approximately RMB585,475,000, representing a decrease of 14.10% year-on-year. Basic earnings per Share were approximately RMB0.1915 (the same period of 2016: approximately RMB0.2229). As at 30 June 2017, the Group's total assets amounted to approximately RMB36,622,011,000 and net assets amounted to approximately RMB14,184,551,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Item	Shareholding percentage (%)	Converted average daily traffic flow (vehicles)			Toll income (before deduction of turnover tax) (RMB'000)		
		For the			For the		
		For the	same period	Increase/ (decrease)	For the	same period	Increase/ (decrease)
		Period	in 2016	(%)	Period	in 2016	(%)
Chengyu Expressway	100	21,204	22,444	(5.52)	409,476	416,692	(1.73)
Chengya Expressway	100	38,259	35,693	7.19	424,813	389,066	9.19
Chengren Expressway	100	34,940	30,130	15.96	374,769	343,948	8.96
Chengle Expressway	100	34,319	33,191	3.40	235,127	224,090	4.93
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	49,317	50,380	(2.11)	53,567	47,105	13.72
Suiguang Expressway (Note)	100	5,431	-	-	76,445	-	-
Suixi Expressway (Note)	100	2,461	-	-	36,265	-	-

Note: There is no comparable data in relation to toll income in the corresponding period, as Suiguang Expressway and Suixi Expressway began to charge from 00:00 on 9 October 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the toll income (before deduction of turnover taxes) of the Group was approximately RMB1,610,462,000, representing an increase of approximately 13.34% as compared with the same period of last year. The percentage of the toll income (after deduction of turnover taxes) in the Group's total revenue was approximately 44.31%, representing an increase of approximately 7.24 percentage points as compared with the same period of last year. During the Reporting Period, the following factors constituted combined effects on the overall operating performance of the Group's expressways:

(1) Economic factors

In the first half of 2017, the PRC's gross domestic product (GDP) increased by 6.9% year on year, 0.2 percentage point¹ higher as compared with the same period last year. China's economy grew slowly but steadily under the new normal condition. During the Reporting Period, due to the overall stability and steady progress of economic development, Sichuan Province achieved a regional GDP of approximately RMB1,608.03 billion, representing an increase of about 8.2%² as compared with the same period last year, which is higher than the national average level. The sound economic development environment has led to the growth of traffic flow on expressways of the Group to a certain extent.

¹ Source: The preliminary verification results of National Bureau of Statistics

² Source: The preliminary verification results of the Bureau of Statistics of Sichuan Province

(2) Policy factors

In February 2017, six ministries including the Ministry of Transport jointly issued the Several Opinions on Promoting the Integrative Development of Transport and Tourism (《關於促進交通運輸與旅遊融合發展的若干意見》), pursuant to which, a tourism transport system with a reasonable structure, perfect functions, prominent characteristics and quality services will be basically built by 2020; in March 2017, the People's Government of Sichuan Province issued the "Thirteenth Five-Year" Plan on Comprehensive Transport Development of Sichuan Province (《四川省“十三五”綜合交通運輸發展規劃》) which specifies that the infrastructure network will be improved and further efforts will be made to promote the construction of expressways. The above factors, together with the further advancement of the One Belt, One Road strategy in the same period, the continuous implementation of supporting policies and a series of favourable policies, contributed to the growth of traffic flow on expressways of the Group.

During the Reporting Period, the continued implementation of policies including the free-of-charge policy of small passenger cars during holidays, easy access for fresh green products and 5% discount policy of Sichuan Expressway Electronic Toll Collection System ("ETC"), together with the further overload control on expressways in Sichuan Province, exerted continuous impacts on the Group's toll revenue.

(3) Regional development factors

The traffic demand of Chengren Expressway continuously increased due to the accelerated construction of Chengdu Tianfu New District and Renshou Shigao Industrial Park, and the successive resumption of production and expansion of production capacity by building materials plants and mines in Wengong and Baofei of Renshou along the expressway. The further construction and improvement of Chengdu Shuangliu Logistics Park, Bonded Area and Mingshan Economic Development Zone brought about an increase in truck flow of Chengya Expressway.

(4) Factors in road network changes and road construction

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Chengyu Expressway: On 1 January 2017, Chengdu-Anyue-Chongqing Expressway was open to traffic and for free in the earlier period. As its starting point is the same as Chengyu Expressway and its total mileage is nearly 90km less than that of Chengyu Expressway, certain vehicles which originally entered Chengyu Expressway via toll stations chose to transfer through the interchange hub connecting with Chengdu-Anyue-Chongqing Expressway. Therefore, certain vehicles were diverted to Chengdu-Anyue-Chongqing Expressway.

Chengren Expressway and Chengle Expressway: In December 2016, Renshou-Muchuan-Xinshi Expressway was open to traffic for free. As one of the extension lines of Chengren Expressway, the expressway led to increase in traffic flow of Chengren Expressway. On the other hand, as the expressway interconnects with Leshan-Zigong Expressway, the vehicles which originally went and returned to Chengdu and Leshan through Chengle Expressway may choose Chengren Expressway, Renshou-Muchuan-Xinshi Expressway and Leshan-Zigong Expressway, diverting certain traffic flow of Chengle Expressway to a certain extent.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Suiguang Expressway and Suixi Expressway: on 13 January 2017, Nanchong-Dazu-Liangping Expressway was open to traffic and for free until 6 March. As it interconnects with Chengdu-Nanchong Expressway and is one of the channels connecting Suining and northeast Sichuan, it diverts certain vehicles which originally came to and from Suining and northeast Sichuan through Suiguang Expressway; from 12 February to 30 May 2017, the section from Liemian to Wusheng of the national highway G212 was subject to overhaul, forcing certain vehicles to return to Suiguang Expressway, which resulted in an increase in the traffic flow of Suiguang Expressway; from 10 March 2017, Guihua Interchange Overpass of Chengdu-Nanchong Expressway was closed for construction, which caused a slight decrease in the traffic flow of Suiguang Expressway and Suixi Expressway since the overpass is the interchange of Chengdu-Nanchong Expressway, Suiguang Expressway and Suixi Expressway.

(III) Operating conditions of the “urban operations” segment and “construction” segment of the Group

(1) Chengle Expressway Expansion Construction Project

On 27 October 2016, the Company held the third meeting of the sixth session of the Board, at which the proposal of implementing Qinglongchang – Meishan trial section project for expansion construction of Chengle Expressway was considered and approved. From the commencement date of construction to 30 June 2017, an accumulated investment of approximately RMB106 million had been invested in Qinglongchang – Meishan trial section project for expansion construction of Chengle Expressway (the “Trial Section”), accounting for approximately 5.34% of the estimated total investment of the project.

The Trial Section project was advanced smoothly, offering rich experience for the reconstruction and expansion of the entire Chengle Expressway. On 30 August 2017, the Company held the eleventh meeting of the sixth session of the Board, at which the proposal in respect of investment in the expansion construction of Chengle Expressway and relevant matters was considered and approved. According to the reply on approval of the project from the Sichuan Provincial Development and Reform Commission, the expansion construction of the project was proposed to be implemented in stages: I. new construction of a two-way eight-lane expressway

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

for Chengdu-Qinglongchang section (which will be shared with the second expressway of Shuangliu Airport which is under planning) with a mileage of approximately 42km; II. extension and renovation for Qinglongchang-Guliba, Leshan section through widening the original expressway to a two-way eight-lane expressway with a mileage of approximately 85.55km (including the Trial Section with a mileage of approximately 28km); and III. new construction of a two-way six-lane expressway passing through downtown Leshan with a mileage of approximately 11.36km. The total mileage of the aforesaid proposal was 138.41km. The project's estimated total investment was about RMB23.133 billion (including the estimated investment amount of the Trial Section of approximately RMB1,985.6 million). After the completion of the project, it will help to ease the traffic pressure on Chengle Expressway, improve the overall traffic capacity and service level of the Chengle Expressway.

(2) Renshou Land-linked Pilot BT Project

The proposal in relation to the investment in Renshou Land-linked Pilot BT Project was considered and approved at the 34th meeting of the fourth session of the Board of the Company on 28 January 2011. In July 2011, Shuhong Company was established to take charge of the implementation of this project. The Renshou Land-linked Pilot BT Project, with an estimated total investment of approximately RMB280,270,000, is located at Gaotan Village, Wenlin Town (where the county government is located), Renshou County, Sichuan Province which involves a land area of approximately 4,848 mu. The investment includes relocation of farmhouses, settlement of San Tong Yi Ping (三通一平, generally referred to as site clearance and resettlement, connecting temporary water and electricity supply to the site and road connection to the site) at the resettlement sites as well as construction of ancillary municipal roads, resettlement houses (including preparatory works) (approximately 112,700 sq.m.) and ancillary construction works of the resettlement community. From the date of the commencement of the construction to 30 June 2017, an accumulated investment of approximately RMB252 million had been invested in Renshou Land-linked Pilot BT Project, accounting for approximately 90.00% of the estimated total investment of the project.

(3) Shuangliu West Airport Phase VI BT Project

On 13 January 2012, the 41st meeting of the fourth session of the Board of the Company was convened and the proposal in relation to the investment in and construction of Shuangliu West Airport Phase VI BT Project was considered and approved, and Shunan Company was approved to be the project company responsible for the preparation, construction and transfer of the project. On 17 January 2012, the Company won the bid to undertake the project, which involved a total of 4 roads, i.e. south extension line of Aviation Avenue, the road on the east side of Rayspower, No. 4 Airport Road and the west extension line of Industrial Park Avenue, with a total length of approximately 8.84 km. The estimated total investment amount is approximately RMB616,070,000, including land acquisition and relocation fees of approximately RMB163,030,000 and expenditure for road construction and installation of relevant facilities of approximately RMB453,040,000. From the date of its commencement of the construction to 30 June 2017, a total of approximately RMB366 million had been invested in Shuangliu West Airport Phase VI BT Project, accounting for approximately 59.42% of the estimated total investment of the project.

(4) Shuangliu Zongbao BT Project

On 28 March 2012, the 42nd meeting of the fourth session of the Board of the Company was convened and the proposal in relation to the investment in Shuangliu Zongbao BT Project was considered and approved, and Shunan Company was approved 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, which involved 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 acquisition and relocation fee of approximately RMB79,370,000 and expenditures for road construction and installation of relevant facilities of approximately RMB200,260,000. From the date of its commencement of the construction to 30 June 2017, a total of approximately RMB192 million had been invested in Shuangliu Zongbao BT Project, accounting for approximately 68.57% of the estimated total investment of the project.

(5) Real Estate Projects in Chengbei New Town of Renshou County

On 30 January 2013, a proposal in relation to 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 considered and approved by the Office of the General Manager of the Company. On 22 February 2013, the Company won the bid for the land use rights of such land parcels (with a total site area of 235,558.10 sq.m.) at a price of RMB920,160,000. In May 2013, Renshou Landmark Company was established to take full charge of the development and construction of the real estate project in Chengbei New Town, Renshou County. On 15 May 2014, Renshou Landmark Company won the bid for the land use rights of five state-owned construction land parcels (with a total site area of 194,810.52 sq.m.) in Chengbei New Town at a price of RMB787,100,000. At present, some construction works of the project have been completed and delivered. As at 30 June 2017, the sales revenue for the Reporting Period amounted to approximately RMB137,230,000 and the accumulated sales revenue of the project amounted to RMB165,063,000.

(6) Engineering Construction Projects Including Gaotan Water Park and Tianfu Renshou Avenue in Renshou County

On 3 January 2014, the Office of the General Manager of the Company considered and approved the investment in Renshou Gaotan BT Project. On 15 January 2014, the Company won the bid to undertake such projects, and on 28 January 2014, the Company entered into the Investment and Construction Contract in relation to the engineering construction projects concerning Gaotan Water Park, roads in the area of Gaotan Reservoir, landscape engineering of Central Business Avenue, Tianfu Renshou Avenue, underneath channel of Lingzhou Avenue and Renshou Avenue extension. The total estimated investment in these projects amounted to approximately RMB2,472 million (exclusive of land acquisition, demolition costs and upfront fee. Relevant preliminary works and expenses for, inter alia, land acquisition and demolition were borne by the tenderee). In order to reduce investment risks, and speed up the investment return, upon friendly negotiation, the Company and the Urban and Rural Construction Bureau of Renshou County entered into the Supplementary Agreement to Investment and Construction Contract (“Supplementary Agreement”) on 30 December 2015, which adjusted and reduced construction concerning greening landscape

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

engineering and internal road works of Gaotan Water Park, and the construction engineering from Tianfu Renshou Avenue G213 to Renshou Urban Area Section, amounting to investment reduction of approximately RMB1.334 billion, and the total investment budget of Renshou Gaotan BT Project reduced from approximately RMB2.472 billion to approximately RMB1.138 billion. Renshou Shunan Company is in full charge of the said project. During the Reporting Period, roads in the area of Gaotan Reservoir and landscape engineering of Central Business Avenue had passed completion check. The accumulated investment in Renshou Gaotan BT Project from the commencement date of construction to 30 June 2017 was approximately RMB860 million, accounting for approximately 75.57% of the total investment budget after adjustment and reduction.

(7) Renshou Shigao BT Project

On 3 January 2014, the Office of the General Manager of the Company considered and approved the investment in the Renshou Shigao BT Project. On 17 January 2014, the Company won the bid to undertake the project, and on 7 March 2014, the Company entered into the Investment and Construction Contract in relation to the engineering construction projects including Section II of Shigao Avenue in Renshou Shigao Economic Development Zone, Tianfu New District, Gangtie Avenue, Qingshui Road and Ring Road (including road maintenance project of Artery No. 1), south section of Zhanhua Road (including the business street and Quanlong River levee project) and Logistics Avenue (including storm sewage pipe network project of Huahai Avenue). The total estimated investment in these projects amounted to approximately RMB824 million (subject to the final financial review price). Renshou Shunan Company is in full charge of the project. During the Reporting Period, Qingshui Road and road maintenance project of Artery No. 1 of Ring Road, had passed completion check and had been audited. From the date of its commencement of the construction to 30 June 2017, the accumulated investment for the Renshou Shigao BT Project was approximately RMB249 million, accounting for approximately 30.22% of the total investment amount for such project on budgetary estimation basis.

(IV) Operating conditions of the “financial investment” segment of the Group

Based on the principle of integration of production and finance, the Group aims at turning its credit and industry advantages into financial advantages. While securing low-cost capital through diverse means, the Group deepens the cooperation with professional investment management institutions, gives play to the functions of equity investment, adopts the development mode of “driving finance with industry and promoting industry with finance”, interactively combines industrial capital and financial capital in multiple ways and at multiple levels, and expands industrial and financial businesses. Currently, the Group’s major investment and financing work conditions are as follows:

(1) Medium-long Term Syndicated Loan

In order to secure the timely availability of the construction funds for Suiguang-Suixi Expressways BOT Project, upon approval by the Company, the syndicated loan contract in relation to Suiguang-Suixi Expressways BOT Project with China Development Bank as the leading bank was entered into in December 2013. The total syndicated facilities amounted to RMB8,330 million. The lending banks included China Development Bank, China Construction Bank, Industrial and Commercial Bank of China and Postal Savings Bank of China. As at 30 June 2017, an aggregate of RMB7,856 million of the loan had been drawn down by the Company.

(2) Establishment and Operation of The Funds

1) *Funds jointly set up and/or managed by Zhongxin Company*

On 24 December 2013, the 10th meeting of the fifth session of the Board of the Company considered and approved the proposal of cooperating with Development and Investment Company to carry out the business related to the industrial investment fund. Accordingly, Zhongxin Company was established on 6 January 2014, its registered capital was RMB10 million. Shuhai Company, the Company's wholly-owned subsidiary, and Development and Investment Company each invested RMB5 million in Zhongxin Company, holding 50% of the equity respectively. On 19 June 2014, the Company, Development and Investment Company and Zhongxin Company entered into a partnership agreement to jointly set up the Chengdu-Chongqing Development Fund with a total investment of RMB610 million. The Company, Development and Investment Company and Zhongxin Company respectively invested RMB300 million, RMB300 million and RMB10 million. Up to now, the funds jointly set up and/or managed under entrustment by Zhongxin Company were: Chengyu Development Fund, Sichuan Panxi Strategic Resources Development Investment Fund, Sichuan Panxi New Materials Venture Capital Fund, Chengding Zhongxin No. 1 Private Equity Investment Fund and Sichuan Provincial Intellectual Property Operation Equity Investment Fund. At present, the investment and financing operations of the above funds are progressing well.

2) *Chengyu Jianxin Fund*

On 27 October 2016, the Office of the General Manager of the Company considered and approved the proposal of establishing a fund management company (the “Fund Management Company”) and industrial M & A investments fund in cooperation with CCB Trust Co., Ltd. (the “CCB Trust”). On 8 November 2016, the Company entered into a cooperation agreement (referred to as “Cooperation Agreement”) with CCB Trust, pursuant to which, the Company and CCB Trust jointly funded the establishment of Fund Management Company with a registered capital of RMB20 million. The Company and CCB Trust each invested RMB10 million, respectively holding 50% of the equity. On 8 December 2016, Chengyu Jianxin Fund Company was established in Chengdu Hi-tech Zone. According to the Cooperation Agreement, the Company, CCB Trust and Chengyu Jianxin Fund Company will jointly set up a number of industrial M & A investment funds in the form of limited partnership, and as the manager of industrial M & A investment funds, Chengyu Jianxin Fund Company would carry out debt investment, equity investment and other types of investment. The first industrial M & A investment fund is worth RMB2.5 billion. The Company, CCB Trust, and Chengyu Jianxin Fund Company would invest RMB475 million, RMB2 billion, and RMB25 million, respectively, representing 19%, 80%, and 1%, respectively. The establishment of Chengyu Jianxin Fund Company and the industrial M & A investment funds will further expand the Company’s industrial investment capacity and broaden new business areas.

3) *Proposed participation in establishment of the Property Fund*

On 19 January 2017, as considered and approved at the fifth meeting of the sixth session of the Board of Directors of the Company, Shuhai Company, a wholly-owned subsidiary of the Company, proposed to participate, as a limited partner (inferior LP), in the “Property Fund (Limited Partnership) (in preparation)” (the name of the partnership to be confirmed by relevant industrial and commercial departments) (the “Property Fund”). The Property Fund is to be jointly established by Shenyin & Wanguo-SCI IF (Shanghai) Investment Management Co., Ltd.* (as a general partner, “Shenyin & Wanguo-SCI”), a related legal person, and SCI Industrial Finance Holding Limited* (as an inferior LP, “SCI Industrial Finance”), a related legal person, and it would invest in high-quality commercial properties and other projects in Chengdu. Basic information on the Property Fund is set out below:

- (1) Fund manager: Shenyin & Wanguo-SCI.
- (2) Fund type: limited partnership.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Fund size: the expected total size is RMB2 billion and the initial size is RMB901 million.
- (4) Way of contribution: Shenyin & Wanguo-SCI proposes to make a contribution of RMB1 million; Shuhai Company proposes to make a contribution of no more than RMB300 million; SCI Industrial Finance proposes to make a contribution of no more than RMB300 million; and the third party financial institution(s) to be introduced by the fund manager as limited partner(s) (superior LP(s)), propose(s) to make a contribution of not less than RMB300 million.

As at the date of this report, Shuhai Company has not entered into any agreement with the relevant counterparties. Investors are advised to pay attention to the Company's subsequent announcements on progress and investment risks.

(3) Chengyu Financial Leasing Company

On 15 January 2015, the Office of the General Manager of the Company considered and approved that the Company and CSI SCE Investment Holding Limited would jointly establish Chengyu Financial Leasing Company. On 4 February 2015, the Company entered into a joint venture agreement with CSI SCE. In accordance with such joint venture agreement, the registered capital of Chengyu Financial Leasing Company would be RMB300 million and the Company and CSI SCE would contribute RMB180 million and RMB120 million respectively and would own 60% and 40% equity interest in Chengyu Financial Leasing Company, respectively. On 13 April 2015, Chengyu Financial Leasing Company completed business registration with the Market Supervision Administration of Shenzhen Municipality. On 31 May 2016, the Company completed the acquisition of CSI SCE and thus owned 100% equity interest in Chengyu Financial Leasing Company. During the Reporting Period, the operating revenue and net profit of Chengyu Financial Leasing Company reached approximately RMB27,625,000 and RMB7,700,000, respectively.

(4) Proposed Non-public Issuance of A Shares

To optimize its financial structure and reduce financial costs, the Company proposed to raise funds from SCI, its controlling Shareholder, by way of non-public issuance of A Shares. Under the Proposal for Non-public Issuance of A Shares in 2017 and other resolutions considered and approved at the sixth meeting of the sixth session of the Board of the Company held on 6 March 2017, the non-public issuance of A Shares (the "Issuance") targeted SCI, the controlling Shareholder of the Company, with the pricing benchmark date fixed on the first date of the issuance period, and has an issue price equal to 90% of the average trading price of A Shares of the Company during the 20 trading days prior to the pricing benchmark date or the latest audited net asset per Share of the Company on the issuance date, whichever is higher. SCI shall subscribe for the Shares to be issued in this Issuance by cash and such Shares shall not be transferred within 36 months from the date of completion of the Issuance. Pursuant to the Conditional Share Subscription Agreement in relation to the Non-public Issuance of A Shares of Sichuan Expressway Company Limited entered into between the Company and SCI, no more than 611,612,000 Shares (inclusive) would be issued to raise at most RMB3,500 million. Specific number of Shares to be issued would be determined according to the following rules: if the product of the maximum number of Shares to be issued (being 611,612,000 Shares) and the actual issue price equals to or is less than RMB3,500 million, 611,612,000 Shares would be issued in this

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Issuance; if the product of the maximum number of Shares to be issued (being 611,612,000 Shares) and the actual issue price is larger than RMB3,500 million, the number of Shares to be issued in this Issuance will be determined based on the quotient arrived at by the maximum proceeds (being RMB3,500 million) divided by the actual issue price. The final number of Shares to be issued will be rounded down to the nearest single digit. All the proceeds of the Issuance after deduction of issuance costs would be used for repayment of bank borrowings and other interest-bearing liabilities.

As at the end of the Reporting Period, the Issuance has been approved by the State-owned Assets Supervision and Administration Commission of Sichuan Province, pending consideration and approval at the general meeting and class meetings of the Company and is conditional upon obtaining the whitewash waiver granted by the Executive of the Securities and Futures Commission of Hong Kong and approval by China Securities Regulatory Commission.

If the abovementioned approvals are granted, the Issuance shall not cause any change in the controlling Shareholder and de facto controllers of the Company upon its completion.

(V) Operating conditions of the “energy and cultural media” segment of the Group

Energy and cultural media is a fast-growing business of the Group in recent years and mainly involves the operation of gas stations along the expressways of the Group and management of assets, service zones, advertisement, etc. along the expressways. During the Reporting Period, the Group maintained revenue growth through the integration of resources along the expressways, improvement of service functions, innovation of business model and vigorous development of sales of oil products, advertising, assets leasing, etc. During the Period, the Group recorded a net revenue of approximately RMB1,102,747,000 (the same period of 2016: RMB714,397,000) from operation of gas stations along the expressways and sales of petrochemicals and oil products, representing a year-on-year increase of approximately 54.36%; and a net revenue of RMB43,477,000 (the same period of 2016: RMB34,745,000) from advertising, assets leasing and chain supermarket in the service zones along the expressways, representing a year-on-year increase of approximately 25.13%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

II. ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Summary of the Group's Operating Results

	For the six months ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited)
Revenue	3,620,376	3,741,312
Including: Net toll income	1,604,015	1,387,086
Net construction contract revenue	705,282	1,579,211
Profit before tax	786,937	894,966
Profit attributable to owners of the Company	585,475	681,539
Earnings per share attributable to owners of the Company (<i>RMB</i>)	0.1915	0.2229

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Summary of the Group's Financial Position

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000
Total assets	36,622,011	36,351,121
Total liabilities	22,437,460	22,467,089
Non-controlling interests	609,357	559,829
Equity attributable to owners of the Company	<u>13,575,194</u>	<u>13,324,203</u>
Equity per share attributable to owners of the Company (<i>RMB</i>)	<u><u>4.439</u></u>	<u><u>4.357</u></u>

Analysis of Operating Results

Revenue

The Group's net revenue for the Reporting Period amounted to RMB3,620,376,000 (the same period in 2016: RMB3,741,312,000), representing a year-on-year decrease of 3.23%, of which:

- (1) The net toll income was RMB1,604,015,000 (the same period in 2016: RMB1,387,086,000), representing a year-on-year increase of 15.64%, which was mainly due to the commencement of operation of Suiguang – Suixi Expressways, speed-up of the construction project in Tianfu New District, Chengdu as well as the natural growth of traffic volume driven by economic development. Please refer to “operating conditions of the ‘toll roads and bridges’ segment of the Group” in this interim report for details of the main factors affecting the toll income of the Group during the Reporting Period;
- (2) Construction contract revenue (before deduction of revenue taxes) in respect of service concession arrangements was RMB147,078,000 (the same period in 2016: RMB571,210,000), representing a year-on-year decrease of 74.25%. This mainly included RMB40,867,000 of construction contract revenue (before deduction of revenue taxes) (the same period in 2016: RMB563,371,000) from the Suiguang-Suixi Expressways BOT Project (the decrease in such revenue was due to the fact that the Suiguang-Suixi Expressways BOT Project has been basically completed at the end of 2016); and an aggregate of RMB106,211,000 of construction contract revenue (before deduction of revenue taxes) (the same period in 2016:

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RMB7,839,000) from the Qinglongchang – Meishan trial section project for expansion construction of Chengle Expressway during the Reporting Period, both recognized under the percentage-of-completion method;

- (3) Construction contract revenue (before deduction of revenue taxes) in respect of construction works performed for third parties amounted to RMB558,204,000 (the same period in 2016: RMB1,008,001,000), representing a year-on-year decrease of 44.62%, representing the construction contract revenue recognized under the percentage-of-completion method in respect of the Renshou Gaotan BT project, Neiyi project, Baen project, Yakang project, Wenma project and other projects;
- (4) Net revenue from operation of gas stations along expressways and sales of petrochemicals and other oil products amounted to RMB1,102,747,000 (the same period in 2016: RMB714,397,000), representing a year-on-year increase of 54.36%, mainly due to the increase in sales of chemical products and refined oil as a result of newly opened gas stations during the Reporting Period.

Other Income and Gains

The Group's other income and gains for the Reporting Period amounted to RMB58,071,000 (the same period in 2016: RMB56,624,000), representing a year-on-year increase of 2.56%. This was mainly attributable to the recognition of compensation for liquidated damages of newly added contracts and reversal of impairment provision of approximately RMB16,255,000 for the Reporting Period, an increase of RMB1,778,000 in proceeds from expressway property compensation, an increase of RMB1,732,000 in government subsidy, an increase of RMB868,000 in rental income and an increase of RMB3,695,000 in other income, which were partially offset by the decrease of approximately RMB13,970,000 in bank deposits, interest of construction contracts and income from discounting long-term compensation receivables as well as the decrease of approximately RMB8,911,000 in gains from disposal of available-for-sale assets.

Operating Expenses

The Group's operating expenses for the Reporting Period amounted to RMB2,524,122,000 (the same period in 2016: RMB2,682,428,000), representing a year-on-year decrease of 5.90%, of which:

- (1) Construction contract costs recognized under the percentage-of-completion method in respect of service concession arrangements during the Reporting Period were RMB134,426,000 (the same period in 2016: RMB546,015,000), representing a year-on-year decrease of 75.38%. This mainly included construction contract costs of RMB28,215,000 (the same period in 2016: RMB538,176,000) incurred for Suiguang-Suixi Expressways BOT Project and aggregate construction

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

contract costs of RMB106,211,000 (the same period in 2016: RMB7,839,000) recognized for the technical renovation projects of expressways and reconstruction projects of gas stations and service areas along the expressways;

- (2) Construction contract costs recognized under the percentage-of-completion method in respect of construction works during the Reporting Period amounted to RMB458,693,000 (the same period in 2016: RMB877,775,000), representing a year-on-year decrease of 47.74%. This mainly included the construction costs of the Renshou Gaotan BT project, Neiyi project, Baen project, Yakang project, Wenma project and other projects;
- (3) Depreciation and amortization expenses increased by 39.67% from RMB296,082,000 for the same period last year to RMB413,541,000 for the Reporting Period, mainly attributable to the commencement of operation of Suiguang-Suixi Expressways and increase in amortization for service concession arrangements from RMB241,659,000 for the same period last year to RMB356,413,000 for the Reporting Period;
- (4) The cost of sales of refined oil and chemical products was RMB1,023,988,000 (the same period in 2016: RMB641,858,000), which represented a year-on-year increase of 59.53%, which was mainly due to the increase in the sales costs as a result of the increase in sales of chemical products and refined oil during the Reporting Period;

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (5) Staff costs increased by 6.54% from RMB250,021,000 for the same period last year to RMB266,378,000 for the Reporting Period, mainly due to the increase in the total salary and contributions to various types of social insurance and housing accumulation fund for the Reporting Period as a result of higher average salary of the employed workers in Chengdu;
- (6) Repair and maintenance costs increased by 7.80% from RMB21,702,000 for the same period last year to RMB23,395,000 for the Reporting Period, being the daily maintenance costs of the expressways and subsidiary facilities of the Group.

Finance Costs

The Group's finance costs for the Reporting Period amounted to RMB392,419,000, representing an increase of 72.27% as compared with RMB227,793,000 for the same period last year, mainly attributable to the expensing of interest accrued on the construction loans of the Suiguang-Suixi Expressways Project for the Reporting Period as the expressways were put into service.

Income Tax

The income tax expense of the Group for the Reporting Period amounted to RMB164,468,000, representing a decrease of approximately 2.78% as compared with RMB169,179,000 for the same period of 2016, mainly due to the change in profit.

Profit

The Group's profit for the Reporting Period amounted to RMB622,469,000, representing a decrease of 14.24% as compared with RMB725,787,000 for the same period last year, of which the profit attributable to the owners of the Company was RMB585,475,000, representing a year-on-year decrease of 14.10%. This was mainly due to:

- (1) Despite an increase in toll income driven by regional economic development, the opening of Suiguang – Suixi Expressways and natural growth of traffic volume of the expressways, profit of the toll operation segment decreased by approximately RMB150,805,000 from the same period last year to approximately RMB603,699,000 due to the surge in the cost of the segment as a result of the increase in finance cost following the opening of Suiguang – Suixi Expressways.
- (2) Due to less construction works and year-on-year decrease in the output value of Renshou Gaotan BT Project and other BT projects during the Reporting Period, profit of the construction contracts segment for the Reporting Period amounted to approximately RMB112,705,000, representing a decrease of approximately RMB41,071,000 as compared with the same period last year.
- (3) Due to increase in sales of refined oil as a result of newly opened gas stations, segment profit of the operation of gas stations along the expressways increased by approximately RMB3,194,000 from the same period last year to RMB55,840,000 for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (4) Profit of the property development segment for the Reporting Period amounted to approximately RMB7,885,000, representing a loss reversal of approximately RMB51,774,000 as compared with the same period last year, due to the initial recognition of revenue and costs by Renshou Landmark Company following the completion of certain of its property construction project.
- (5) Profit of advertising and leasing business segment increased by approximately RMB27,965,000 to RMB53,940,000 as compared with the same period last year.

Analysis of Financial Position

Non-current Assets

As at 30 June 2017, the Group's non-current assets amounted to RMB26,834,646,000, representing a decrease of 0.96% as compared with the end of 2016. The decrease was mainly due to:

- (1) The addition in property, plant and equipment of RMB23,563,000 for the Reporting Period;
- (2) An increase of RMB147,078,000 in service concession arrangements which included an increase of approximately RMB147,078,000 from Suiguang-Suixi Expressways BOT Project and Chengle Expressway Capacity Expansion Trial Project;
- (3) Provision of RMB413,541,000 in total for depreciation and amortization;

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (4) An increase of RMB2,337,000 in available-for-sale investments;
- (5) An aggregate increase of RMB35,031,000 in investment in associates and joint ventures, mainly due to the investment increase in the new joint ventures of the Company and the increase in share of profits of associates;
- (6) A decrease of approximately RMB6,532,000 in long-term compensation receivables;
- (7) An increase of approximately RMB38,875,000 in loans to customers; and
- (8) A decrease of approximately RMB56,385,000 in pledged time deposits.

Current Assets and Current Liabilities

As at 30 June 2017, the current assets of the Group amounted to RMB9,787,365,000 representing an increase of 5.73% as compared with the end of 2016, mainly attributable to:

- (1) An increase of RMB544,236,000 in the balance of cash and cash equivalents as compared with the end of 2016, mainly due to the receipt of cash income and drawdown of bank loans;

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (2) An increase of approximately RMB17,977,000 in inventories as compared with the end of 2016, which was due to the increase of approximately RMB6,419,000 in the reserve of refined oil and the increase of approximately RMB11,558,000 in spare parts and construction materials for the Reporting Period;
- (3) An increase of approximately RMB53,135,000 in trade and other receivables as compared with the end of 2016, mainly due to the increase of RMB3,969,000 in the interest receivables on temporary advances and construction revenue, long term compensation receivables due within one year and interest income from pledged deposits, increase of RMB23,052,000 in receivables due from the Settlement Center, increase of approximately RMB41,188,000 in advance payment for materials and subcontracting costs and increase of approximately RMB7,066,000 in deductible input value-added tax, offsetting the decrease of RMB12,109,000 in trade receivables and decrease of approximately RMB16,731,000 in deposits;
- (4) An increase of RMB54,287,000 in property under development as compared with the end of 2016, mainly comprising the costs of property and land development incurred by the Group;
- (5) Receivables due from customers for contract works increased by RMB125,690,000 as compared with the end of 2016, mainly due to the increase in the amount due from customers for contract works as recognized based on construction progress;
- (6) An increase of approximately RMB56,450,000 in pledged time deposits due within one year, mainly due to the reclassification of pledged time deposits;

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (7) A decrease of RMB202,619,000 in loan to customers due within one year, mainly due to the recovery of loans to customers;
- (8) A decrease of RMB118,996,000 in properties held for sale as compared with the end of 2016, mainly due to the initial recognition of revenue and costs by Renshou Landmark Company following the completion of its property construction project.

As at 30 June 2017, the Group's current liabilities amounted to RMB7,961,114,000, representing an increase of 11.42% as compared with the end of 2016, mainly attributable to: an increase of RMB37,551,000 in income tax payable; an increase of RMB205,742,000 in dividend payable; a decrease of RMB957,581,000 in trade and other payables, mainly due to decreases of RMB138,691,000, RMB670,011,000, RMB79,216,000 and RMB125,983,000 in trade payables, progress billing payables, staff remuneration payables as well as deposits and other payables, respectively, which together offset the increase of RMB57,987,000 in advances and resulted in a decrease of RMB817,223,000 in other payables; and an increase of RMB1,530,000,000 in interest-bearing bank and other loans to RMB3,510,050,000 as compared with the end of last year, mainly due to the repayment of RMB512,278,000 of bank and other interest-bearing loans, yet newly acquired RMB300,000,000 of current loans during the Reporting Period, and an increase in the reclassification of RMB1,742,278,000 of bank loans due within one year.

Non-current Liabilities

As at 30 June 2017, the non-current liabilities of the Group amounted to RMB14,476,346,000, representing a decrease of 5.52% as compared with the end of 2016, which was principally attributable to the decrease of RMB841,278,000 in bank and other interest-bearing loans since the increase of RMB1,095,000,000 in bank loans was offset by the advance repayment of RMB194,000,000 of bank and other interest-bearing loans and an increase in the reclassification of approximately RMB1,742,278,000 as current liabilities during the Reporting Period.

Equity

As at 30 June 2017, the Group's equity amounted to RMB14,184,551,000, representing an increase of 2.16% as compared with the end of 2016, mainly attributable to: (1) profit for the Reporting Period of RMB622,469,000, which increased the equity; (2) the increase in the fair value of available-for-sale investments amounting to RMB2,337,000, which was offset by the income tax effect amounting to RMB434,000, resulting in an increase in the equity; (3) the final dividend of 2016 declared in the Reporting Period amounting to RMB336,387,000, which decreased the equity; and (4) payment of dividends of RMB15,576,000 to non-controlling shareholders, which decreased the equity.

Capital Structure

As at 30 June 2017, the Group had total assets of RMB36,622,011,000 and total liabilities of RMB22,437,460,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 61.27% (31 December 2016: 61.81%).

Cash Flow

As at 30 June 2017, the balance of the cash and bank balances of the Group amounted to RMB4,437,314,000, representing a net increase of approximately RMB544,236,000 as compared with the end of 2016. It comprised approximately HKD116,000 (equivalent to approximately RMB104,000) deposits in Hong Kong dollars, and RMB4,437,210,000 cash and deposits in Renminbi.

During the Reporting Period, net cash inflows from operating activities of the Group amounted to RMB379,012,000 (the same period of 2016: net cash outflows of RMB464,349,000), representing a year-on-year increase of RMB843,361,000 in net cash, which was mainly due to the decrease in the expenses associated with service concession arrangements.

Net cash outflows from investing activities of the Group amounted to RMB11,167,000 (the same period of 2016: net cash inflows of RMB95,830,000), representing a decrease of RMB106,997,000 in cash inflows as compared with the same period last year, which was mainly due to the payment of RMB158,911,000 for redemption of available-for-sale investments in the same period last year (no such investments during the Period); the decrease of RMB56,378,000 in pledged time deposits as compared with the same period last year; and the payment of RMB132,909,000 for acquisition of CSI SCE Investment Holding Limited (信成香港投資有限公司) in the same period last year (no such investments during the Period).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Net cash inflows from financing activities was RMB176,391,000 (the same period of 2016: net cash inflows of RMB709,898,000), representing a year-on-year decrease of RMB553,507,000 in net cash inflows, which was mainly due to an increase of RMB655,000,000 in bank loans in the Period, no medium term notes newly-issued in the Period (RMB1,000,000,000 issued in the same period in 2016), repayment of medium term notes of RMB200,000,000, a decrease in the repayment of bank loans of RMB20,966,000 as compared with the same period last year and an increase in dividend paid to the owners of the Company of RMB35,630,000 during the Period.

Capital Commitments

Details of the Group's capital commitments as at 30 June 2017 are set out in note 23 to the interim condensed financial information.

Exchange Fluctuations and the Risks thereof

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

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

Borrowings and Solvency

As at 30 June 2017, the Group's bank and other interest-bearing borrowings amounted to RMB17,893,851,000, all of which bore fixed interest rates. In particular, the balance of domestic bank loans was

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RMB13,155,351,000, with annual interest rates ranging from 3.915% to 4.90%; the balance of overseas bank loans was RMB1,000,000,000, with annual interest rate of 4.5455%; the balance of other loans amounted to RMB138,500,000, with annual interest rate of 4.275%; the outstanding medium-term notes amounted to RMB2,600,000,000, with annual interest rates ranging from 3.70% to 6.35%; and the outstanding corporate bonds amounted to RMB1,000,000,000, with annual interest rate of 3.56%. The relevant balances are set out as follows:

	Maturity profile of interest-bearing borrowings			
	Total amount	1 year or within 1 year	Over 1 year to 5 years	Over 5 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans from domestic				
commercial banks	13,155,351	1,410,050	3,076,601	8,668,700
Loans from overseas				
commercial banks	1,000,000	1,000,000		
Other loans	138,500		138,500	
Medium-term notes	2,600,000	1,100,000	1,200,000	300,000
Corporate bonds	1,000,000		1,000,000	
	<hr/>	<hr/>	<hr/>	<hr/>
Total (as at 30 June 2017)	<u>17,893,851</u>	<u>3,510,050</u>	<u>5,415,101</u>	<u>8,968,700</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total (as at 31 December 2016)	<u>17,205,129</u>	<u>1,980,050</u>	<u>6,439,102</u>	<u>8,785,977</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB10,137 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying on businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. As at 30 June 2017, the balance of the syndicated loan for the project amounted to RMB3,483 million.

In 2013, China Development Bank (Sichuan Branch) as leader and other three banks carrying out businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB8,330 million. Such loan is specially used for construction of Suiguang-Suixi Expressways BOT Project. As at 30 June 2017, the Company has withdrawn RMB7,856 million of such loan in aggregate.

Contingent liabilities and pledge of assets

Disputes over liability for environmental torts between Suiguang Suixi Company (a subsidiary of the Company) and Fenghui Company and other two enterprises

As at 30 June 2017, Suiguang Suixi Company was named as a defendant in three lawsuits concerning disputes on environmental tort liabilities, in which the plaintiffs instituted proceedings respectively and demanded for compensation for their losses of a total of approximately

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RMB69,820,000. In the first case, Sichuan Fenghui Agricultural and Technology Development Company Limited (四川豐慧農業科技開發有限公司) (“Fenghui Company”), which operated two hog farms at Daya Village, Changlin Town, Xichong County, claimed that the “Leifengshan Tunnel” of Suixi Expressway owned by Suiguang Suixi Company was the immediate cause of the cessation of its hog farming business because the tunnel was located beneath the hog farms for less than 100 meters. In July 2016, Fenghui Company filed a suit to the People’s Court of Nanchong City to claim compensation for its various losses of RMB63,453,693.81 in total. In the second case, Nanchong Lvlan Agricultural and Husbandry Technology Company Limited* (南充綠蘭農牧科技有限公司) (“Lvlan Company”), which operated hog production business at Wulidian Village, Changlin Town, Xichong County, claimed that the construction of Suixi Expressway during the period from April 2013 to April 2015, and the operation of Suixi Expressway after December 2015 caused deaths, abortions and other losses to its hogs. On 20 April 2016, Lvlan Company filed a suit to the People’s Court of Xichong County to demand Suiguang Suixi Company to compensate for its poultry losses (being RMB1,465,639.14) and the losses in relation to site selection and reconstruction (being RMB0.90 million). In addition, as Suiguang Suixi Company was the construction unit of Suixi Expressway, which was in charge of the awarding of the project and other matters, and did not participate in the construction, Lvlan Company, the plaintiff, indicated TCC, another subsidiary of the Company, which was in charge of construction particulars, as the second defendant in this case. In the third case, Sichuan Riyue High-tech Agricultural Development Company Limited (四川日月高新農業開發有限公司) (“Riyue Company”), which operated livestock farming business at Machuanjing Village, Fu’an Town, Xichong County, claimed that the construction of Suixi Expressway caused the death and poor livability of its hogs and layers due to the proximity between Suixi Expressway and its livestock farm.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Therefore, on 6 September 2015, Riyue Company filed a suit to the People's Court of Xichong County to demand Suiguang Suixi Company to compensate for its operating losses of RMB4 million and the losses arising from relocation of the farm (subject to verification conclusion).

Currently, the first case is at the evidence-collection stage and pending trial. The second case is pending trial as the court has entrusted a third-party judicial expertise institution (鑒定機構) to conduct evaluation. As for the third case, the verdict of the first trial was reached on 6 April 2017, which ruled that the Company should compensate the plaintiff for its loss of RMB2.842 million. However, the Company contested the verdict and lodged an appeal to the Intermediate People's Court of Nanchong City, which is now at trial stage. Although the three cases are still pending final judgment, the Company, having taking into account of the details of the cases, preliminarily assesses that it is very likely that of the cases will be ruled in favor of the Company.

As at 30 June 2017, the Group's time deposits of RMB11,880,000 (31 December 2016: RMB11,815,000) were pledged to secure Chengren Expressway BOT Project; the concession right to collect toll pertaining to Chengle Expressway with the net carrying value of RMB1,026,763,000 (31 December 2016: RMB950,626,000) was pledged to secure bank loans amounting to RMB106,400,000 (31 December 2016: RMB106,400,000); the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB7,132,837,000 (31 December 2016: RMB7,208,863,000) was pledged to secure the syndicated loan amounting to RMB3,482,851,000 (31 December 2016: RMB3,495,129,000); the concession right to collect toll pertaining to Suiguang-Suixi

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Expressways with net carrying value of RMB12,292,802,000 (31 December 2016: RMB12,358,860,000) was pledged to secure the syndicated loan amounting to RMB7,856,100,000 (31 December 2016: RMB7,461,100,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 30 June 2017.

III. BUSINESS DEVELOPMENT PLANS

Based on our analysis and judgment of the business conditions, policy climate and our own development status for the second half of 2017, and in line with our business targets for the year 2017, we formulated the following business plans:

- 1) The Company will continue to implement the diversified development strategy that is highly related to its main business while consolidating the fundamental position of toll road and bridge business. In this regard, it will strengthen the operation of main business, effectively promote inspection efforts, foster the awareness of preventive maintenance and continue to raise the information-based and intelligent operation level of its main business; it will build branded expressway services through meticulous management and constantly improve the management and profitability of its main business; based on the road network construction plan of the country, it will increase efforts in enriching project pipeline and actively promote the launch of projects; and it will capitalize on the opportunities

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

for equity investment and mergers and acquisitions which may arise by keeping a close eye on domestic and overseas quality highway projects, whether completed or to be reconstructed or expanded, and devote more efforts in merger and acquisition and intensify relevant engagements, so as to materialize extended development and strengthen and expand its toll road and bridge business.

- 2) The Company will exert efforts on strengthening financial investment segment. Leveraging on its main business, it will make the best of the equity platform and window effects of A shares and H shares and capitalize on stable cash flow and its advantageous access to funds at low cost to effectuate the integration of industrial capital and financial capital. In addition, it will achieve the synergistic progress of the industrial capital and financial capital integration as well as efficient and rapid development by fostering, developing and expanding industrial capital. Furthermore, it will cultivate a more capable and stronger capital operation team and give the rein to teamwork effects, thereby boosting the development of financial investment business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- 3) The Company will make innovations in the development of the city operation segment, optimize and level up the energy investment segment, and explore the development of cultural tourism and healthcare business. It will proactively participate in regional urbanization construction, municipal infrastructure construction and other city operation related businesses by making innovation in investment and financing mode and means for the purpose of building up the city operation brand and averting homogenization. Furthermore, it intends to conduct deep research and analysis on investment opportunities of new energy projects, proactively explore the development mode of the charging pile and new energy technology and devote more efforts to investment in new energy and clean energy projects, thus enhancing the development of the energy segment. Meanwhile, it will also tentatively grope after the investment, development and operation of high-quality education, tourism resources and health and elderly care industry.

- 4) The Company intends to make innovations in respect of the system and the mechanism so as to facilitate the sustained development of the Group. By virtue of intensified innovations in regard of internal management, human resource management and the remuneration system, it will promote development through reform and tap benefits through management, with a view to further solidifying and consummating the modern enterprise management systems with well defined powers and responsibilities, scientific management and efficient execution.

OTHER SIGNIFICANT EVENTS

I. PROFIT DISTRIBUTION

1. 2017 interim dividend

The Board of the Company resolved not to pay an interim dividend for the six months ended 30 June 2017 nor transfer capital reserve into share capital.

2. Profit distribution plan for the year 2016 and its implementation

As approved at the 2016 AGM of the Company, the Company paid a cash dividend of RMB0.11 per Share (tax inclusive) calculated based on the total share capital of 3,058,060,000 Shares as at the end of 2016, amounting to an aggregate of approximately RMB336,387,000 (tax inclusive), on 23 June and 13 July 2017 to holders of A Shares and holders of H Shares respectively, representing 47.79% of the distributable profit (calculated according to China Accounting Standards) earned by the Company for 2016, and 32.12% of the profit (calculated according to China Accounting Standards) attributable to the owners of the Company for 2016 in the consolidated financial statements.

II. MATERIAL ACQUISITION AND DISPOSAL

The Company considered and approved the resolution on transfer of 46% equity interests in Trading Construction Company at the eighth meeting of the sixth session of the Board held on 31 March 2017, pursuant to which the Company proposed to transfer its 46% equity interests held in Trading Construction Company to SCI at a consideration of RMB510.14 million. On the same date, the Company entered into the equity transfer agreement with SCI. The transaction is subject to consideration at the general meeting of the Company, and if approved, the shareholding of the Company in Trading Construction Company will become 5% upon completion of this transfer of equity interests. Accordingly, Trading Construction Company's financial results will no longer be included in the consolidated statements of the Company.

OTHER SIGNIFICANT EVENTS (CONTINUED)

III. EMPLOYEES, REMUNERATION, INSURANCE, WELFARE AND TRAINING

As at 30 June 2017, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,607
Number of in-service employees of major subsidiaries	2,376
Total number of in-service employees	4,983
Number of retired employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	Nil

Composition of expertise

Type of Expertise	Number of people
Production	3,117
Sales	291
Technical	683
Financial	182
Administrative	710
Total	<u>4,983</u>

OTHER SIGNIFICANT EVENTS (CONTINUED)

Education level

Type of Education Level	Number of people
Postgraduate	193
University graduate	1,363
Junior college graduate	2,240
Technical secondary school and below	<u>1,187</u>
Total	<u><u>4,983</u></u>

1. Employee's remuneration

The total remuneration of the Company's employees is correlated with the operating results of the Company. The salary of the employees is comprised of basic salary (salaries determined by the position and period of service) and performance incentive bonus. Employee's salary is determined with reference to his position (i.e. the salary changes in accordance with the position of service) and performance. During the Reporting Period, the employees' salary incurred by the Group was approximately RMB166,209,550, of which approximately RMB82,909,410 was for the employees of the Company (including its branches).

OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Employee's insurance and welfare

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

3. Staff training

The Company highly values staff training and provides trainings of various aspects and types to improve the comprehensive quality and business standard of its staff. During the Reporting Period, the Company has organized various centralized and specific trainings such as operating training for technical staff, and continuing education and training for professional technical staff. The attendance of the Company (including its branches) reached 6,835 person-time.

IV. CORPORATE GOVERNANCE REPORT

1. Corporate governance

Since establishment, the Company has set up a corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the management, and has conducted on-going review and improvement of such structure in practice. To date, the Company has successively established special committees under the Board, including the Audit Committee, the Strategic Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The Company has also adopted an independent internal audit system, established a relatively comprehensive risk management and internal control system and formulated multi-tier governance rules based on the Articles of Association, aiming at clearly defining the job duties, authority and model of conduct. In accordance with laws, regulations and the governance rules, the general meeting, the Board, the Supervisory Committee and the management of the Company discharge their own duties, coordinate and counter-balance each other effectively, and continuously enhance corporate governance standards, thereby laying a solid foundation for driving the Company's development and maximizing value for the Shareholders. For details, please refer to the 2016 Annual Report of the Company.

2. Corporate governance code

As a listed company with both A Shares and H Shares, in addition to complying with the applicable laws and regulations, the Company is also required to comply with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Stock Exchange and the Code of Corporate Governance for Listed Companies of the CSRC regarding the practice of corporate governance. During the Reporting Period, Corporate Governance of the Company in practice was of no material difference with the Code of Corporate Governance for Listed Companies, and the Company has adopted and fully complied with the requirements of the Corporate Governance Code. During the Period, Mr. Tang Yong failed to attend the 2017 first extraordinary general meeting held by the Company on 19 January 2017 pursuant to A.6.7 of the Code due to urgent business commitment.

3. Amendments to and improvements in corporate governance system

During the Reporting Period, the Company has further supplemented and improved the corporate governance system in accordance with relevant requirements of relevant regulators. On 6 March 2017, the Board of the Company made amendments to Article 3, Article 93 and Article 224(2)(4) of the Articles of Association, which are subject to consideration and discussion at the general meeting of the Company. The details about amendments to such rules and systems are available for Shareholders and investors on the websites of SSE, the Stock Exchange and the Company.

OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Audit committee

As at the date of this report, the Audit Committee of the Company comprises three independent non-executive Directors including Mr. Yu Haizong, Mr. Guo Yuanxi and Madam Liu Lina who are all professionals experienced in finance and economy. The Audit Committee has reviewed and confirmed the unaudited interim condensed financial information and interim results report of the Group for the half year ended 30 June 2017.

5. Model code for securities transactions by directors and supervisors

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

OTHER SIGNIFICANT EVENTS (CONTINUED)

V. MEMBERS OF THE BOARD

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

By order of the Board

Sichuan Expressway Company Limited*

Zhou Liming

Chairman

Chengdu, Sichuan Province, the PRC
30 August 2017

* *For identification purposes only*