



Sichuan Expressway Company Limited

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

(Stock Code: 00107)

2018
Interim Report

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DEFINITIONS

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

I. NAME OF EXPRESSWAY PROJECTS

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

DEFINITIONS (CONTINUED)

II. BRANCHES, SUBSIDIARIES AND PRINCIPAL INVESTED COMPANIES

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

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.
Chengyu Logistics Company	Sichuan Chengyu Logistics Company Limited (四川成渝物流有限公司)
CSI SCE	CSI SCE Investment Holding Limited
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
Shuhai Company	Chengdu Shuhai Investment Management Company Limited

DEFINITIONS (CONTINUED)

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
Tianyi United Company	Sichuan Tianyi United Investment & Development Co., Ltd (四川省天乙多聯投資發展有限公司)
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

2017 AGM	the 2017 annual general meeting of the Company convened on Tuesday, 5 June 2018, 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 2018

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 Co. Ltd, 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 and Office Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Postal Code	610041
Secretary to the Board	Zhang Yongnian
Tel	(86) 28-8552-7510
Representative of Securities Affairs	Wang Aihua
Tel	(86) 28-8552-6105
Fax	(86) 28-8553-0753
Investors' Hotline	(86) 28-8552-7510/(86) 28-8552-7526
E-mail	cygszh@163.com
Contact Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC

CORPORATE INFORMATION (CONTINUED)

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

CORPORATE INFORMATION (CONTINUED)

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

CORPORATE INFORMATION (CONTINUED)

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

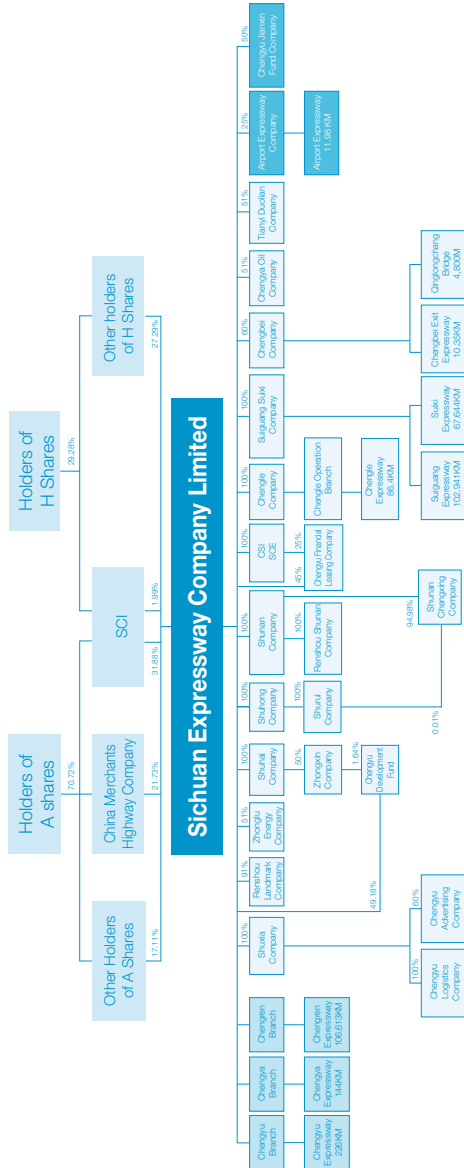
COMPANY PROFILE

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

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects as well as the operation of other businesses related to expressways. Currently, the Group mainly owns all or substantial interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway, Suiguang Expressway and Suixi Expressway. As of 30 June 2018, the toll length of expressways of the Group has reached approximately 744km in total. The Group's total asset and net asset were approximately RMB34,689,095,000 and RMB14,702,473,000 respectively.

COMPANY PROFILE (CONTINUED)

For the year ended 30 June 2018, the total number of share capital of the Company is 3,058,060,000 Shares (including 895,320,000 H Shares and 2,162,740,000 A Shares), the shareholders and asset structure of the Company are as follows:



INTERIM CONDENSED FINANCIAL INFORMATION

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	3,179,304	3,620,376
Cost of sales and other direct operating costs		<u>(1,877,212)</u>	<u>(2,402,144)</u>
Gross profit		1,302,092	1,218,232
Other income and gains	4	45,181	58,071
Administrative expenses		(106,271)	(114,834)
Other expenses		(4,743)	(7,144)
Finance costs	5	(389,344)	(392,419)
Share of profits and losses of:			
Joint ventures		(3,083)	(1,177)
Associates		<u>24,235</u>	<u>26,208</u>
PROFIT BEFORE TAX	6	868,067	786,937
Income tax expense	7	<u>(180,672)</u>	<u>(164,468)</u>
PROFIT FOR THE PERIOD		<u>687,395</u>	<u>622,469</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 2018

	For the six months ended 30 June	
	2018	2017
Notes	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	-	2,337
Income tax effect	-	(434)
	<hr/>	<hr/>
	-	1,903
	<hr/>	<hr/>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
<i>Notes</i>	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Financial assets as fair value through other comprehensive income:		
Changes in fair value	(21,840)	–
Income tax effect	3,507	–
	(18,333)	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(18,333)	1,903
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	669,062	624,372

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the Company		654,818	585,475
Non-controlling interests		32,577	36,994
		687,395	622,469
Total comprehensive income attributable to:			
Owners of the Company		636,485	587,378
Non-controlling interests		32,577	36,994
		669,062	624,372
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	8	RMB0.214	RMB0.191

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	530,615	551,309
Service concession arrangements	9	24,750,716	24,857,661
Prepaid land lease payments	9	314,250	330,522
Other intangible assets		83	333
Investments in joint ventures	10	738,443	231,526
Investments in associates	11	243,076	218,841
Available-for-sale investments		–	183,593
Financial assets at fair value through other comprehensive income	12	308,626	–
Loans to customers	13	679,828	605,193
Long term compensation receivables		32,488	39,930
Payments in advance		2,000	2,000
Deferred tax assets		598	7,251
Contract assets	14	302,055	–
Interests in land held for property development		165,148	165,148
Pledged deposits	17	15,000	1,258
Total non-current assets		28,082,926	27,194,565

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
CURRENT ASSETS			
Properties under development	15	1,519,918	1,468,570
Completed Properties held for sale	15	262,922	334,999
Inventories		27,246	36,887
Loans to customers	13	495,171	416,624
Trade and other receivables	16	1,098,778	2,014,201
Contract assets	14	572,108	–
Pledged deposits	17	25,519	80,636
Cash and cash equivalents	17	2,604,507	2,719,253
Total current assets		6,606,169	7,071,170
CURRENT LIABILITIES			
Tax payable		96,478	75,131
Trade and other payables	18	2,326,213	2,925,740
Due to customers for contract works		–	35,969
Dividend payables		251,128	4,399
Contract liabilities	14	51,608	–
Interest-bearing bank and other loans	19	1,284,417	2,560,050
Total current liabilities		4,009,844	5,601,289
NET CURRENT ASSETS		2,596,325	1,469,881
TOTAL ASSETS LESS CURRENT LIABILITIES		30,679,251	28,664,446

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	19	15,856,168	14,285,597
Deferred tax liabilities		6,970	6,036
Deferred income	18	113,640	88,100
Total non-current liabilities		<u>15,976,778</u>	<u>14,379,733</u>
Net assets		<u>14,702,473</u>	<u>14,284,713</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		3,058,060	3,058,060
Reserves		<u>11,227,785</u>	<u>10,836,014</u>
		14,285,845	13,894,074
Non-controlling interests		<u>416,628</u>	<u>390,639</u>
Total equity		<u>14,702,473</u>	<u>14,284,713</u>

Zhou Liming

Director

Gan Yongyi

Director

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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 financial assets, 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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2018

	Attributable to owners of the Company												
	Issued capital RMB'000	Share premium account RMB'000	Statutory reserve RMB'000	Difference arising from changes in non-controlling interests RMB'000	Fair value reserve (non-recycling) RMB'000	Available-for-sale investment reserve RMB'000	Merger difference RMB'000	Safety fund reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	3,058,060	2,654,601	4,860,257	(254,570)	-	30,961	(533,123)	7,710	32,820	4,037,358	13,894,074	390,639	14,284,713
Impact on initial application of HKFRS9 (note 2)	-	-	-	-	92,053	(30,961)	-	-	-	-	61,092	-	61,092
At 1 January 2018	3,058,060	2,654,601	4,860,257	(254,570)	92,053	-	(533,123)	7,710	32,820	4,037,358	13,955,166	390,639	14,345,805
Profit for the period	-	-	-	-	-	-	-	-	-	654,818	654,818	32,577	687,395
Other comprehensive loss for the period:													
Changes in fair value of financial assets, net of tax	-	-	-	-	(18,333)	-	-	-	-	-	(18,333)	-	(18,333)
Total comprehensive income for the period	-	-	-	-	(18,333)	-	-	-	-	654,818	636,485	32,577	669,062
Transfer from/(to) reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Establishment for safety fund surplus reserve	-	-	-	-	-	-	-	1,790	-	(1,790)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	-	-	-	(675)	-	675	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(6,588)	(6,588)
Final 2017 dividend declared	-	-	-	-	-	-	-	-	-	(305,806)	(305,806)	-	(305,806)
At 30 June 2018 (unaudited)	3,058,060	2,654,601*	4,860,257*	(254,570)*	73,720*	-*	(533,123)*	8,825*	32,820*	4,385,255*	14,285,845	416,628	14,702,473

* These reserve accounts comprise the consolidated reserves of RMB11,227,785,000 (31 December 2017: RMB10,836,014,000) 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 2018

		For the six months ended 30 June	
	Notes	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM			
OPERATING ACTIVITIES			
Profit before tax		868,067	786,937
Adjustments for:			
Finance costs	5	389,344	392,419
Share of profits and losses of joint ventures and associates		(21,152)	(25,031)
Reversal of bad debt provision	6	–	(1,268)
Depreciation	9	33,373	40,596
Amortisation of service concession arrangements	9	372,974	356,413
Amortisation of prepaid land lease payments	9	16,272	16,282
Amortisation of other intangible assets		250	250
Net losses on disposal and write-off of items of property, plant and equipment	6	543	244
Interest income	4	(22,256)	(24,232)
		1,637,415	1,542,610

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

	For the six months ended 30 June 2018	2017
<i>Notes</i>	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Additions to service concession arrangements	(256,963)	(146,941)
Additions to properties under development	(50,723)	(37,484)
Decrease in properties held for sale	72,077	118,996
Loan to customers	(383,498)	(200,000)
Repayment of loans to customers	230,316	363,744
Increase/(decrease) in deferred income	27,963	(4,274)
Decrease/(increase) in trade and other receivables and contract assets	40,218	(41,993)
Increase in amounts due from customers for contract works	–	(125,690)
Decrease/(increase) in inventories	9,641	(17,977)
Decrease in trade and other payables and contract liabilities	(567,857)	(955,914)
Cash from operations	758,589	495,077
Income tax paid	(159,012)	(126,350)
Interest received	2,052	10,285

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash flows from operating activities		<u>601,629</u>	<u>379,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(13,426)	(23,563)
Purchases of other intangible assets		-	(93)
Investment in a joint venture		(510,000)	(10,000)
Investment in financial assets at fair value through other comprehensive income		(75,000)	-
Proceeds from disposal of items of property, plant and equipment		204	1,827
Interest received		28,689	20,727
Decrease/(increase) in pledged deposits		<u>41,375</u>	<u>(65)</u>
Net cash flows used in investing activities		<u>(528,158)</u>	<u>(11,167)</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(417,490)	(394,220)
Proceeds from bank loans		2,339,872	1,395,000
Repayment of bank loans		(1,444,934)	(506,278)
Repayment of medium term notes		(600,000)	(200,000)
Dividends paid to owners of the Company		(59,077)	(130,645)
Dividends paid to non-controlling shareholders		(6,588)	(15,576)
Capital injection by non- controlling shareholders		-	28,110
		<u> </u>	<u> </u>
Net cash flows from/(used in) financing activities		<u>(188,217)</u>	<u>176,391</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

	For the six months ended 30 June 2018	2017
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(114,746)	544,236
Cash and cash equivalents at beginning of period	<u>2,719,253</u>	<u>3,893,078</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,604,507</u>	<u>4,437,314</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>2,549,507</u>	4,355,251
Non-pledged time deposits	<u>55,000</u>	<u>82,063</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	<u>2,604,507</u>	<u>4,437,314</u>
17		

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2018

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 2018 (the “Period”), the Sichuan Expressway Company Limited and its subsidiaries (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, Sichuan Communications Investment Group Company Limited (“SCI Group”) is the parent and the ultimate holding company of the Company, which is established in the PRC.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

2.1 BASIS OF PREPARATION

The 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 2017.

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 2017, except for the adoption of new standards, interpretations, and 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 2018.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014–2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

The adoption of these amendments to HKFRSs has had no significant financial effect on the financial position or performance of the Group.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the transition methods chosen, the Group recognised cumulative effect of the initial application of HKFRS 15 and HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

HKFRS 15 Revenue from Contracts with Customers

The Group has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at 1 January 2018 was recognised. However, as the presentation and disclosure requirements in HKFRS 15 are more detailed than those under HKAS 18, as required for the condensed interim financial statements, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to Note 4 for the disclosure of disaggregated revenue. In addition, upon adoption of HKFRS 15, the Group recognised revenue-related contract liabilities amounting to RMB154,239,000 for the unsatisfied performance obligation which were previously recognised as “Advances” under “Trade and other payables” and “Due to customers for contract works” amounting to RMB118,270,000 and RMB35,969,000, respectively, as at 1 January 2018.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (Continued)

The Group recognized revenue-related contract assets amounting RMB731,763,000 for the unsatisfied performance obligation which were previously recognized as “Trade and other receivables” amounting to RMB731,763,000 as at 1 January 2018.

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS39, Financial instruments: recognition and measurement. It sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group have applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group have recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39. The following table gives a summary of the opening balances adjustments recognised for each line item in the consolidated interim statement of financial position that has been impacted by HKFRS 9:

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments (Continued)

	As at 31 December 2017 <i>RMB'000</i>	Impact on initial application of HKFRS 9 reclassification <i>RMB'000</i>	Impact on initial application of HKFRS 9 remeasurement <i>RMB'000</i>	As at 1 January 2018 <i>RMB'000</i>
Available-for-sale investments	183,593	(183,593)	-	-
Financial assets at fair value through other comprehensive income	-	183,593	71,873	255,466
Available-for-sale investment valuation reserve	30,961	(30,961)	-	-
Fair value reserve	-	30,961	61,092	92,053
Deferred tax liabilities	-	-	10,781	10,781
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 2018 and 2017.

For the six months ended 30 June 2018

	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	1,784,532	443,757	780,056	86,747	84,212	3,179,304
SEGMENT RESULTS	752,005	49,957	57,799	4,325	50,037	914,123
<i>Reconciliation:</i>						
Interest income on bank deposits						13,599
Unallocated income and gains						22,925
Corporate and other unallocated expenses						<u>(82,580)</u>
Profit before tax						<u><u>868,067</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2017

	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	1,604,015	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						<u>(96,108)</u>
Profit before tax						<u><u>786,937</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 2018 and 31 December 2017.

30 June 2018

	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	26,398,351	1,749,538	220,501	1,978,309	1,388,744	31,735,443
<i>Reconciliation:</i>						
Financial assets at fair value through other comprehensive income						308,626
Pledged deposits						40,519
Cash and cash equivalents						<u>2,604,507</u>
Total assets						<u><u>34,689,095</u></u>
SEGMENT LIABILITIES	17,307,788	1,312,697	40,565	352,367	625,599	19,639,016
<i>Reconciliation:</i>						
Tax payable						96,478
Dividend payable						<u>251,128</u>
Total liabilities						<u><u>19,986,622</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

31 December 2017

	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	26,143,706	1,693,150	231,002	2,001,732	1,211,405	31,280,995
<i>Reconciliation:</i>						
Available-for-sale investments						183,593
Pledged deposits						81,894
Cash and cash equivalents						<u>2,719,253</u>
Total assets						<u><u>34,265,735</u></u>
SEGMENT LIABILITIES	17,903,966	1,119,164	23,434	350,493	504,435	19,901,492
<i>Reconciliation:</i>						
Tax payable						75,131
Dividend payable						<u>4,399</u>
Total liabilities						<u><u>19,981,022</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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Toll income		
– Chengyu Expressway	414,773	409,476
– Chengya Expressway	462,466	424,813
– Chengle Expressway	298,099	235,127
– Chengren Expressway	420,415	374,769
– Chengbei Exit Expressway and Qinglongchang Bridge	60,186	53,567
– Suiguangsuixi Expressway	135,815	112,710
	1,791,754	1,610,462
Less: Revenue taxes	(7,222)	(6,447)
Sub-total	1,784,532	1,604,015

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the six months ended 30 June	
	2018	2017
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue of property development	86,747	137,230
Revenue from operation of gas stations and petrochemicals and other oil products	780,056	1,102,747
Others	31,985	25,634
Sub-total	898,788	1,265,611
Services transferred over time		
Construction revenue in respect of:		
– Service concession arrangements	266,029	147,078
– Construction and maintenance works performed for other parties	177,728	558,204
Sub-total	443,757	705,282

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>3,127,077</u>	<u>3,574,908</u>
Timing of revenue recognition		
– At a point in time	<u>2,683,320</u>	<u>2,869,626</u>
– Over time	<u>443,757</u>	<u>705,282</u>
	<u>3,127,077</u>	<u>3,574,908</u>
Revenue from financial lease operation	<u>37,232</u>	<u>27,625</u>
Rental income	<u>14,995</u>	<u>17,843</u>
Total revenue	<u>3,179,304</u>	<u>3,620,376</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the six months ended 30 June	
	2018 <i>RMB'000</i> (Unaudited)	2017 <i>RMB'000</i> (Unaudited)
Other income and gains		
Interest income from bank deposits	13,599	13,463
Interest income from discounting long term compensation receivables	6,101	7,265
Interest income from construction contracts	2,556	3,504
Sub-total	<u>22,256</u>	<u>24,232</u>
Rental income	3,551	2,420
Government grants*	5,896	5,088
Compensation income	8,118	7,225
Reversal of bad debt provision	-	1,268
Compensation for breach of contract	-	14,987
Others	5,360	2,851
	<u>45,181</u>	<u>58,071</u>
Total revenue, other income and gains	<u><u>3,224,485</u></u>	<u><u>3,678,447</u></u>

* 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other loans	356,315	314,633
Interest on medium term notes	42,720	77,923
	399,035	392,556
Less: Interest capitalised in respect of:		
– Service concession arrangements (<i>note 9(c)</i>)	(9,066)	(137)
– Properties under development (<i>note 15</i>)	(625)	–
	389,344	392,419
Interest rate of borrowing costs capitalised	4.35%–6.18%	3.915%

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Construction costs in respect of:		
– Service concession arrangements*	266,029	134,426
– Construction works performed for third parties*	110,430	458,693
Cost of sales of refined oil and chemical products	697,815	1,023,988
Cost of real estate	72,077	118,996
Depreciation and amortisation expenses (<i>note 9</i>)	422,619	413,291
Amortisation of other intangible assets	250	250
Employee benefit expenses	248,256	266,378
Repairs and maintenance expenses	66,167	23,395
Auditor's remuneration	460	460
Minimum lease payments under operating leases:		
Land and buildings	11,650	11,602
Reversal of bad debt provision	–	(1,268)
Net losses on disposal and write-off of items of property, plant and equipment	543	244
	543	244

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

6. PROFIT BEFORE TAX (CONTINUED)

- * During the Period, employee costs of RMB8,106,000 (six months ended 30 June 2017: RMB21,034,000) and depreciation charge of RMB294,000 (six months ended 30 June 2017: RMB1,668,000) 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charged for the period	174,078	163,676
Underprovision in prior years	6,281	225
Deferred	313	567
	<hr/>	<hr/>
Total tax charge for the period	<u>180,672</u>	<u>164,468</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)

The share of tax attributable to associates amounting to RMB6,878,000 (six months ended 30 June 2017: RMB7,463,000) 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 RMB654,818,000 (six months ended 30 June 2017: RMB585,475,000) and the number of ordinary shares of 3,058,060,000 (six months ended 30 June 2017: 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 2017 and 2018 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	Service concession arrangements	Prepaid land lease payments
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Carrying amounts at beginning of the Period	551,309	24,857,661	362,916
Additions	13,426	266,029	-
Disposals	(747)	-	-
Depreciation/amortisation charged for the Period	<u>(33,373)</u>	<u>(372,974)</u>	<u>(16,272)</u>
Carrying amounts at end of the Period	530,615	24,750,716	346,644
Portion classified as current assets	<u>-</u>	<u>-</u>	<u>(32,394)</u>
Non-current portion	<u><u>530,615</u></u>	<u><u>24,750,716</u></u>	<u><u>314,250</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 2018 and 31 December 2017, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 19 (a)):

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Chengle Expressway	1,890,230	1,662,398
Chengren Expressway	6,897,268	6,976,716
Suiguang-Suixi Expressways	12,136,747	12,223,497
	<u>20,924,245</u>	<u>20,862,611</u>

- (b) During the Period, the Group was in the construction of the expansion project of Chengle Expressway. Total construction costs and borrowing costs of RMB266,029,000 (six months ended 30 June 2017: RMB134,426,000) were incurred, among which RMB266,029,000 (six months ended 30 June 2017: RMB122,459,000) 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 RMB266,029,000 (six months ended 30 June 2017: RMB147,078,000) was recognised in respect of the construction service provided by the Group for the expansion project of Chengle Expressway using the input method during the Period. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the completion of the upgrade projects and commencement of operation.

(c) Additions to service concession arrangements during the Period include interest capitalised in respect of bank loans amounting to RMB9,066,000 (six months ended 30 June 2017: RMB137,000) (note 5).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

10. INVESTMENTS IN JOINT VENTURES

	30 June	31 December
	2018	2017
	RMB'000	<i>RMB'000</i>
	(Unaudited)	
Share of net assets	<u>738,443</u>	<u>231,526</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
Sichuan Tianyi United Investment and Development Company Limited	51	Project investment

* 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Share of net assets	252,239	228,004
Provision for impairment	(9,163)	(9,163)
	<u>243,076</u>	<u>218,841</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")	9.997	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. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Listed equity investments, at fair value	61,100	–
Unlisted equity investments, at fair value	<u>247,526</u>	<u>–</u>
	<u>308,626</u>	<u>–</u>

The listed equity investments represent the Group's investments in enterprises domiciled in Mainland China. 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. The Group does not intend to dispose of them in the near future.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

13. LOANS TO CUSTOMERS

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

30 June 2018

	Net lease receivables <i>RMB'000</i>	Unearned finance income <i>RMB'000</i>	Total gross lease receivables <i>RMB'000</i>
Amounts receivable:			
– Within one year	495,171	55,926	551,097
– In the second year	389,555	28,628	418,183
– In the third to fifth years, inclusive	<u>290,273</u>	<u>16,364</u>	<u>306,637</u>
Total	<u><u>1,174,999</u></u>	<u><u>100,918</u></u>	<u><u>1,275,917</u></u>
Portion classified as current assets	<u>(495,171)</u>		
Non-current portion	<u><u>679,828</u></u>		

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

13. LOANS TO CUSTOMERS (CONTINUED)

31 December 2017

	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	416,624	49,103	465,727
– In the second year	312,520	27,819	340,339
– In the third to fifth years, inclusive	<u>292,673</u>	<u>18,467</u>	<u>311,140</u>
Total	<u>1,021,817</u>	<u>95,389</u>	<u>1,117,206</u>
Portion classified as current assets	<u>(416,624)</u>		
Non-current portion	<u>605,193</u>		

At 30 June 2018, the Group has pledged lease receivables of RMB41,749,000 (31 December 2017: nil) to secure bank loans granted to the Group (note 19 (a)). The loans to customers were secured by the collateral provided by the lessees including specific equipment or assets.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

14. CONTRACT ASSETS/LIABILITIES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Contract assets	<u>874,163</u>	<u>–</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

Movement in the contract assets and the contract liabilities balances during the six months ended 30 June 2018 are as follows:

Contract assets:

	30 June 2018 RMB'000 (Unaudited)
As at 1 January 2018	–
Reclassification from trade and other receivables	731,763
Rights of consideration for works amplitude but not yet billed	<u>142,400</u>
As at 30 June 2018	874,163
Portion classified as non-current assets	<u>(302,055)</u>
Current portion	<u>572,108</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

14. CONTRACT ASSETS/LIABILITIES (CONTINUED)

Contract liabilities:

	30 June 2018 RMB'000 (Unaudited)
As at 1 January 2018	–
Reclassification from advance from pre-sale of properties under trade and other payables	118,270
Reclassification from amounts due to customers for contract works	35,969
Decrease due to consideration for works amplitude	(10,238)
Decrease due to revenue recognised from sale of properties during the period	(92,393)
	<hr/>
As at 30 June 2018	51,608 <hr/> <hr/>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

15. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Properties under development		
Land costs	1,381,132	1,381,132
Development costs	138,786	87,438
	<u>1,519,918</u>	<u>1,468,570</u>
Properties held for sale		
Land costs	56,480	74,141
Development costs	206,442	260,858
	<u>262,922</u>	<u>334,999</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 2018, properties under development were expected to be completed or realised within normal operating cycle. Land use right of properties under development of RMB360,500,000 (31 December 2017: nil) was pledged to secure bank loan granted by Bank of Chengdu (note 19 (a)). Interest expenses capitalised as part of properties under development by the Group during the Period was RMB625,000 (six months ended 30 June 2017: nil) (note 5).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

16. TRADE AND OTHER RECEIVABLES

		30 June	31 December
		2018	2017
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Current portion:			
Trade receivables			
Trade receivables		794,761	1,611,678
Impairment		—	—
Trade receivables, net	(a)	794,761	1,611,678
Other receivables			
Other receivables	(b)	256,677	360,954
Impairment		(106,722)	(106,722)
Other receivables, net		149,955	254,232
Deposits		57,033	57,506
Prepayments		97,029	90,785
Other receivables, net		304,017	402,523
Total trade and other receivables		<u>1,098,778</u>	<u>2,014,201</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

16. 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 2018, trade receivables of RMB716,668,000 (31 December 2017: RMB1,375,622,000) were to be settled by instalments within two to seven years upon completion of the relevant construction works and bore interest at rates ranging from 4.75% to 14.98% (2017: 4.75% 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Within 3 months	49,805	285,048
3 to 6 months	75,728	113,483
6 to 12 months	138,216	279,915
Over 1 year	531,012	933,232
	794,761	1,611,678

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

16. 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Neither past due nor impaired	<u>794,761</u>	<u>1,611,678</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.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

16. 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Interest receivables on temporary advances	32,039	31,535
Long term compensation receivables to be received within one year	7,442	6,532
Toll income receivables	27,824	131,878
Interest income from pledged deposits	5,400	14,389
Deductible input value added tax	33,700	28,779
Miscellaneous	150,272	147,841
	<u>256,677</u>	<u>360,954</u>

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)

16. 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Fellow subsidiaries under common control of SCI Group		
– Trade receivables	1,150	1,049
– Other receivables	2,190	2,897
– Prepayments	5,813	5,903
	9,153	9,849

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Cash and bank balances	2,549,507	2,654,253
Time deposits	95,519	146,894
	2,645,026	2,801,147
Less: non-current portion of pledged time deposits for:		
– Expansion project of Chengle Expressway	15,000	–
– Construction of road projects	–	1,258
Sub-total	15,000	1,258
Less: current portion of pledged time deposits for:		
– Bidding of the construction of Chengren Expressway (“Chengren Expressway BOT Project”)	12,011	11,945
– Construction of road projects	13,508	12,241
– Bank loans (<i>note 19 (a) (ii)</i>)	–	56,450
Sub-total	25,519	80,636
Cash and cash equivalents	2,604,507	2,719,253

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

18. TRADE AND OTHER PAYABLES

		30 June	31 December
		2018	2017
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	
<i>Current portion:</i>			
Trade payables	(a)	127,062	165,441
Other payables	(b)	2,123,290	2,668,406
Accruals	(c)	64,280	82,735
Deferred income		11,581	9,158
		<u>2,326,213</u>	<u>2,925,740</u>
<i>Non-current portion:</i>			
Deferred income		<u>113,640</u>	<u>88,100</u>
		<u>2,439,853</u>	<u>3,013,840</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

18. 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Within 3 months	75,008	102,388
3 to 6 months	11,396	4,746
6 to 12 months	12,242	30,669
Over 1 year	28,416	27,638
	127,062	165,441

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

18. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

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

		30 June 2018	31 December 2017
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Advances		21,846	220,044
Payroll and welfare payable		43,779	109,778
Taxes and surcharge payables		24,487	27,701
Progress billing payables	(i)	1,292,798	1,505,060
Retention payables	(ii)	356,669	440,205
Deposits	(ii)	162,137	180,907
Others		221,574	184,711
		<u>2,123,290</u>	<u>2,668,406</u>

Notes:

- (i) Balance as at 30 June 2018 include progress billing payables of RMB1,008,632,000 (31 December 2017: RMB1,205,803,000) in respect of the construction of the Suiguang-Suixi Expressways BOT Project.
- (ii) Retention payables and deposits in aggregate of RMB257,267,000 (31 December 2017: RMB379,255,000) in respect of the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project, including performance guarantee deposits of approximately RMB12,192,000 (31 December 2017: RMB12,870,000) received from subcontractors, bear interest at a rate of 0.35% (31 December 2017: 0.35%) per annum.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

18. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (Continued)

- (c) The balance as at 30 June 2018 consisted of interest accrued in respect of medium term notes of RMB46,147,000 (31 December 2017: RMB55,250,000) and interest-bearing bank loans of RMB18,133,000 (31 December 2017: RMB27,485,000).
- (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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Fellow subsidiaries under common control of SCI Group		
– Trade payables	8,329	65,497
– Other payables	1,011,793	1,208,430
	1,020,122	1,273,927

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)

19. INTEREST-BEARING BANK AND OTHER LOANS

		30 June	31 December
		2018	2017
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	
Bank loans:			
Secured and guaranteed	(a)	106,400	1,106,400
Secured	(a)	11,515,685	11,350,747
Unsecured		2,880,000	1,150,000
Medium term notes	(b)	2,500,000	3,100,000
Other loans, unsecured	(c)	138,500	138,500
		17,140,585	16,845,647
Portion classified as current liabilities		(1,284,417)	(2,560,050)
Non-current portion		15,856,168	14,285,597

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)

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

Notes:

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

		30 June	31 December
		2018	2017
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
		<i>(Bank loans amount)</i>	
Secured by concession rights of:	9(a)		
Chengle Expressway	(i)	106,400	106,400
Chengren Expressway		3,209,503	3,221,747
Suiguang-Suixi Expressways		8,210,000	8,129,000
		11,525,903	11,457,147
Secured by pledged time deposits (<i>note 17</i>)	(ii)	-	1,000,000
Secured by loan to customers	13	36,182	-
Secured by land use right	15	60,000	-
		11,622,085	12,457,147

- (i) The bank loans were also guaranteed by Sichuan Highway Development Holding Company ("Sichuan Highway Development") for nil consideration (note 23(c)).
- (ii) As at 31 December 2017, time deposits of RMB56,450,000 was pledged to China Construction Bank Chengdu Xinhua Branch to counter guarantee the Group's bank loan of RMB1,000,000,000 granted by China Construction Bank (Hong Kong), which had been fully released upon repayment of the bank loan on 29 March 2018.

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

Notes: (continued)

- (b) At 30 June 2018, the Company had three (31 December 2017: four) tranches of outstanding medium term notes totalling RMB2.5 billion (31 December 2017: RMB3.1 billion) issued to domestic institutional investors participating in the PRC interbank debt market. The coupon interest rates for the medium term notes ranged from 3.56% to 6.30% (31 December 2017: 3.56% to 6.30%) per annum. The medium term notes were all issued at a par value of RMB100 per unit, and will be repaid after five years since the respective date of issuance.
- (c) Other loans mainly consisted of unsecured shareholder loans of RMB138,500,000 (31 December 2017: RMB138,500,000) granted to the Group by a non-controlling shareholder and bearing interest at a rate of 4.75% (31 December 2017: 4.28%) per annum (note 23(f)).

20. DIVIDENDS

At a meeting of the board of directors held on 28 August 2018, the directors of the Company resolved not to pay an interim dividend to shareholders (six months ended 30 June 2017: Nil).

The proposed final dividend of RMB0.100 per ordinary share for the year ended 31 December 2017 (2016: RMB0.110) was declared during the Period and fully paid on 14 August 2018.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

21. 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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within one year	2,442	2,442
In the second to fifth years, inclusive	3,267	3,725
After five years	<u>-</u>	<u>1,984</u>
	<u>5,709</u>	<u>8,151</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

21. 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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 <i>RMB'000</i>	31 December 2017 <i>RMB'000</i>
Within one year	27,521	25,727
In the second to fifth years, inclusive	90,105	84,901
After five years	110,150	124,076
	227,776	234,704

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21 above, the Group had the following commitments at the end of the reporting period:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Contracted, but not provided for:		
Service concession arrangements	1,254,423	1,286,630
Capital contributions payable to equity investments	<u>-</u>	<u>585,000</u>
	<u>1,254,423</u>	<u>1,871,630</u>

23. RELATED PARTY TRANSACTIONS

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

- (a) During the Period, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a subsidiary under common control of 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 RMB7,336,000 (six months ended 30 June 2017: RMB6,609,000).
- (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 nil (six months ended 30 June 2017: 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 2018, the Group's bank loans aggregating RMB106,400,000 (31 December 2017: RMB106,400,000) were guaranteed by Sichuan Highway Development (note 19(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 2017: 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.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

- (e) During the Period, a fellow subsidiary under common control of SCI Group was engaged by the Group to provide construction and maintenance works of Suiguang-Suixi Expressways. The transaction price was determined according to the market rates for similar service. Construction and maintenance costs recognised by the Group for such services amounted to RMB1,094,000 (six months ended 30 June 2017: RMB8,979,000).
- (f) At 30 June 2018, 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 2017: RMB138,500,000). These balances are unsecured, with interest rate at 4.75% per annum. In addition, Renshou Landmark had outstanding interest expenses payable to Trading Landmark amounted RMB3,308,000 (31 December 2017: RMB687,000).
- (g) During the period, a fellow subsidiary under common control of SCI Group engaged by the Group to provide construction and maintenance works. Construction and maintenance cost recognised by the Group for such services amounted to RMB186,261,000 (six months ended 30 June 2017: nil).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fees	<u>160</u>	<u>160</u>
Other emoluments:		
Salaries, allowances and benefits in kind	2,500	1,392
Pension scheme contributions	200	187
Supplementary pension scheme contributions	<u>89</u>	<u>89</u>
	<u>2,789</u>	<u>1,668</u>
Total compensation paid to key management personnel	<u><u>2,949</u></u>	<u><u>1,828</u></u>

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000
Financial assets:				
Pledged deposits, non-current portion	15,000	1,258	15,000	1,258
Long-term compensation receivables, non-current portion	32,488	39,930	32,488	39,930
Loans to customers, non-current portion	679,828	605,193	679,828	605,193
Available-for-sale investments, listed equity investments	-	67,611	-	67,611
Financial assets at fair value through other comprehensive income	308,626	-	308,626	-
	<u>1,035,942</u>	<u>713,992</u>	<u>1,035,942</u>	<u>713,992</u>
Financial liabilities:				
Interest-bearing bank and other loans, non-current portion:				
- Bank loans	13,217,668	11,647,097	11,601,209	10,596,863
- Medium term notes	2,500,000	2,500,000	2,374,124	2,385,008
- Other loans	138,500	138,500	128,602	131,340
	<u>15,856,168</u>	<u>14,285,597</u>	<u>14,103,935</u>	<u>13,113,211</u>

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

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade and 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.

Financial assets of unlisted equity investments at fair value through other comprehensive income were measured at fair value using a discounted cash flow approach which is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability or recent transaction prices.

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 2017: Nil).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy

Assets measured at fair value:

	Fair value measurement using			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 2018				

Financial assets:

Financial assets at fair value through
other comprehensive income:

- Listed equity investments	61,100	-	-	61,100
- Unlisted equity investments	-	-	247,526	247,526
	<u>61,100</u>	<u>-</u>	<u>247,526</u>	<u>308,626</u>

As at 31 December 2017

Financial assets:

Available-for-sale investments,
listed equity investments

	<u>67,611</u>	<u>-</u>	<u>-</u>	<u>67,611</u>
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INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

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

As at 30 June 2018

Financial assets:

Pledged deposits, non-current portion	-	15,000	-	15,000
Long term compensation receivables, non-current portion	-	-	32,488	32,488
Loan to customers, non-current portion	-	-	679,828	679,828
	-	15,000	712,316	727,316

As at 31 December 2017

Financial assets:

Pledged deposits, non-current portion	-	1,258	-	1,258
Long term compensation receivables, non-current portion	-	-	39,930	39,930
Loan to customers, non-current portion	-	-	605,193	605,193
	-	1,258	645,123	646,381

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total <i>RMB'000</i> (Unaudited)
	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 2018				
Financial liabilities:				
Interest-bearing bank and other loans	-	-	14,103,935	14,103,935

As at 31 December 2017

Financial liabilities:

Interest-bearing bank and other loans	-	-	13,113,211	13,113,211
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25. CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities.

26. EVENTS AFTER THE REPORTING PERIOD

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

27. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved and authorised for issue by the board of directors on 28 August 2018.

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 2018, THE COMPANY HAD A TOTAL OF 65,080 SHAREHOLDERS, INCLUDING 64,813 HOLDERS OF A SHARES AND 267 HOLDERS OF H SHARES.**
- III. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2018, the interests and short positions of the Shares and underlying shares of the Company held by substantial Shareholders or other persons (other than the Directors, Supervisors and chief executives of the Company) as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

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

Name	Type of Shares	Long position/ short position	Number of the Company's Shares held	Approximate percentage in the total issued share capital of the Company	Approximate Percentage in the share capital of A Shares/ H Shares	Capacity
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 2018, 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 (bond name: 16 Chengyu 01; bond code: 136493) has been listed on SSE on 11 July 2016 and will expire on 17 June 2021. As at 30 June 2018, the Company has paid the interest for two years in full in respect of its bond named "16 Chengyu 01" according to schedule.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at 30 June 2018, 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	Capacity
				percentage in the total issued share capital of the Company	percentage in the share capital of A Shares/H Shares	
Zhou Liming	A Shares	Long position	50,000	0.0016%	0.0023%	Beneficial owner
Gan Yongyi	A Shares	Long position	50,000	0.0016%	0.0023%	Beneficial owner
Wang Shuanming	A Shares	Long position	5,100	0.0002%	0.0002%	Beneficial owner
Luo Maoquan	A Shares	Long position	10,000	0.0003%	0.0005%	Beneficial owner

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, there were no changes in the Directors, Supervisors and senior management of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW AND ANALYSIS

(i) Results overview

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects, and carries out diversified operations which are highly relevant to our principal business. Its businesses cover five major segments, namely, the “toll roads and bridges”, “financial investment”, “city operation”, “energy investment” and “culture, tourism and healthcare”. In the first half of 2018, the Group insisted on making progress while maintaining stability and making breakthroughs in innovations, capitalized on opportunities and forged ahead, thus achieving sustained and healthy operation and development. The Group divested its road construction assets with lower gross margins in October 2017, which resulted in the significant decrease in consolidated revenue of the construction business. Meanwhile, The Group did not carry out sales of chemical products in the Reporting Period. As a result, the total revenue of the Group witnessed a year-on-year decrease in the Reporting Period. However, thanks to the natural growth in vehicle traffic as driven by the regional economic development along the Group’s expressways, as well as the vigorous implementation of refined management and measures for increasing revenue and saving expenditures by the Company, the toll income and profit of the Group maintained a growing momentum, effectively promoted the steady improvement in the operating results of the Group during the Reporting Period and reinforced the predominant position of the “toll roads and bridges” segment in the Group’s diversified development strategy. At the same time, the management of the

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Group, centering on its business goals, devoted more efforts in pipeline projects, investment and construction as well as capital operation, and constantly enhanced the competitiveness and development capabilities of the business segments of the Company, striving to expand the room for development of the Company and drive the sustainable high-quality development of the Group.

During the Reporting Period, the net revenue of the Group amounted to approximately RMB3,179,304,000, representing a decrease of approximately 12.18% year-on-year, among which the net toll income amounted to approximately RMB1,784,532,000, up approximately 11.25% year-on-year; the net revenue from construction contracts amounted to approximately RMB443,757,000, down approximately 37.08% 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 RMB780,056,000, representing a decrease of approximately 29.26% year-on-year; the net revenue from sale of properties newly recognized amounted to approximately RMB86,747,000. Other income and gains amounted to approximately RMB45,181,000, down approximately 22.2% year-on-year. The profit attributable to the owners of the Company was approximately RMB654,818,000, representing an increase of 11.84% year-on-year. Basic earnings per Share was approximately RMB0.214 (the same period of 2017: approximately RMB0.191). As at 30 June 2018, the Group's total assets amounted to approximately RMB34,689,095,000 and net assets amounted to approximately RMB14,702,473,000.

MANAGEMENT'S 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 2017	(%)		Period in 2017	(%)	
Chengyu Expressway	100	27,735	21,204	30.80%	414,773	409,476	1.29%
Chengya Expressway	100	41,051	38,259	7.30%	462,466	424,813	8.86%
Chengren Expressway	100	39,085	34,940	11.86%	420,415	374,769	12.18%
Chengle Expressway	100	37,102	34,319	8.11%	298,099	235,127	26.78%
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	59,335	49,317	20.31%	60,186	53,567	12.36%
Suiguang Expressway	100	6,388	5,431	17.62%	91,027	76,445	19.08%
Suixi Expressway	100	2,903	2,461	17.98%	44,788	36,265	23.50%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the toll income (before deduction of turnover taxes) of the Group was approximately RMB1,791,754,000, representing an increase of approximately 11.26% as compared with the same period last year. The percentage of the toll income (after deduction of turnover taxes) in the Group's revenue was approximately 56.36%, representing an increase of approximately 11.88 percentage points as compared with the same period last year. During the Reporting Period, the following factors constituted combined effects on the overall operating performance of the Group's expressways:

(1) Economic factors

In the first half of 2018, China continued its generally stable and favourable economic growth momentum. Meanwhile, as the structural adjustment was further deepened, the economy is developing in a positive direction. The gross domestic product (GDP) for the first half amounted to RMB41,896.1 billion, representing a year-on-year increase of 6.8%¹. During the Reporting Period, Sichuan Province achieved a regional GDP of approximately RMB1,832.701 billion, representing a year-on-year increase of 8.2%, which is 1.4 percentage points higher than the national average level. Other major economic indicators for the province also fared better than the national average. The provincial economy grew steadily, achieving improvements while maintaining stability². The sound economic environment has led to an

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

increase in demand for regional transportation, especially for freight transportation. Most of the toll road projects of the Group recorded some increase in traffic flow as compared with the same period of last year.

(2) Policy factors

During the Reporting Period, the Group's toll revenue growth was impacted to a certain degree due to the following factors: the continued implementation of policies including the toll-free policy for small passenger cars during holidays, easy access for fresh green products and 5% discount policy of Sichuan Expressway Electronic Toll Collection System("ETC"), the proactive promotion of the environmentally-friendly rail transport to substitute road transport across the nation, as well as the overload and over-limit control on expressways in Sichuan Province in a more comprehensive and deepened manner.

(3) Regional development factors

With the gradually well-established infrastructure in the Tianfu New District and rapid progress of construction of Xinglong Lake, the mobile population in such area is increasing, which promoted the growth in traffic flow of Chengren Expressway. Meanwhile, the construction of Chengdu Tianfu International Airport, together with the operation of Jianyang Xincheng Industrial Development Zone and the large-scale e-commerce enterprises surrounding Jianyang, injected vitality to the freight transportation market, which in turn stimulated the increase in the truck flow of Chengren, Chengle and Chengyu Expressways. On 30 March 2018, the ceremony

was held for simultaneous commencement of construction of 40 key projects in Meishan and 62 key projects in Leshan, which motivated the logistic market and resulted in a significant year-on-year increase in the truck flow of Chengle Expressway.

(4) Factors in road network changes and road construction

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

Chengyu Expressway: On 2 January 2018, Sichuan Section of Chengdu-Anyue-Chongqing Expressway started to collect toll on trial basis, causing certain vehicles to return to Chengyu Expressway, which resulted in an increase in the traffic flow of Chengyu Expressway. From 31 October 2017 to 31 January 2018, the Shiqiao Toll Station along Chengyu Expressway was closed for construction, causing the vehicles proposed to go through the Chengdu-Jianyang Express Line and Xiongzhou Avenue to take a detour through other surrounding road networks (including the extension of Chengdu-Jianyang Expressway as well as Shiyang Road), which resulted in diversion of traffic flow from Chengyu Expressway to a certain extent..

Chengle Expressway: On 1 January 2018, Leshan Beltway and Jiangyang-Pujiang Expressway were open to traffic for free, which drove the short-distance traffic

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

flow of Chengle Expressway since they are connected with Chengle Expressway. From February 2018 to 30 June 2018, as the line from the south of Jiajiang to Jiepai Yushizui along Leshan-Ya'an Expressway was closed for construction, the trucks heading for Chengdu or Emei through Jiajiang were forced to take a detour through the Suji Toll Station along Leya Expressway and the Leshan Toll Station along Chengle Expressway. As they travel longer distance through Chengle Expressway more toll was collected accordingly.

Chengya Expressway and Chengren Expressway: On 1 January 2018, Jianyang-Pujiang Expressway was open to traffic for free, which drove traffic flow of Chengya and Chengren Expressways since they are connected with Chengya and Chengren Expressways. Since 10 April 2018, the commencement of pavement revamp for Chengdu Beltway has diverted the traffic flow of Chengya and Chengren Expressways to a certain extent. On 31 December 2017, the opening of Ya'an-Kangding Expressway drove up the traffic flow of Chengya Expressway. On 18 March 2018, the opening of the extension of Line 1 of Chengdu Metro to Xinglong Lake diverted the traffic flow of Chengren Expressway to a certain degree.

Chengbei Exit Expressway: From October 2016 to July 2018, the extension and renovation of Chengdu-Pengzhou Expressway diverted some vehicles to Chengbei exit expressway.

(III) Operations of the Group's Diversified businesses

“City Operation” segment: Relying on the expertise and experience accumulated over the years in construction projects, and using capital advantage, location advantage and brand advantage, the Group has made great efforts to expand the investment and construction of highway projects, urban infrastructure and real estate development along the expressways, so as to promote the extension of the upstream and downstream industries and increase the overall profit of the Group. In the first half of 2018, the operating income of the Group's city operation segment amounted to approximately RMB275,576,000 (the first half of 2017: RMB392,174,000), representing a decrease of approximately 29.73% from the same period last year. Among them, the BT project (including PPP project) achieved operating income of approximately RMB188,829,000 (the first half of 2017: RMB254,944,000), representing a decrease of approximately 25.93% from the same period last year; real estate projects achieved operating income of approximately RMB86,747,000 (the first half of 2017: RMB137,230,000), representing a decrease of approximately 36.79% from the same period last year.

“Energy Investment” segment: Energy Investment is the Group's rapidly growing business in recent years, mainly related to the gas station business along the Group's expressways and the assets, service areas, advertising management, and other businesses along the Group's expressways. In the first half of 2018, the Group recorded a net revenue of approximately RMB780,056,000 (the first half of 2017: RMB1,102,747,000)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

from operation of gas stations along the expressways and sales of other oil products, representing a year-on-year decrease of approximately 29.26% from the same period last year; and a net revenue of RMB46,980,000 (the first half of 2017: RMB43,477,000) from advertising, assets leasing and chain supermarket in the service zones along the expressways, representing a year-on-year increase of approximately 8.06%.

“Financial Investment” segment: Financial investment is the Group’s business based on the principle of combining industry and finance, aiming at transferring the Group’s credit advantage and product advantage into financial advantage. Taking a combination of measures to obtain low-cost capital, the Group also will deepen its cooperation with professional investment management institutions, make good use of equity investment function, adopt the development model of “finance driven by industry and contributing to the growth of industry”, and integrate industrial capital and finance capital through multiple ways and across multiple levels to expand industrial and financial business. At present, the Company made great efforts to create an “industry-finance integration” financial investment segment and achieved remarkable results. It has created an efficient and professional capital operation team and formed a relatively complete financial ecosystem along the transportation industry chain. The business scope covers industrial funds, merger and acquisition funds, financing leasing, equity investment, banking, trusts and other segments. During the Reporting Period, the operating income of the Group’s Financial Investment segment amounted to approximately RMB37,232,000 (the first half of 2017: RMB27,625,000), representing an increase of approximately 34.78% over the same period last year.

“Culture, Tourism and Healthcare” segment: Culture, Tourism and Healthcare segment is a new business established by the Company in accordance with the revised “Thirteenth Five-Year” strategic plan. In the future, relying on the advantages of expressway resources, the Company will also tentatively grope after the investment, development and operation of high-quality education, tourism resources and health and elderly care industry, which will include the key projects such as scenic spots development, traffic tourism, self-drive tour camp, characteristic towns, kindergarten and early childhood education, and K12 education in an order of tourism, education, health care and elderly care. In addition, the Company will explore the profitable healthcare industry and other business to achieve coordinated development of industries and cultivate new profit growth drivers.

(iv) The major investment and financing projects of the Group

(1) 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 of Sichuan Expressway Company Limited 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 Company proposed to make a non-public issuance of no more than 611,612,000 A Shares to SCI, the controlling shareholder of the Company, and raised funds of a total amount of no more than RMB3,500 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In order to ensure the smooth progress of the non-public issuance and in light of the actual conditions of the Company, the 12th meeting of the sixth session of the Board of the Company held on 18 September 2017 considered and approved the Resolution on Adjusting the Scheme of Non-public Issuance of Shares by the Company and other resolutions, pursuant to which, the pricing benchmark date of the non-public issuance fixed on the first date of the issuance period. The issue price equalled 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. If the issue price determined pursuant to the above pricing principles is higher than the audited net asset per Share of RMB4.54 of the Company in 2016, the issue price of the non-public issuance of the Company will be the issue price determined pursuant to the above pricing principles. If the issue price determined pursuant to the above pricing principles is lower than the audited net asset per Share of RMB4.54 of the Company in 2016, the issue price of the non-public issuance of the Company will be RMB4.54 per Share. The average trading price of A Shares during the 20 trading days prior to the pricing benchmark date = the total trading amount of A Shares traded during the 20 trading days prior to the pricing benchmark date \div the total volume of A Shares traded during the 20 trading days prior to the pricing benchmark date. Except for the aforementioned adjustments, the rest of the scheme of non-public issuance of Shares by the Company will remain unchanged.

As at the end of the reporting period, the non-public issuance was approved by the State-owned Assets Supervision and Administration Commission of Sichuan Province, was considered and approved at the Company's general meeting and class meeting, and was granted the whitewash waiver by the Executive of the Securities and Futures Commission of Hong Kong. The non-public issuance of A Shares of the Company will be subject to the approval by the CSRC, and there are still uncertainties as to whether such approval can be obtained. The Company will proactively push forward relevant work, and fulfill its information disclosure obligations in due course based on the progress of approval by the CSRC and in strict accordance with relevant laws and regulations and the requirements of the announcement guidelines. Investors are advised to be aware of investment risks.

(2) 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 for implementing Qinglongchang – Meishan trial section project for expansion construction of Chengle Expressway (the "Trial Section") was considered and approved. 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 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 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 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). On 30 October 2017, the Company held the third extraordinary general meeting for 2017, at which the investment in the project was considered and approved. Chengle Company, a wholly-owned subsidiary of the Company, entered into the Investment Agreement on Expansion Construction Project for G0512 Chengdu to Leshan Expressway (《G0512線成都至樂山高速公路擴容項目投資協議》) and the Concession Agreement on Expansion Construction Project for G0512 Chengdu to Leshan Expressway (《G0512線成都至樂山高速公路擴容項目特許權協議》) with the People's Government of Chengdu, People's

Government of Meishan and People's Government of Leshan. 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. From the commencement date of construction to 30 June 2018, an accumulated investment of approximately RMB1,021 million had been invested in the Chengle Expressway Expansion Construction Project, accounting for approximately 4.41% of the estimated total investment of the project.

(3) Establishment of Tianyi United Company

On 16 October 2017, the general manager's office meeting of the Company considered and approved the proposal for the joint establishment of Tianyi United Company with Chengdu Communications Investment Group Co., Ltd ("CCI") and China Railway Chengdu Group Co., Ltd ("Chengdu Railway Bureau"). On 24 October 2017, the Company entered into the Investor Agreement with CCI and Chengdu Railway Bureau, pursuant to which the registered capital of Tianyi United Company was RMB1 billion. The Company, CCI and Chengdu Railway Bureau contributed RMB510 million, RMB440.5 million and RMB49.5 million, respectively, each holding 51%, 44.05% and 4.95% of the equity interests in Tianyi United Company, respectively. On 19 January 2018, Tianyi United Company completed the industrial and commercial registration with the Administration for Industry and Commerce of Tianfu New District (Chengdu Area), Sichuan Province.

(4) Renshou County Chengbei New City Real Estate Project

On 30 January 2013, the general manager's office meeting of the Company considered and approved the proposal in relation to bidding for 3 state-owned construction land use rights at Chengbei New City, Renshou County, Meishan City, Sichuan Province to invest and develop real estate project. On 22 February 2013, the Company won the bid for the land use rights of such land, involving a land area of 235,558.10 square meters, and the transaction price was RMB920,160,000. In May of the same year, Renshou Property Company was established, fully responsible for the development and construction of Renshou County Chengbei New City Real Estate Project. On 15 May 2014, Renshou Property Company once again won 5 state-owned construction land use rights, involving a land area of 194,810.52 square meters, and the transaction price was RMB787,100,000. At present, the sale and delivery of the real estate project, namely, Beichengshidai (Phase I) has substantially completed; for the Beichengshidai (Phase II), the Land A project construction is steadily pressed ahead and presale has been carried out. As of 30 June 2018, the sales revenue (after tax) achieved from the projects for the Reporting Period was approximately RMB86,747,000, and the accumulative sales revenue (after tax) of the projects amounted to approximately RMB458,632,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Name of project	Location	Commencement time	Construction progress	Completion time	Usage	Percentage as	
						Site area and floor area	owned by the Group
Beichengshidai (Phase I)	Central Business Avenue, Wenlin Town, Renshou County	31 October 2014	Completed	December 2017	Residential, commercial and parking lots	Site area: 34,167.31 square meters Construction area: 195,883.43 square meters	91%
Land A of Beichengshidai (Phase II)	Central Business Avenue, Wenlin Town, Renshou County	18 May 2018	5%	Expected to be completed in July 2020	Residential, commercial and parking lots	Site area: 64,882.22 square meters; Construction area: 289,276.7 square meters	91%

MANAGEMENT'S 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	
	2018 <i>RMB'000</i> (Unaudited)	2017 <i>RMB'000</i> (Unaudited)
Revenue	3,179,304	3,620,376
Including: Net toll income	1,784,532	1,604,015
Net construction contract revenue	443,757	705,282
Profit before tax	868,067	786,937
Profit attributable to owners of the Company	654,818	585,475
Earnings per share attributable to owners of the Company (<i>RMB</i>)	0.214	0.191

Summary of the Group's Financial Position

	30 June 2018 <i>RMB'000</i> (Unaudited)	31 December 2017 <i>RMB'000</i> (Unaudited)
Total assets	34,689,095	34,265,735
Total liabilities	19,986,622	19,981,022
Non-controlling interests	416,628	390,639
Equity attributable to owners of the Company	14,285,845	13,894,074
Equity per share attributable to owners of the Company (<i>RMB</i>)	4.672	4.543

Analysis of Operating Results

Revenue

The Group's net revenue for the Reporting Period amounted to RMB3,179,304,000 (the same period in 2017: RMB3,620,376,000), representing a year-on-year decrease of 12.18%, of which:

- (1) The net toll income was RMB1,784,532,000 (the same period in 2017: RMB1,604,015,000), representing a year-on-year increase of 11.25%, which was mainly due to the natural growth of traffic volume as driven by the macroeconomic development of regions along the expressways, particularly the speed-up of the construction project in Tianfu New District and the synergy effect of other road networks, which promoted the growth in toll income from each section to a certain degree. Please refer to "operating conditions of the 'toll roads and bridges' segment of the Group" in this 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 turnover taxes) in respect of service concession arrangements was RMB266,029,000 (the same period in 2017: RMB147,078,000), representing a year-on-year increase of 80.88%. This was mainly due to approximately RMB266,029,000 of construction contract revenue (before deduction of turnover taxes) (the same period in 2017: RMB147,078,000) from the Qinglongchang – Meishan trial section project for expansion construction of Chengle Expressway and other projects recognized under the input method during the Reporting Period;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Construction contract net revenue in respect of construction works performed for third parties amounted to RMB177,728,000 (the same period in 2017: RMB558,204,000), representing a year-on-year decrease of 68.16%, which was the construction contract revenue from the Renshou BT project, Ziyang Jiaozi Avenue project and other projects recognized under the input method. The decrease in the construction contract revenue in respect of construction works performed for third parties during the Period was mainly due to the fact that the projects construction revenue of Trading Construction Company was no longer included in the Company's consolidated financial statements for the Period as a result of the changes in the consolidation scope after the transfer of 46% equity interests in Trading Construction Company in October 2017;
- (4) Net revenue from operation of gas stations along expressways and sales of petrochemicals and other oil products amounted to RMB780,056,000 (the same period in 2017: RMB1,102,747,000), representing a year-on-year decrease of 29.26%, mainly due to the decrease in sales of chemical products during the Period;
- (5) Net revenue from property development and operation amounted to RMB86,747,000 (the same period of 2017: RMB137,230,000), representing a year-on-year decrease of 36.79%, mainly due to the decrease in the delivery of properties in the Beichengshiddai (phase one) Project during the Period.

Other Income and Gains

The Group's other income and gains for the Reporting Period amounted to RMB45,181,000 (the same period in 2017: RMB58,071,000), representing a year-on-year decrease of 22.20%. This was mainly attributable to the recognition of compensation for liquidated damages of contracts and reversal of impairment provision of approximately RMB16,255,000 for the same period last year while no such other income and gains recorded in the Reporting Period.

Operating Expenses

The Group's operating expenses for the Reporting Period amounted to RMB1,988,226,000 (the same period in 2017: RMB2,524,122,000), representing a year-on-year decrease of 21.23%, of which:

- (1) During the year, construction contract cost recognized under the input method in respect of service concession arrangements was RMB266,029,000 (the same period in 2017: RMB134,426,000), representing a year-on-year increase of 97.90%. This mainly included construction contract costs of RMB266,029,000 (the same period in 2017: RMB134,426,000) recognized for the technical renovation projects of expressways and other projects;
- (2) During the year, construction contract costs recognized under the input method in respect of construction works amounted to RMB110,430,000 (the same period in 2017: RMB458,693,000). This mainly included the construction contract costs of the Renshou BT project, Ziyang Jiaozi Avenue project and other projects;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Depreciation and amortization expenses increased by 2.26% from RMB413,541,000 for the same period last year to RMB422,869,000 for the Reporting Period, mainly attributable to amortization for service concession arrangements;
- (4) The cost of sales of refined oil and chemical products was RMB697,815,000 (the same period in 2017: RMB1,023,988,000), representing a year-on-year decrease of 31.85%, which was mainly due to the decrease in the sales costs as a result of the decrease in sales of chemical products during the Reporting Period;
- (5) Staff costs decreased by 6.80% from RMB266,378,000 for the same period last year to RMB248,256,000 for the Reporting Period, mainly due to the fact that Trading Construction Company's staff costs was no longer included in the Company's consolidated statements for the Reporting Period as a result of change of scope of consolidation after transfer of 46% equity interests in Trading Construction Company in October 2017;
- (6) Repair and maintenance costs increased by 182.83% from RMB23,395,000 for the same period last year to RMB66,167,000 for the Reporting Period, being the daily maintenance costs of the ancillary facilities of all expressways of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Finance Costs

The Group's finance costs for the Reporting Period amounted to RMB389,344,000, representing a slight decrease of 0.78% as compared with RMB392,419,000 for the same period last year, basically unchanged, mainly attributable to minor change in size of interest-bearing debts and capital cost.

Income Tax

The income tax expense of the Group for the Reporting Period amounted to RMB180,672,000, representing an increase of approximately 9.85% as compared with RMB164,468,000 for the same period of 2017, mainly due to the change in profit.

Profit

The Group's profit for the Reporting Period amounted to RMB687,395,000, representing an increase of 10.43% as compared with RMB622,469,000 for the same period last year, of which the profit attributable to the owners of the Company was RMB654,818,000, representing a year-on-year increase of 11.84%. This was mainly due to:

- (1) The economic growth in regions along the expressways has led to an increase in demand for regional transportation, especially for freight transportation. Most of the toll road projects of the Group recorded some increase in traffic flow as compared with the same period last year. Besides, the acceleration in the construction of Chengdu Tianfu New Area and Xinglong Lake and the natural growth in traffic flow contributed an increase of

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

RMB180,517,000 in net toll income to the Group's expressway business. Profit of the toll operation segment was approximately RMB752,005,000, representing a year-on-year increase of approximately RMB148,306,000;

- (2) After the transfer of 46% equity interests in Trading Construction Company in October 2017, the revenue of Trading Construction Company from the projects construction business was no longer included in the consolidated financial statements of the Company as a result of the changes in the consolidation scope. As a result, revenue from construction contracts of the Group decreased by approximately RMB261,525,000 as compared with the same period last year and profit of the construction contracts segment amounted to approximately RMB49,957,000, representing a decrease of approximately RMB62,748,000 as compared with the same period last year;
- (3) Despite the decrease in sales of chemical products during the Reporting Period, the Group paid close attention to the conditions of the refined oil market, the pace of price hikes and declines, key festivals and other factors affecting the sales of oil products, intensified field guidance and promotion, closely followed customer demands and conducted precision marketing. As a result, the sales of oil products, premium gasoline in particular, recorded a remarkable increase as compared with the same period last year. Profit of the operating segment amounted to approximately RMB57,799,000, representing a year-on-year increase of approximately RMB1,959,000;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (4) Due to the decrease in the number of properties delivered in the Beichengshidai (phase one) Project as compared with the same period last year, profit of the property development segment for the Period amounted to approximately RMB4,325,000, representing a decrease of approximately RMB3,560,000 as compared with the same period last year;
- (5) Profit of other segments amounted to approximately RMB50,037,000, representing a decrease of approximately RMB3,903,000 as compared with the same period last year.

Analysis of Financial Position

Non-current Assets

As at 30 June 2018, the Group's non-current assets amounted to RMB28,082,926,000, representing an increase of 3.27% as compared with the end of 2017. The increase was mainly due to:

- (1) A decrease of RMB106,945,000 in service concession arrangements which included an increase of approximately RMB266,029,000 from Chengle Expressway Capacity Expansion Trial Project and other projects. Provision of RMB372,974,000 in total for service concession arrangements amortization;
- (2) An increase of RMB302,055,000 in contract assets, mainly due to the fact that the Group adopted the new standards on revenue of HKFRS 15 from 1 January 2018 and the item originally listed under "trade and other receivables" was reclassified as "contract assets" during the Period;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) An increase of RMB531,152,000 in investment in associates and joint ventures, mainly due to the investment increase in Tianyi United Company, a new joint venture, and the increase of share of profits in associates and joint venture;
- (4) An increase of RMB308,626,000 in financial assets at fair value through other comprehensive income, mainly due to the reclassification of "available-for-sale investments" with an amount of RMB183,593,000 at the beginning of the Period into "financial assets at fair value through other comprehensive income" as a result of the adoption of the new standards on financial instruments during the Period. In addition, a net increase of RMB125,033,000 in the "financial assets at fair value through other comprehensive income" was recorded mainly due to the capital injection into Sichuan Trading Construction Engineering Co., Ltd. of RMB75,000,000 and remeasurement of the investment in the equity instrument not for trading purpose held by the Group at fair value instead of amortized cost and the adjustment to the carrying value;
- (5) A decrease of RMB183,593,000 in available-for-sale investments, mainly due to the presentation of the equity instrument not for trading purpose held by the Group under the "financial assets at fair value through other comprehensive income" on 1 January 2018 according to the new standards on financial instruments;
- (6) An increase of RMB74,635,000 in loans to customers;
- (7) A decrease of RMB7,442,000 in long term compensation receivables;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (8) A decrease of RMB20,694,000 in property, plant and equipment;
- (9) An increase of approximately RMB13,742,000 in pledged time deposits.

Current Assets and Current Liabilities

As at 30 June 2018, the current assets of the Group amounted to RMB6,606,169,000, representing a decrease of 6.58% as compared with the end of 2017, mainly attributable to:

- (1) A decrease of RMB114,746,000 in the balance of cash and cash equivalents as compared with the end of 2017, mainly due to the decrease of stock fund as a result of payment of investment and the increase in repayment of loan principal and interest;
- (2) An increase of RMB572,108,000 in contract assets as compared with the end of 2017, mainly due to the fact that the Group adopted the new standards on revenue of HKFRS 15 from 1 January 2018 and the item originally listed under “trade and other receivables” was reclassified as “contract assets” during the Period;
- (3) An increase of approximately RMB78,547,000 in loan to customers due within one year compared with the end of 2017, mainly due to the increase in financial leasing funds receivable (recovery by instalment);

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (4) Trade and other receivables decreased by RMB915,423,000 as compared to the end of 2017, mainly due to a decrease in trade receivables, other receivables and deposits of RMB816,917,000, RMB104,277,000, RMB473,000 respectively as well as an increase in prepayment of RMB6,244,000;
- (5) An increase of approximately RMB51,348,000 in property under development as compared with the end of 2017, mainly due to an increase of development costs;
- (6) A decrease of RMB72,077,000 in properties held for sale as compared with the end of 2017, mainly due to sales cost carried forward in the Period which resulted in a decrease of approximately RMB17,661,000 in land cost and a decrease of RMB54,416,000 in development cost;
- (7) A decrease of approximately RMB9,641,000 in inventories as compared with the end of 2017;
- (8) A decrease of RMB55,117,000 in pledged time deposits as compared with the end of 2017, mainly due to the receipt of performance guarantees during the Period.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2018, the Group's current liabilities amounted to RMB4,009,844,000, representing a decrease of 28.41% as compared with the end of 2017, mainly attributable to a decrease of RMB599,527,000 in trade and other payables, an increase of RMB51,608,000 in contract liabilities; an increase of RMB246,729,000 in shareholders dividend payable; an increase of approximately RMB21,347,000 in tax payable; a decrease of approximately RMB1,275,633,000 in interest-bearing bank and other loans, mainly due to the repayment of approximately RMB2,044,934,000 of bank and medium-term notes borrowings during the Period; approximately RMB570,000,000 of new current loans, and an increase in the reclassification of approximately RMB199,301,000 of bank loans due within one year.

Non-current Liabilities

As at 30 June 2018, the non-current liabilities of the Group amounted to RMB15,976,778,000, representing an increase of 11.11% as compared with the end of 2017, which was principally attributable to the increase of approximately RMB1,570,571,000 in interest-bearing bank and other loans as a result of the increase of approximately RMB1,769,872,000 in bank and other interest-bearing loans and the reclassification of approximately RMB199,301,000 as current liabilities during the Reporting Period.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Equity

As at 30 June 2018, the Group's equity amounted to RMB14,702,473,000, representing an increase of 2.92% as compared with the end of 2017, mainly attributable to: (1) profit of RMB687,395,000 for the Period, which increased the equity; (2) a decrease in equity of RMB18,333,000 due to the adjustment to the fair value of financial assets as a result of presenting changes in other comprehensive income; (3) the final dividend of 2017 declared in the Period amounting to RMB305,806,000, which decreased the equity; and (4) payment of dividends of RMB6,588,000 to non- controlling shareholders, which decreased the equity; (5) an increase in equity due to the cumulated affected amount for the initial application of HKFRS 9 of approximately RMB61,092,000 being recognized as the opening balances adjustments of the equity as at 1 January 2018.

Capital Structure

As at 30 June 2018, the Group had total assets of RMB34,689,095,000 and total liabilities of RMB19,986,622,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 57.62% (31 December 2017: 58.31%).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Cash Flow

As at 30 June 2018, the cash and bank balances of the Group amounted to RMB2,604,507,000, representing a decrease of approximately RMB114,746,000 as compared with the end of 2017. It comprised approximately HKD96,000 (equivalent to approximately RMB81,000) deposits in Hong Kong dollars, and RMB2,604,426,000 cash and deposits in Renminbi.

During the Reporting Period, net cash inflow from operating activities of the Group amounted to RMB601,629,000 (the same period of 2017: net cash inflow of RMB379,012,000), representing an increase of RMB222,617,000 in cash inflows compared with the same period last year, which was mainly because: profit before tax increased by RMB81,130,000 as compared with the same period last year; the new service concession arrangements resulted in an increase of RMB110,022,000 in cash outflows as compared with the same period last year; the increase in properties under development resulted in an increase of RMB13,239,000 in cash outflows as compared with the same period last year; the decrease in the properties held for sale resulted in a decrease of RMB46,919,000 in cash inflows compared with the same period last year; cash outflows from loans to customers increased by RMB183,498,000 compared with the same period last year; the repayment of loan to customers resulted in a decrease of RMB133,428,000 in cash inflows compared with the same period last year; the decrease in trade receivables and other receivables and contract assets resulted in an increase of RMB82,211,000 in cash inflow compared with the same period last year; the increase in amounts due from customers for contract works resulted in a decrease of RMB125,690,000 in cash outflow compared with the same period last year; the decreases in trade payables and other payables and

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

contract liabilities resulted in a decrease of RMB388,057,000 in cash outflows compared with the same period last year; cash generated from operations resulted in an increase of RMB263,512,000 in cash inflows compared with the same period last year.

Net cash outflow used in investing activities of the Group amounted to RMB528,158,000 (the same period of 2017: net outflow of RMB11,167,000), with an increase in net cash outflow of RMB516,991,000 compared with the same period last year. It was mainly due to the contribution of RMB510,000,000 to establish Tianyi United Investment & Development Co., Ltd (天乙多聯投資發展有限公司) and the capital increase of RMB75,000,000 in Sichuan Trading Construction Engineering Co., Ltd.; the decrease in pledged time deposits resulted in an increase of RMB41,440,000 in cash inflows compared with the same period last year.

Net cash outflow used in financing activities was RMB188,217,000 (the same period of 2017: net cash inflow of RMB176,391,000), representing an increase in net cash outflow of RMB364,608,000 as compared with the same period last year, which was mainly due to the increase of RMB1,338,656,000 of cash outflow from repayment of bank loans and medium term notes as compared with the same period last year, a decrease in cash outflow from dividend paid to the owners of the Company of RMB71,568,000 compared with the same period last year, a decrease in cash outflow from dividend paid to non-controlling shareholders of RMB8,988,000 as compared with the same period last year, an increase of RMB23,270,000 in cash outflow from interest paid compared with the same period last year, the increase in cash inflow from new bank loans of RMB944,872,000 as compared with the same period last year. There was no capital injection from non-controlling shareholders (the same period of 2017: RMB28,110,000).

Capital Commitments

Details of the Group's capital commitments as at 30 June 2018 are set out in note 22 to the financial statements.

Exchange Fluctuations Risks

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

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

Borrowings and Solvency

As at 30 June 2018, the Company's bank and other interest-bearing borrowings amounted to RMB17,140,585,000, all of which bore fixed interest rates. In particular, the balance of domestic bank loans was RMB14,502,085,000, with annual interest rates ranging from 3.92% to 6.30%; the balance of other loans amounted to RMB138,500,000, with annual interest rate of 4.75%; the balance of medium-term notes amounted to RMB1,500,000,000, with annual coupon rates ranging from 3.56% to 6.30%; the balance of corporate bonds amounted to RMB1,000,000,000, with an annual interest rate of 3.56%. The relevant balances are set out as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Interest-Bearing Bank and other Loans

	Total amount	1 year or	Over 1 year	
	<i>RMB'000</i>	<i>within 1 year</i>	<i>to 5 years</i>	<i>Over 5 years</i>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans from				
domestic banks	14,502,085	1,284,417	4,764,908	8,452,760
Other loans	138,500	–	138,500	–
Medium-term				
notes	1,500,000	–	1,200,000	300,000
Corporate bonds	<u>1,000,000</u>	<u>–</u>	<u>1,000,000</u>	<u>–</u>
Total (as at 30 June 2018)	<u>17,140,585</u>	<u>1,284,417</u>	<u>7,103,408</u>	<u>8,752,760</u>
Total (as at 31 December 2017)	<u>16,845,647</u>	<u>2,560,050</u>	<u>5,505,102</u>	<u>8,780,495</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB12,829 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 2018, the balance of the syndicated loan for the project amounted to RMB3,210 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 2018, the balance of the syndicated loan for the project amounted to RMB8,210 million.

Pledge of assets

As at 30 June 2018, the Group's time deposits of RMB12,011,000 (31 December 2017: RMB11,945,000) were pledged to secure Chengren Expressway BOT Project; time deposits of RMB13,508,000 (31 December 2017: RMB13,499,000) was pledged for the performance guarantee of road construction project; time deposits of RMB15,000,000 (31 December 2017: nil) for the expansion project of Chengle Expressway; the concession rights to collect toll income pertaining to Chengle Expressway with the net carrying values of

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

RMB1,890,230,000 (31 December 2017: RMB1,662,398,000) were pledged to secure bank loans amounting to RMB106,400,000 (31 December 2017: RMB106,400,000); the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB6,897,268,000 (31 December 2017: RMB6,976,716,000) was pledged to secure the syndicated loan amounting to RMB3,209,503,000 (31 December 2017: RMB3,221,747,000); the concession right to collect toll pertaining to Suiguang-Suixi Expressways with net carrying value of RMB12,136,747,000 (31 December 2017: RMB12,223,497,000) was pledged to secure the syndicated loan amounting to RMB8,210,000,000 (31 December 2017: RMB8,129,000,000); loans to customers with net carrying value of RMB41,749,000 (31 December 2017: nil) were used for the pledge of bank loans amounting to RMB36,182,000 (31 December 2017: nil); and the land use right with a total carrying value of RMB360,500,000 (31 December 2017: nil) was pledged to secure bank loans amounting to RMB60,000,000 (31 December 2017: nil).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 30 June 2018.

III. BUSINESS DEVELOPMENT PLAN

Based on our analysis and judgment of the business conditions, policy climate and our own development status for the second half of 2018, and in line with our business targets for the year 2018, we formulated the following business plan in a prudent manner:

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (1) Focusing on the principal businesses, the Company will continuously strengthen its ability to operate and manage principal businesses. Centering on the core objectives of principal businesses and based on the requirements on cost reduction and efficiency enhancement, it will strengthen toll audit management and continually promote the meticulous, standardized, information-based, professional and intelligent development of expressways to enhance the operation and management capability of enterprises. In addition, new technological changes will be leveraged to transform the operation and management mode of expressways to improve the operational efficiency of principal businesses and further enhance the profitability of the Company's principal businesses.
- (2) The Company will continue to implement the diversified development strategy that is highly related to its principal businesses and highlight the role of coordinated development of "five major segments". While consolidating the toll roads and bridges segment, one of its principal businesses, the Company will accelerate the development of the other four major segments. For the city operation segment, the public utilities franchise PPP project will be promoted by exerting the Company's capital and regional advantages to extend the value chain in the transportation industry; in respect of the energy investment segment, the cooperation with energy giants including CNPC and Sinopec will be intensified to promote brand promotion and expansion of outlets; as to the culture, tourism and healthcare segment, it will proactively study policies and demonstrate business models, and increase investment in trend industries and sunrise industries; for the financial investment segment, it will make full use of the Company's "A shares +H

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

shares” listing platform and distinctive advantages to achieve the coordinated promotion and efficient and rapid development of industrial capital and financial capital through “integration of industry and finance”. The joint and coordinated development of the “five major segments” will enhance the Company’s overall competitiveness and boost the healthy and steady development of the Group.

- (3) The Company will enhance project investment and construction management capability and accelerate the implementation of reserved projects. Through the establishment of a comprehensive strategic investment management and control system and the use of scientific investment analytical methods and investment risk prevention and control systems, the investment management capability will be continuously intensified based on professional post-investment evaluation management for projects; on the basis of quality management, the construction of a standard system and cost control system will be improved and the construction management capacity of the Company will be constantly reinforced; focusing on the assets of the expressway as a principal business and related diversified business operations, the Company will lay the emphasis on both industrial functional zones of Tianfu New District and both sides of expressway, proactively study and tap high-quality reserved projects and rationally optimize the project schedule and space layout to orderly promote the investment in reserved projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (4) The Company will give full play to the function of capital operation to realize the leap-forward development of the Company. Based on capital operation, the instrumental attributes of financial investment will be utilized for innovation of merger and acquisition funds, equity acquisitions, etc., which, together with the synergistic effects of financial investment on the other four industrial segments, will support the healthy development of the industrial segments; in addition, the Company will enhance cooperation with professional investment banking institutions, track equity investment opportunities, and increase acquisition and expansion in high quality expressway assets and equity assets with admirable development prospects, to fully leverage the capital operation advantages to help the Company explore and cultivate new profit growth.
- (5) The Company intends to make innovations in respect of the system and the mechanism so as to enhance the vitality and competitiveness of the Company. It will comprehensively strengthen internal management innovation, establish a scientific, rational, flexible and efficient system and mechanism, and intensify the talent-oriented development concept to vigorously promote the reform of human resources and compensation system and explore a long-term incentive mechanism which adapts to the Group's development, so as to further promote the Group's sustainable development.

OTHER SIGNIFICANT EVENTS

I. PROFIT DISTRIBUTION

1. 2018 interim dividend

The Board of the Company resolved not to pay an interim dividend for the six months ended 30 June 2018 nor transfer capital reserve into share capital.

2. Profit distribution plan for the year 2017 and its implementation

As approved at the 2017 AGM of the Company, the Company paid a cash dividend of RMB0.10 per Share (tax inclusive) calculated based on the total share capital of 3,058,060,000 Shares as at the end of 2017, amounting to an aggregate of approximately RMB305,806,000 (tax inclusive), on 22 June and 12 July 2018 to holders of A Shares and holders of H Shares respectively, representing 45.22% of the distributable profit (calculated according to China Accounting Standards) earned by the Company for 2017, and 34.42% of the profit (calculated according to China Accounting Standards) attributable to the owners of the Company in the consolidated financial statements for 2017.

OTHER SIGNIFICANT EVENTS (CONTINUED)

II. MATERIAL ACQUISITION AND DISPOSAL

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

III. EMPLOYEES, REMUNERATION, INSURANCE, WELFARE AND TRAINING

As at 30 June 2018, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,602
Number of in-service employees of major subsidiaries	1,799
Total number of in-service employees	4,401
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 employees
Production	3,277
Sales	16
Technical	422
Financial	132
Administrative	564
Total	<u>4,401</u>

OTHER SIGNIFICANT EVENTS (CONTINUED)

Education level

Type of Education Level	Number of employees
Postgraduate	172
University graduate	1,073
Junior college graduate	2,005
Technical secondary school and below	<u>1,151</u>
Total	<u><u>4,401</u></u>

1. Employees' remuneration

The total remuneration of the Company's employees is correlated with the operating results of the Company. The salary of the employees is comprised of basic salary (salaries determined by the position and period of service) and performance incentive bonus. Employee's salary is determined with reference to his position (i.e. the salary changes in accordance with the position of service) and performance. During the Reporting Period, the employees' salary incurred by the Group was approximately RMB145,648,000, of which approximately RMB82,912,190 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 7,409 person-time.

OTHER SIGNIFICANT EVENTS (CONTINUED)

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 2017 Annual Report of the Company.

OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Corporate governance code

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

3. Amendments to and improvements in corporate governance system

During the Reporting Period, the Company incorporated the overall working requirements on Party-Building in the Articles of Association in accordance with requirements of the regulatory authorities and relevant laws and regulations including the Company Law of the People's Republic of China. Amendments to relevant articles in the Articles of Association were made by the Board of the Company on 6 June 2018, and the same were considered and approved at the general meeting of the Company convened on 28 August 2018. In addition, the Board also revised and improved the Working Rules of General Manager. Particulars of the amendments to the aforementioned regulations and rules are available for shareholders and investor on the websites of Shanghai Stock Exchange, 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 2018.

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
28 August 2018

* *For identification purposes only*