



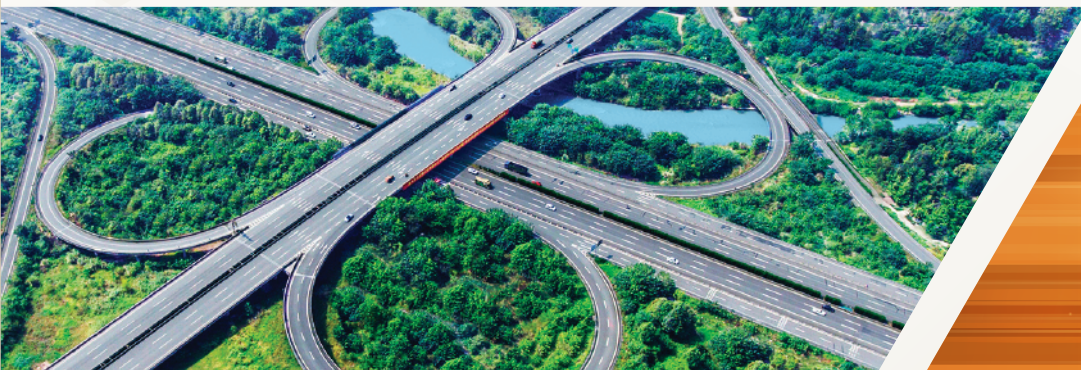
CHENGDU EXPRESSWAY
成都高速

成都高速公路股份有限公司
CHENGDU EXPRESSWAY CO., LTD.

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

Stock Code: 1785

成都



高速

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Interim Report



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DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Chengbei Exit Expressway Company”	Chengdu Chengbei Exit Expressway Co., Ltd. (成都城北出口高速公路有限公司), a company incorporated in the PRC with limited liability on 6 September 1996, which is an associate of the Company with 40% of its equity interests held by the Company
“Chengdu Airport Expressway Company”	Chengdu Airport Expressway Co., Ltd. (成都機場高速公路有限責任公司), a company incorporated in the PRC with limited liability on 24 December 1997, which is a non-wholly owned subsidiary of the Company with 55% of its equity interests held by the Company
“Chengdu Communications”	Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company incorporated in the PRC with limited liability on 16 March 2007, which is one of the controlling shareholders of the Company
“Chengdu Communications Group”	Chengdu Communications and its subsidiaries
“Chengdu Expressway Construction”	Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司), a company incorporated in the PRC with limited liability on 25 June 1996, which is one of the controlling shareholders of the Company
“Chengguan Expressway Company”	Chengdu Chengguan Expressway Co., Ltd. (成都成灌高速公路有限責任公司), a company incorporated in the PRC with limited liability on 25 August 1998, the predecessor of the Company
“Chengpeng Expressway Company”	Chengdu Chengpeng Expressway Co., Ltd. (成都成彭高速公路有限責任公司), a company incorporated in the PRC with limited liability on 11 September 2002, which is a non-wholly owned subsidiary of the Company with 99.33% of its equity interests held by the Company
“Chengwenqiong Expressway Company”	Chengdu Chengwenqiong Expressway Co., Ltd. (成都成溫邛高速公路有限公司), a company incorporated in the PRC with limited liability on 26 October 1998, which is a wholly-owned subsidiary of the Company

DEFINITIONS

“Chengyu Expressway Company”	Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), a company incorporated in the PRC with limited liability on 19 August 1997, the H shares and A shares of which are listed on the Stock Exchange (stock code: 00107) and the Shanghai Stock Exchange (stock code: 601107), respectively, and a substantial shareholder of Chengdu Airport Expressway Company
“Company”	Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Stock Exchange
“Company Law”	the Company Law of the PRC (《中華人民共和國公司法》)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in this report, refers to Chengdu Communications and Chengdu Expressway Construction
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“GDP”	gross domestic product
“Global Offering”	has the meaning ascribed thereto in the Prospectus
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are approved to be listed and traded on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Date”	15 January 2019, the date when the H Shares of the Company are listed on the main board of the Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus of the Company dated 28 December 2018
“Reporting Period”	the six-month period ended 30 June 2019
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Zhengtongdaoqiao”	Pengzhou Zhengtongdaoqiao Construction Company Limited (彭州市正通道橋建設有限責任公司)

DEFINITIONS

GLOSSARY OF TECHNICAL TERMS

“Batch Payment Model”	a toll collection model only applicable to passenger vehicles with local licenses on Chengpeng Expressway and all vehicles with local licenses on Chengwenqiong Expressway which can pass through the toll plazas on these two expressways without toll payment. The relevant local governments, instead, pay the Group toll fees pursuant to the batch payment agreements entered with Chengpeng Expressway Company and Chengwenqiong Expressway Company, respectively, of which Chengpeng Expressway has restored the Standard Toll Collection Model in July 2018
“daily weighted-average traffic volume”	represents the summation of the daily traffic volume and mileage of each section of expressways, i.e. the section from an expressway toll station to the next toll station, divided by the sum of the mileage. For Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway, the daily traffic volume includes the number of vehicles leaving the expressway’s toll plazas, the number of vehicles entering the expressway but leaving from other expressways, and the number of vehicles passing by but not entering the expressways or leaving from the expressways’ toll plazas, but excluding vehicles entitled to toll-free treatment such as vehicles using the expressway during national holidays and, for Chengdu Airport Expressway, also excluding vehicles that have purchased annual tickets. The traffic volume of Chengwenqiong Expressway has taken into account the traffic volume under the Batch Payment Model
“ETC”	electronic toll collection
“Standard Toll Collection Model”	a toll collection model that requires payment at the time of passing-through and is applicable to all the vehicles on the expressways of the Group that are not eligible for the Batch Payment Model

GROUP PROFILE

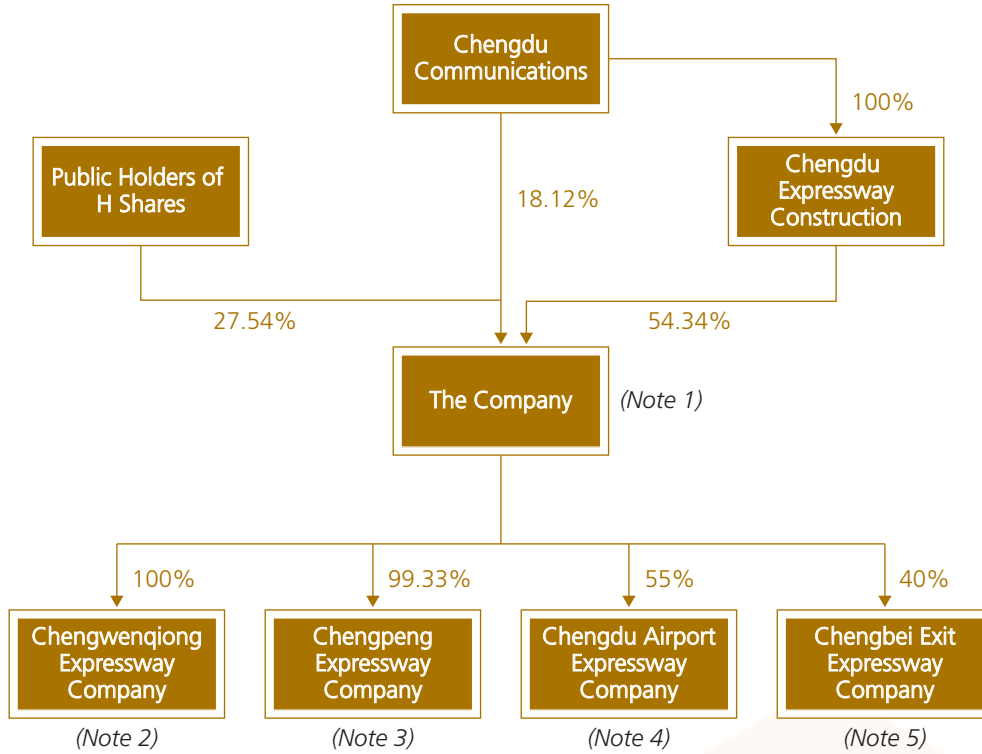
The Group is principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan province. As at the date of this report, the expressways controlled or invested in by the Group include four self-owned expressways, i.e. Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway, as well as Chengbei Exit Expressway in which the Company holds 40% equity interests, covering a total network mileage of 149.69 kilometres. Located strategically in areas adjacent to Chengdu, the expressways operated and invested in by the Group are an integral part to the expressway network surrounding Chengdu which connect several districts with abundant economic, cultural and tourism resources. As at the end of the Reporting Period, total assets of the Group reached RMB6.024 billion.

- Chengguan Expressway is a major part of the G4217 national expressway and a key section connecting Sichuan province with Gansu province, Qinghai province and Tibet. It is also the main road to access Dujiangyan, Qingcheng Mountain, Jiuzhai Valley, Huanglong and other tourist attractions and connects most of the catalogued UNESCO World Heritage Sites located in Sichuan province.
- Chengpeng Expressway is a major part of the S105 provincial expressway, which is a key component of the radial-shaped road network surrounding Chengdu and the main route connecting Chengdu to north areas of Sichuan province.
- Chengwenqiong Expressway is a major part of the S8 provincial expressway and is of economic and cultural significance to western Chengdu. As the only expressway in the region, it connects Wenjiang, Chongzhou, Dayi, Qionglai and other major satellite cities of Chengdu.
- Chengdu Airport Expressway is a major part of the S6 provincial expressway and the main expressway to Chengdu Shuangliu Airport from downtown Chengdu.
- Chengbei Exit Expressway forms part of the G5 Beijing-Kunming national expressway and is an important expressway connecting downtown Chengdu with Chengmian Expressway (成綿高速) and Chengdu Ring Expressway (成都繞城高速).

In recent years, the expressways operated and managed by the Group secured remarkable performance in maintenance, security and quality service and garnered various honours such as “Twelfth Five-Year” Excellent Highway Maintenance and Management Enterprise of Sichuan Province (「十二五」全省幹線公路養護管理工作優秀單位), Provincial Model Enterprise for Safe Construction (省級安全文化建設示範企業), “Five Star” Expressway of Sichuan Province (四川省「五好」高速公路), the Most Scenic Expressway in China of 2017 (2017年最美中國高速公路), the fifth “Most Beautiful Road Collector Team in China” (最美中國路姐團隊) and national “Youth Civilization Unit” (「青年文明號」).

GROUP STRUCTURE

The chart below sets out the Group's structure as at the date of this report:



The table below sets forth certain key operating data of the expressways operated and invested in by the Group as at the date of this report:

Name	Percentage of Ownership	Length (km)	Number of Lanes	Number of Toll Stations	Commencement of Operation	Expiration Date of Operation
Chengguan Expressway	100%	40.44	6	7	July 2000	July 2030
Chengpeng Expressway	99.33%	21.32	6/8	4	November 2004	October 2033
Chengwenqiong Expressway	100%	65.60	6/4	12	January 2005	January 2035
Chengdu Airport Expressway	55%	11.98	4	1	July 1999	December 2024
Chengbei Exit Expressway	40%	10.35	6	1	December 1998	June 2024

GROUP STRUCTURE

Notes:

1. The Company holds 100% interests in Chengguan Expressway.
2. Chengwenqiong Expressway Company holds 100% interests in Chengwenqiong Expressway.
3. According to the national enterprise credit information publicity system, the Company holds 99.33% equity interests in Chengpeng Expressway Company and the remaining 0.67% equity interests of Chengpeng Expressway Company are held by Zhengtongdaoqiao, an independent third party. As disclosed in the Prospectus, pursuant to an agreement entered into between the Company and Zhengtongdaoqiao, during the transition period before the completion of the industrial and commercial registration for the capital increase of RMB481.7 million by the Company in Chengpeng Expressway Company and therefore increase in its registered capital, the Company is entitled to exercise rights regarding voting and dividends by virtue of the 99.74% equity interests held by it and Zhengtongdaoqiao is entitled to exercise such rights conferred by the remaining 0.26% equity interests held by it. Chengpeng Expressway Company holds 100% interests in Chengpeng Expressway.
4. The Company holds 55% interests in Chengdu Airport Expressway through Chengdu Airport Expressway Company. The remaining 45% interests of Chengdu Airport Expressway are held by Chengyu Expressway Company and Sichuan Xinneng Real Estate Limited (四川新能置業有限公司) as to 25% and 20%, respectively.
5. Furthermore, the Company holds 40% interests in Chengbei Exit Expressway through Chengbei Exit Expressway Company. The remaining 60% interests of Chengbei Exit Expressway are held by Chengyu Expressway Company.

MAJOR EVENTS DURING THE REPORTING PERIOD

DIFFERENTIATED TOLL COLLECTION POLICY FOR FREIGHT VEHICLES IMPLEMENTED IN SICHUAN PROVINCE

Since 1 April 2019, Sichuan Province has implemented a differentiated toll collection policy for freight vehicles charged on a weight basis that operate normally and legally. Such policy has been implemented on Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengbei Exit Expressway, in which the Company owns 40% interests. The implementation of the policy reduced the toll income from freight traffic on the Group's expressways to a certain extent, but at the same time it also attracted more freight vehicles to the Group's expressways. Meanwhile, as the proportion of passenger traffic volume of the expressways operated by the Group to total traffic volume exceeds 80%, and the proportion of freight traffic volume to total traffic volume is less than 20%, therefore this policy did not have any material impact on the Group's operating results during the Reporting Period.

THE "NOTICE ON ISSUING THE IMPLEMENTATION PLAN FOR DEEPENING THE REFORM OF TOLL HIGHWAY SYSTEM AND CANCELLING TOLL STATIONS AT PROVINCIAL BOUNDARIES (《關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》)" ISSUED BY THE GENERAL OFFICE OF THE STATE COUNCIL

During the Reporting Period, the General Office of the State Council issued the "Notice on Issuing the Implementation Plan for Deepening the Reform of Toll Highway System and Cancelling Toll Stations at Provincial Boundaries (《關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》)" on 16 May 2019 and the National Development and Reform Commission, the Ministry of Transport and Sichuan Province also issued supporting measures in response to the policy. The policy required that the adoption proportion of ETC at expressway entrances across the country shall reach more than 90% by the end of 2019, and payment via mobile phone shall fully cover manual toll lanes. Accordingly, the Group is expected to complete the standardisation for construction and renovation of hardware and software for the ETC portal system of three of our expressways, being Chengguan Expressway, Chengpeng Expressway and Chengwenqiong Expressway by the end of October 2019 while Chengdu Airport Expressway does not need hardware renovation for the ETC portal system and only requires upgrading of toll collection software to meet the standards. The increase in the application ratio of ETC system will enhance traffic efficiency and experience and may at the same time attract more traffic volume to the expressways of the Group. Meanwhile, vehicles passing through the ETC system enjoy a 5% discount in toll payment and therefore the toll income per vehicle will be reduced. Overall, the above situation is not expected to have any material impact on the Group's operating results.

Also, based on such policy, the Group will, starting from 1 January 2020, according to the "Classification of Toll Vehicles on Toll Roads (《收費公路車輛通行費車型分類》)" (JT/T489-2019) standard issued by the Ministry of Transport, uniformly charge freight vehicles on all expressways of the Group based on the vehicle (axle) type, and non-stop weighing test at the entrances of the expressway toll stations will be implemented simultaneously. The adjustment of the toll collection method is expected to reduce toll income per freight vehicle while may also attract more freight traffic volume to the expressways of the Group. Overall, the above situation is not expected to have any material impact on the Group's operating results.

REVIEW AND OUTLOOK

BUSINESS REVIEW

In the first half of 2019, national GDP recorded a year-on-year increase of 6.3% while the economic development trended upside amid overall steady progress. The GDP of Sichuan Province and Chengdu recorded a year-on-year increase of 7.9% and 8.2%, respectively, both above the national average. Benefited from such economic environment, major operating data of the Group registered stable and upward momentum in the first half of 2019. During the Reporting Period, the daily weighted-average traffic volume of the Group reached 187,373 (corresponding period of 2018: 147,935), representing a year-on-year increase of 26.7%; toll income amounted to RMB532,303,000 (corresponding period of 2018: RMB435,375,000), representing a year-on-year increase of 22.3% and total comprehensive income attributable to owners of the Company reached RMB232,262,000 (corresponding period of 2018: RMB187,442,000), representing a year-on-year increase of 23.9%.

During the Reporting Period, the economic growth in Sichuan Province and Chengdu drove the increase in the total traffic volume on the four expressways owned by the Group. The specific conditions of each expressway led to different changes in traffic volume. During the Reporting Period, the daily weighted-average traffic volume of Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Chengguan Expressway was 48,554, 56,130, 43,480 and 39,209, respectively, representing a year-on-year increase of 332.1%, 8.1%, 2.4% and -7.3%, respectively. Correspondingly, toll income of Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Chengguan Expressway reached RMB112,851,000, RMB203,381,000, RMB70,912,000 and RMB145,159,000, up 725.7%, 7.5%, 1.6% and -10.8% year-on-year respectively, accounting for 21.2%, 38.2%, 13.3% and 27.3% of the Reporting Period's total toll income respectively.

During the Reporting Period, Chengpeng Expressway secured remarkable performance thanks to the substantial increase in traffic volume and toll income. The reason behind such increase was that Chengpeng Expressway recorded significantly lower traffic volume in the first of 2018 as a result of closure of certain sections for the expansion project. The previously closed sections were reopened for full traffic restoration on 12 July 2018 and at the same time, the Standard Toll Collection Model was restored and toll standard was improved in line with approval of the Sichuan Provincial Government, Sichuan Development and Reform Commission and Sichuan Provincial Department of Transportation, thus achieving continuous economic benefits and rapid growth in traffic volume and toll income. Traffic volume and toll income of Chengwenqiong Expressway and Chengdu Airport Expressway maintained overall stable increase. Chengguan Expressway recorded a decline in traffic volume and toll income over the same period of last year, which was primarily due to traffic diversion resulting from the commencement of operation of Yongning toll station and Shuyuan toll station on Chengdu Ring Expressway and the traffic restoration on Chengpeng Expressway on 12 July 2018. Yongning toll station and Shuyuan toll station which are located in Wenjiang District and Pidu District, Chengdu, respectively and connect the traffic network in the northwest region of Chengdu, commenced operation in November 2018 and April 2019, respectively. Meanwhile, Sichuan Aba prefecture, located on the extension line of Chengguan Expressway, conducted environmental special treatment during the Reporting Period and the number of freight vehicles transporting sand and other building materials prone to dust pollution to and from the local area was reduced, thus resulting in a negative impact on the traffic volume on Chengguan Expressway.

REVIEW AND OUTLOOK

OUTLOOK FOR THE SECOND HALF OF THE YEAR

In the second half of 2019, the operating environment of the expressway industry in Sichuan Province is not likely to change significantly and it is expected that, each expressway of the Group will maintain its operation conditions in the first half of the year with overall traffic volume constantly on the rise. In particular, the 105 km section of Wenma Expressway which connects Chengguan Expressway through Duwen Expressway opened for trial operation on 17 May 2019 and is therefore expected to contribute increased traffic volume to Chengguan Expressway in the second half of 2019. However, due to the debris flow in Wenchuan County, Aba Prefecture, Sichuan Province on 20 August this year, several sections of Duwen Expressway which connects Chengguan Expressway were cut off. Although temporary lanes have been opened and maintenance has started for the sections closed as a result of the disaster, the incident may have certain impact on the traffic volume of Chengguan Expressway in the second half of the year but is not expected to have a significant impact on the overall operating performance of the Group.

In the second half of 2019, the Group will continue to implement the policy that the ETC adoption ratio at national expressway entrances shall reach 90% by the end of 2019, strengthen the construction and maintenance of infrastructure services and improve the automation level of software and hardware, so as to boost traffic efficiency, enhance traffic experience of vehicle owners and attract more traffic volume.

Driven by the 2019 transportation investment and construction policy in Sichuan Province of “assuring RMB140 billion and striving to secure RMB150 billion in investment to achieve over RMB100 billion in traffic investment for the ninth consecutive year”, high-quality expressway projects will continue to be launched into market in the future. The Group will pay close attention to the high-quality expressway resources in Sichuan Province, continue to seek investment opportunities, carry out business acquisition or investment in due course, expand operation scale and improve business capability.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF THE GROUP'S OPERATING RESULTS

	For the six months ended 30 June 2019 RMB'000	For the six months ended 30 June 2018 RMB'000
Revenue	532,303	1,279,704
Including:		
Toll income	532,303	435,375
Construction revenue in respect of service concession arrangements	–	844,329
Profit before tax	301,235	235,153
Total comprehensive income for the period attributable to owners of the Company	232,262	187,442
Earnings per Share attributable to ordinary equity holders of the Company – Basic and diluted	RMB0.144	RMB0.156

SUMMARY OF THE GROUP'S FINANCIAL POSITION

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Total assets	6,024,540	5,194,176
Total liabilities	2,724,070	2,729,798
Non-controlling interests	151,639	134,967
Equity attributable to owners of the Company	3,148,831	2,329,411

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group is primarily engaged in toll collection and maintenance and repair of the expressways operated by it in its daily operations, including Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway. During the Reporting Period, the Group achieved revenue of RMB532,303,000, representing a year-on-year decrease of RMB747,401,000, which was attributable to the fact that no construction revenue in respect of service concession arrangements was derived due to the lack of new expansion projects during the Reporting Period, while construction revenue in respect of service concession arrangements for the corresponding period last year was RMB844,329,000. Revenue during the Reporting Period all represented toll income. Toll income registered an increase of 22.3% over the same period of last year. The table below sets forth a breakdown of toll income by expressway during the Reporting Period:

	For the six months ended 30 June 2019 RMB'000	For the six months ended 30 June 2018 RMB'000
Chengguan Expressway	145,159	162,820
Chengpeng Expressway	112,851	13,668
Chengwenqiong Expressway	203,381	189,106
Chengdu Airport Expressway	70,912	69,781
Toll income	532,303	435,375
Construction revenue in respect of service concession arrangements	–	844,329
Total revenue	532,303	1,279,704

MANAGEMENT DISCUSSION AND ANALYSIS

Toll expressway	Daily weighted-average traffic volume (vehicle)		
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Increase/(decrease) during the Reporting Period over the same period of last year
Chengguan Expressway	39,209	42,290	(7.3%)
Chengpeng Expressway	48,554	11,236	332.1%
Chengwenqiong Expressway	56,130	51,945	8.1%
Chengdu Airport Expressway	43,480	42,464	2.4%

During the Reporting Period, toll income was primarily affected by the following factors: (i) Chengpeng Expressway registered a year-on-year increase in toll income of RMB99,183,000, or 725.7%, as a result of the traffic restoration on the previously closed sections on 12 July 2018 and the restoration of the Standard Toll Collection Model as well as an increase in toll collection standard; (ii) Chengwenqiong Expressway recorded a year-on-year increase in toll income of RMB14,275,000, or 7.5%, as a result of the increase in traffic volume due to the completion of the Riyue Avenue connecting downtown Chengdu and the entrance and exit of Chengwenqiong Expressway in September 2018; (iii) Chengdu Airport Expressway registered a year-on-year increase in toll income of RMB1,131,000, or 1.6% slightly; (iv) Chengguan Expressway recorded a year-on-year decrease in toll income of RMB17,661,000, or 10.8%, as a result of, among others, traffic diversion due to the commencement of operation of Yongning and Shuyuan toll stations of Chengdu Ring Expressway and the traffic restoration on Chengpeng Expressway as well as environmental regulation in Aba prefecture.

COST OF SALES

During the Reporting Period, cost of sales of the Group primarily included road repair, maintenance, cleaning and greening cost, depreciation and amortisation as well as employee benefit expense. During the Reporting Period, cost of sales of the Group decreased by 80.0% to RMB203,349,000 (corresponding period of 2018: RMB1,017,031,000), which was mainly attributable to the fact that no construction cost in respect of service concession arrangements was incurred during the Reporting Period while construction cost in respect of service concession arrangements for the same period of last year totaled RMB844,329,000.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, gross profit from the Group's operations amounted to RMB328,954,000 (corresponding period of 2018: RMB262,673,000), which equals to the gross profit of the toll collection operation. For the six months ended 30 June 2019 and 30 June 2018, overall gross profit margin was 61.8% and 20.5%, respectively, which was primarily due to the fact that revenue for the same period of last year included construction revenue in respect of service concession arrangements while no such item existed for the Reporting Period. The gross profit margin of the toll collection operation was 61.8% and 60.3%, respectively, representing a slight increase from last year, which was primarily attributable to the year-on-year increase in toll income for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group incurred administrative expenses of RMB28,696,000 (corresponding period of 2018: RMB22,487,000), representing a year-on-year increase of 27.6%, which was mainly attributable to the increase in staff cost and auditing and consulting fee.

During the Reporting Period, the employee benefit expense (including salary and social security expenses) and auditing and consulting fee were RMB19,861,000 (corresponding period of 2018: RMB14,448,000) and RMB1,062,000 (corresponding period of 2018: RMB299,000), respectively.

SHARE OF PROFITS OF AN ASSOCIATE

During the Reporting Period, the Group recognised share of profits of RMB13,575,000 (corresponding period of 2018: RMB13,834,000) arising from its 40% equity interests in Chengbei Exit Expressway Company, representing a year-on-year decrease of 1.9%, which was attributable to the decrease in revenue from Chengbei Exit Expressway Company as a result of the commencement of the pavement renovation project of Qinglongchang Elevated Bridge in June 2019 and therefore closure of certain road sections.

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Reporting Period, total comprehensive income for the period attributable to owners of the Company amounted to RMB232,262,000 (corresponding period of 2018: RMB187,442,000), representing a year-on-year increase of 23.9%, which was mainly attributable to the increase in toll income of the Group during the Reporting Period. Basic and diluted earnings per Share was RMB0.144 (corresponding period of 2018: RMB0.156), representing a year-on-year decrease of 7.7%, which was primarily due to the increase in share capital to 1.656102 billion from 1.2 billion as a result of share issuance in 2019.

OVERALL CONDITIONS OF ASSETS AND LIABILITIES

As at the end of the Reporting Period, total assets of the Group amounted to RMB6,024,540,000 (as at 31 December 2018: RMB5,194,176,000), representing an increase of 16.0% from the end of 2018. The Group's total assets mainly consist of service concession rights in respect of Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway and Chengdu Airport Expressway and the equity investment in Chengbei Exit Expressway Company, an associate of the Group. The above assets accounted for 56.4% of the Group's total assets while cash and cash equivalents and other assets accounted for 34.6% and 9.0% of total assets, respectively.

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB2,724,070,000 (as at 31 December 2018: RMB2,729,798,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BORROWINGS AND REPAYMENT CAPACITY

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB2,724,070,000 (as at 31 December 2018: RMB2,729,798,000), of which 51.3% represented bank and other borrowings (as at 31 December 2018: 56.9%), while 44.1% represented trade payables, dividends payable, other payables and accruals (as at 31 December 2018: 40.5%).

As at the end of the Reporting Period, total interest-bearing borrowings of the Group amounted to RMB1,398,000,000 (as at 31 December 2018: RMB1,553,500,000), of which RMB1,223,000,000 represented bank borrowings and RMB175,000,000 represented other borrowings, and 85.7% of the interest-bearing borrowings are not repayable within one year.

As at the end of the Reporting Period, bank borrowings and other borrowings of the Group carried a fixed annual interest rate ranging from 4.41% to 4.90%.

During the Reporting Period, total interest expenses of the Group amounted to RMB36,933,000 (corresponding period of 2018: RMB32,901,000). Earnings before interest and tax amounted to RMB338,168,000 (corresponding period of 2018: RMB268,054,000) and therefore interest coverage ratio (earnings before interest and tax divided by interest expenses) was 9.2 (corresponding period of 2018: 8.1).

As at the end of the Reporting Period, gearing ratio (being total liabilities divided by total assets) of the Group was 45.2% (as at 31 December 2018: 52.6%).

BORROWING RATIO

Being a measurement of financial leverage, borrowing ratio is calculated as net debt divided by “total equity and net debt”. Net debt refers to interest-bearing bank and other loans minus cash and cash equivalents, not including liabilities for working capital. Equity includes equity attributable to owners of the Company and non-controlling interests. As at the end of the Reporting Period, borrowing ratio was -26.2% (as at 31 December 2018: 19.4%).

CAPITAL EXPENDITURE COMMITMENTS AND UTILISATION

During the Reporting Period, capital expenditure of the Group amounted to RMB1,811,000, which was mainly used for acquisition of equipment.

As at the end of the Reporting Period, total capital expenditure commitments of the Group amounted to RMB9,528,000, which were primarily incurred from the purchase and reformation of equipment and facilities for Chengwenqiong Expressway. The Group will prioritise internal resources to fund the above capital expenditure commitments.

LIQUIDITY AND CAPITAL RESOURCES

The Group focuses on maintaining a reasonable capital structure and continuously improving its profitability in order to maintain good credit standing and sound financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, total current assets of the Group amounted to RMB2,340,337,000 (as at 31 December 2018: RMB1,245,541,000), of which: (i) cash and cash equivalents were RMB2,082,457,000 (as at 31 December 2018: RMB958,615,000), accounting for 89.0% (as at 31 December 2018: 77.0%) of current assets; (ii) trade receivables were RMB2,901,000 (as at 31 December 2018: RMB32,664,000), accounting for 0.1% (as at 31 December 2018: 2.6%) of current assets; (iii) prepayments, deposits and other receivables were RMB254,979,000 (as at 31 December 2018: RMB254,262,000), accounting for 10.9% (as at 31 December 2018: 20.4%) of current assets.

As at the end of the Reporting Period, current ratio (current assets divided by current liabilities) of the Group was 163.3% (as at 31 December 2018: 92.7%). Such improvement was due to the increase in cash and cash equivalents in current assets due to the receipt of the proceeds from the initial public offering.

The table below sets out certain information about the Group's consolidated statement of cash flows for the six months ended 30 June 2019 and 30 June 2018:

	For the six months ended 30 June			
	2019		2018	
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents presented in the consolidated statement of cash flows at the beginning of the period		878,615		1,139,951
Net cash flows from or (used in) operating activities	462,812		(103,656)	
Net cash flows used in investing activities	(739,139)		(18,420)	
Net cash flows from financing activities	668,138		148,372	
Net increase in cash and cash equivalents		391,811		26,296
Effect of changes in foreign exchange rate		(7,399)		–
Cash and cash equivalents presented in the consolidated statement of cash flows at the end of the period		1,263,027		1,166,247
Analysis of balances of cash and cash equivalents				
Cash and cash equivalents as stated in the consolidated statement of financial position		2,082,457		1,166,247
Time deposits with original maturity of over three months		(819,430)		–
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,263,027		1,166,247

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash flows from or used in operating activities: During the Reporting Period, net cash flows from the Group's operating activities were approximately RMB462,812,000, while net cash flows used in operating activities for the corresponding period of 2018 were approximately RMB103,656,000, representing a year-on-year increase of RMB566,468,000, which was mainly due to (i) increase in profit before tax of RMB66,082,000; (ii) increase in depreciation/amortisation of long-term assets in profit before tax of RMB20,523,000; (iii) changes in trade payables, dividends payable, other payables and accruals relating to operating activities increased by RMB221,203,000 compared to the corresponding period of 2018; and (iv) changes in trade receivables and other receivables relating to operating activities decreased by RMB254,254,000 compared to the corresponding period of 2018.

Net cash flows used in investing activities: During the Reporting Period, net cash flows used in investing activities of the Group were approximately RMB739,139,000, while net cash flows used in investing activities for the corresponding period of 2018 were approximately RMB18,420,000, which was mainly due to increase in time deposits with original maturity of over three months of RMB739,430,000.

Net cash flows from financing activities: During the Reporting Period, net cash flows from the Group's financing activities were approximately RMB668,138,000, while net cash flows from the Group's financing activities for the corresponding period of 2018 were approximately RMB148,372,000, representing a year-on-year increase of RMB519,766,000, which was mainly due to (i) proceeds from public offering of shares of RMB864,403,000 during the Reporting Period while no such events existed for the corresponding period last year; (ii) the decrease in bank loans and other borrowings of RMB338,000,000 during the Reporting Period as compared with those for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

NET PROCEEDS FROM THE GLOBAL OFFERING AND UTILISATION

The Company issued 400,000,000 H Shares in the Global Offering which were listed on the main board of the Stock Exchange on 15 January 2019, and issued 56,102,000 H Shares upon partial exercise of the over-allotment option which were listed on the main board of the Stock Exchange on 12 February 2019. The net proceeds from the initial public offering of new Shares and the issue of over-allotment Shares amounted to HK\$931.5 million (equivalent to approximately RMB802.5 million), which will be allocated for gradual utilisation in accordance with the purposes set out in the Prospectus. The Company is proactively seeking acquisition or investment opportunities in one high-quality expressway and establishing new business segments or acquiring other complementary business and expects to complete the projects within two years following the listing. As at the date of this report, the utilisation of the aforementioned net proceeds is set out below:

	Percentage of the net proceeds from the Global Offering	Net proceeds from the Global Offering and utilisation		
		Amount available for utilisation <i>RMB'000</i>	Amount utilised <i>RMB'000</i>	Remaining amount <i>RMB'000</i>
Acquiring or investing in one high-quality expressway	70%	561,716	–	561,716
Establishing new business segments or acquiring other complementary business	10%	80,245	–	80,245
Improving the operational efficiency of expressways	10%	80,245	–	80,245
General corporate and working capital	10%	80,245	594	79,651
Total	100%	802,451	594	801,857

Note: Net proceeds as set out in the Prospectus are on an expected basis while net proceeds as set out in this interim report represent the sum of the issued capital and share premium finally included in the Group's account upon completion of the over-allotment offering.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

The Group did not make any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

Save as disclosed in this report, the Group did not hold any significant investments during the Reporting Period.

PLEDGE OF ASSETS

As at the end of the Reporting Period, the service concession arrangements of Chengwenqiong Expressway with a net carrying amount of RMB1,174,296,000 (as at 31 December 2018: RMB1,206,341,000) were pledged to secure bank loans of RMB485,000,000 (as at 31 December 2018: RMB436,000,000) and other loans of RMB175,000,000 (as at 31 December 2018: RMB230,000,000). The service concession arrangements of Chengpeng Expressway with a net carrying amount of RMB1,388,194,000 (as at 31 December 2018: RMB1,400,060,000) were pledged to secure bank loans of RMB513,000,000 (as at 31 December 2018: RMB533,000,000).

EXCHANGE RATE FLUCTUATION RISK

The Group currently does not engage in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange movements to maximise the Group's cash value.

CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group did not have any material contingent liabilities, nor did it provide any guarantees for related parties.

EMPLOYEE AND REMUNERATION POLICIES

As at the end of the Reporting Period, the Group had an aggregate of 1,581 employees (as at 31 December 2018: 1,634), including 1,401 front-line staff, accounting for 89% of the total; 134 general management personnel, including staff in finance, human resources and other departments, accounting for 8% of the total; and 46 middle-level department managers and above, accounting for 3% of the total.

The remuneration and benefit policies of the Group were implemented pursuant to the statutory requirements and the Management Measures for Benefits (《福利管理辦法》) of the Group. Staff remuneration and benefits, comprising wage, performance bonus and statutory and company benefits, are determined in accordance with the comprehensive appraisal results of the staff members based on the principle of "salary is determined based on position, and salary varies with position", which indicates strategies, market and performance orientation and internal and external impartiality.

Pursuant to statutory requirements, the Group has participated in the employee retirement scheme (social pension insurance) organised by the local government authorities and the housing provident fund plan, and has adopted various protection plans such as basic medical insurance, work injury insurance, unemployment insurance and maternity insurance for its employees.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's executive Directors, senior management and the employee representative Supervisor received remuneration based on their specific management positions in the Company. Remuneration of the senior management includes fixed salary and performance bonuses, of which performance bonuses are calculated based on how the annual performance targets are met by them, and will be reviewed by the Remuneration and Evaluation Committee.

The Board deliberates the Company's annual operating performance targets each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the senior management of the Company. During the Reporting Period, the Company made allocation and assessment on eight key performance targets, namely operating results, specific tasks, reform and integration, operation and management, negative list, integrity and discipline, party building and work appraisal.

Based on the operating performance targets approved by the Board, the Company will determine the annual tasks and targets for subsidiaries of all ranks, segregate and delegate the Company's objectives to the relevant enterprises and staff. Meanwhile, each subsidiary is required to sign accountability statements on operation results with the general manager of the Company. The Board and the general manager will determine the overall annual performance scores of the Company and individual performance scores of the senior management members at the end of 2019 with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the senior management members accordingly. The remuneration of all senior management members is subject to review by the Remuneration and Evaluation Committee which need to be reported to the Board.

The Company values staff education and training. During the Reporting Period, the Company organised various training sessions based on the relevant requirements of the Management Measures on Employee Training, which covered corporate governance, listing compliance management, general management, operating management and professional skills, covering employees of all levels from front-line staff to senior management. The Group will also provide employees with comprehensive benefit plans and career development opportunities, including retirement plans, medical benefits and on-the-job training, IT training, safety training, toll calculation training and service etiquette training based on their needs.

During the Reporting Period, the relevant staff costs amounted to approximately RMB92.7 million (corresponding period of 2018: approximately RMB89.3 million). For details, please refer to note 6 to the interim condensed consolidated financial information of this report.

OTHER INFORMATION

CHANGE IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

Mr. Shu Wa Tung, Laurence was admitted as an associate member to The Hong Kong Independent Non-Executive Director Association in May 2019.

Save as disclosed above, from 12 April 2019, being the latest practicable date of the 2018 annual report of the Company, to 30 June 2019, there was no other change in information of Directors, Supervisors and chief executive subject to disclosure under Rule 13.51B of the Listing Rules.

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at the date of this report, based on the information available to the Company and to the best knowledge of the Directors, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the date of this report, based on the information available to the Company and to the best knowledge of the Directors, the following persons (other than the Company's Directors, Supervisors and chief executive) or corporations had interests or short positions in the Shares or underlying Shares of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 336 of the SFO:

Domestic Shares

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares as at the date of this report	Percentage of total issued Share capital as at the date of this report
Chengdu Communications Investment Group Corporation Limited (成都交通投資集團有限公司) ¹	Interest in controlled corporation Beneficial owner	Domestic Shares Domestic Shares	Long position Long position	900,000,000 300,000,000	100%	72.46%
Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司) ²	Beneficial owner	Domestic Shares	Long position	900,000,000	75%	54.34%

Notes:

- (1) Chengdu Communications Investment Group Corporation Limited is wholly owned by Chengdu State-owned Assets Supervision and Administration Commission.
- (2) Chengdu Expressway Construction and Development Co., Ltd. is a wholly-owned subsidiary of Chengdu Communications Investment Group Corporation Limited.

OTHER INFORMATION

H Shares

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares as at the date of this report	Percentage of total issued Share capital as at the date of this report
Guangdong Provincial Communication Group Company Limited (廣東省交通集團有限公司) ¹	Interest in controlled corporation	H Shares	Long position	100,000,000	21.92%	6.04%
Xin Yue Company Limited (新粵有限公司) ¹	Beneficial owner	H Shares	Long position	100,000,000	21.92%	6.04%
Chengdu Xiecheng Asset Management Co., Ltd. (成都市協成資產管理有限責任公司) ²	Interest in controlled corporation	H Shares	Long position	50,000,000	10.96%	3.02%
Chengdu Jiaozhi Financial Holding Group Co., Ltd. (成都交子金融控股集團有限公司) ²	Beneficial owner	H Shares	Long position	50,000,000	10.96%	3.02%
Chengdu Rail Transit Group Co., Ltd. (成都軌道交通集團有限公司) ³	Interest in controlled corporation	H Shares	Long position	49,950,000	10.95%	3.02%
Chengdu Rail Industrial Investment Co., Ltd. (成都軌道產業投資有限公司) ³	Beneficial owner	H Shares	Long position	49,950,000	10.95%	3.02%
Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) ⁴	Investment manager	H Shares	Long position	49,900,000	10.94%	3.01%
Chengdu Urban Construction Investment Management Group Co., Ltd. (成都城建投資管理集團有限責任公司)	Beneficial owner	H Shares	Long position	49,900,000	10.94%	3.01%

OTHER INFORMATION

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares as at the date of this report	Percentage of total issued Share capital as at the date of this report
Chengdu Environment Investment Group Company Limited (成都環境投資集團有限公司)	Beneficial owner	H Shares	Long position	45,450,000	9.96%	2.74%
Chengdu Tianfu New Area Investment Group Co., Ltd. (成都天府新區投資集團有限公司) ⁵	Interest in controlled corporation	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Tianfu New Area Financial Holdings Co., Ltd. (成都天府新區金融控股有限公司) ⁵	Trust beneficiary	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Industry Investment Group Co., Ltd. (成都產業投資集團有限公司) ⁶	Interest in controlled corporation	H Shares	Long position	25,646,000	5.62%	1.55%
Chengdu Advanced Manufacturing Industry Investment Co., Ltd. (成都先進製造產業投資有限公司) ⁶	Beneficial owner	H Shares	Long position	25,646,000	5.62%	1.55%

Notes:

- (1) Guangdong Provincial Communication Group Company Limited holds interests in 100,000,000 H Shares of the Company through its wholly-owned subsidiary, Xin Yue Company Limited.
- (2) Chengdu Jiaozi Financial Holding Group Co., Ltd. is owned as to 40% by Chengdu Xiecheng Asset Management Co., Ltd.. Chengdu Jiaozi Financial Holding Group Co., Ltd. is interested in 50,000,000 H Shares of the Company.
- (3) Chengdu Rail Industrial Investment Co., Ltd. is wholly-owned by Chengdu Rail Transit Group Co., Ltd.. Chengdu Rail Industrial Investment Co., Ltd. holds interests in 49,950,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd (中誠信託有限責任公司).

OTHER INFORMATION

- (4) As an investor manager, Fullgoal Fund Management Co., Ltd. holds interests in 49,900,000 H Shares of the Company. The fund it manages is the Fullgoal Fund Global Allocation No. 6 QDII-Asset Management Plan (富國基金全球配置6號QDII—資產管理計劃).
- (5) Chengdu Tianfu New Area Investment Group Co., Ltd. holds 100% interests in Chengdu Tianfu New Area Financial Holdings Co., Ltd.. Chengdu Tianfu New Area Financial Holdings Co., Ltd. holds interests in 42,939,000 H Shares of the Company through investment in the trust scheme of China Credit Trust Co., Ltd.
- (6) Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is wholly owned by Chengdu Industry Investment Group Co., Ltd.. Chengdu Advanced Manufacturing Industry Investment Co., Ltd. is interested in 25,646,000 H Shares of the Company through investment in the Chengxin No.103 Trusted Overseas Wealth Management Project of China Credit Trust (中誠信託誠信海外配置103號受託境外理財項目).

Save as disclosed above, as at the date of this report, the Company had not been notified by any person (other than Directors, Supervisors or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares of the Company which would be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

PROGRESS OF LAND USE RIGHTS

The Group had not obtained the land use right certificates for part of the land with a site area of approximately 166,593 square metres used for the expansion project of our Chengpeng Expressway (the "Land"). The Land accounts for approximately 18.4% of the land used for this expansion project. The Land consists of (i) the one additional lane which was added next to each of the exterior lane of the pre-expansion Chengpeng Expressway for the road section between Chengmian Expressway (Parallel Line) and Chengdu No. 2 Ring Expressway; and (ii) the two additional lanes which were added next to each of the exterior lanes of the pre-expansion Chengpeng Expressway for the road section between Chengdu No. 2 Ring Expressway and the Chengdu Toll Plaza of Chengpeng Expressway.

The Group has applied for the relevant approval and certificate and has obtained confirmation letters from Chengdu Municipal Land and Resources Bureau on 29 May 2018 and 9 October 2018, which confirmed that (i) the intended use of land is in compliance with the regional planning, (ii) the application has been approved, (iii) there is no substantive impediment for the Company to complete the application, (iv) no administrative penalty had ever been issued against Chengpeng Expressway Company with respect to land use right, and (v) they will grant the land use right certificate when the administrative procedures have been completed. The Group has also obtained a confirmation letter from Sichuan Provincial Land and Resources Department on 5 June 2018, which confirmed that (i) the expansion project of Chengpeng Expressway is a key project for both Chengdu and Sichuan Province, critical to the wellbeing of local residents, and is in line with the overall land utilisation plan; and (ii) there is no substantive impediment for the Group to complete the application for land use right.

OTHER INFORMATION

During the Reporting Period, the Group received the land expropriation approval for construction (Chuanfutu [2019] No.177) issued by the People's Government of Sichuan Province on 7 May 2019, which confirmed that the land involved in the project was provided by the local people's government in accordance with laws and relevant regulations and will be used as the construction land for the expansion and renovation project of Chengpeng Expressway. The approval is a major requirement for obtaining project planning permit. At the request of Chengdu Planning and Natural Resources Bureau (being the government organ reformed and consolidated from, among others, Chengdu Municipal Land and Resources Bureau and Chengdu Municipal Planning Bureau), Chengpeng Expressway Company still needs to submit other relevant materials, and go through the relevant examination before handling the planning permit, and information preparation is currently in the process. Before the project planning permit is obtained, the project is not qualified for the real estate certificate, which, however, will not adversely affect the normal operation of Chengpeng Expressway.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the 400,000,000 H Shares issued by the Company in the Global Offering at a price of HK\$2.20 per H Share on 15 January 2019, and the 56,102,000 H Shares issued by the Company upon partial exercise of the over-allotment option, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date to the date of this report.

DIVIDENDS

Pursuant to relevant resolutions passed at the 2018 annual general meeting of the Company held on 27 June 2019, the Company distributed final dividends for the year ended 31 December 2018 to the Shareholders of the Company on 16 August 2019, totaling approximately RMB215,293,260, being RMB0.13 (tax inclusive) per Share based on the current total number of Shares of 1,656,102,000.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019.

OTHER INFORMATION

ARTICLES OF ASSOCIATION

After the over-allotment Shares were listed on the Stock Exchange on 12 February 2019, the registered capital of the Company changed to RMB1,656,102,000, and the total Share capital changed to 1,656,102,000 Shares. To reflect such change in the registered capital and Share capital structure of the Company, pursuant to the resolution to grant authority to the Board to make corresponding adjustment and amendment to the Articles of Association based on the actual situation of the public offering passed at the 2017 first extraordinary general meeting and 2018 second extraordinary general meeting, the Board resolved to make amendments to the Articles of Association on 27 March 2019. The latest Articles of Association is available on the Company's website and the Stock Exchange's website from 27 March 2019 and changes in industrial and commercial registration was completed on 12 April 2019.

AUDIT AND RISK MANAGEMENT COMMITTEE

As at the date of this report, the Audit and Risk Management Committee of the Company comprises three Directors, namely Mr. Shu Wa Tung, Laurence, being an independent non-executive Director, Mr. Ye Yong, being an independent non-executive Director and Mr. Yang Bin, being a non-executive Director. Mr. Shu Wa Tung, Laurence currently serves as the chairman of the Audit and Risk Management Committee of the Company who possesses the professional accounting qualification. The Audit and Risk Management Committee of the Company has reviewed the results announcement and the interim report of the Group for the six months ended 30 June 2019 and has not raised any objection to the accounting policies adopted by the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code and complied with the code provisions throughout the period from the Listing Date to the date of this report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the code of conduct for all the Directors and Supervisors in conducting securities transactions of the Company. The Company has made specific enquiries to all the Directors and Supervisors, and they confirmed that they have complied with the Model Code throughout the period from the Listing Date to the date of this report.

INFORMATION DISCLOSURE

This report will be despatched to the Shareholders and published on the websites of the Company and the Stock Exchange.

27 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
REVENUE	3	532,303	1,279,704
Cost of sales		(203,349)	(1,017,031)
Gross profit		328,954	262,673
Other income and gains	3	32,045	14,790
Administrative expenses		(28,696)	(22,487)
Other expenses	4	(7,710)	(756)
Interest expenses	5	(36,933)	(32,901)
Share of profits of an associate		13,575	13,834
PROFIT BEFORE TAX	6	301,235	235,153
Income tax expense	7	(52,301)	(32,076)
PROFIT FOR THE PERIOD		248,934	203,077
Other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		248,934	203,077
Profit and total comprehensive income attributable to:			
Owners of the Company		232,262	187,442
Non-controlling interests		16,672	15,635
		248,934	203,077
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	9	RMB0.144	RMB0.156

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	<i>Notes</i>	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	241,273	256,348
Right-of-use assets	10	38,732	–
Service concession arrangements	10	3,260,653	3,334,730
Software		198	333
Investment in an associate	11	139,716	126,141
Financial assets at fair value through profit or loss		500	500
Long-term receivables	13	–	230,247
Deferred tax assets		3,131	336
Total non-current assets		3,684,203	3,948,635
CURRENT ASSETS			
Trade receivables	12	2,901	32,664
Prepayments, deposits and other receivables	13	254,979	254,262
Cash and cash equivalents	14	2,082,457	958,615
Total current assets		2,340,337	1,245,541
CURRENT LIABILITIES			
Tax payable		28,485	12,032
Trade payables	15	884,891	1,006,227
Lease liabilities		3,677	–
Other payables and accruals	16	100,648	100,471
Dividends payable	8	215,293	–
Interest-bearing bank and other loans	17	200,000	225,000
Total current liabilities		1,432,994	1,343,730

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NET CURRENT ASSETS/(LIABILITIES)		907,343	(98,189)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,591,546	3,850,446
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	17	1,198,000	1,328,500
Deferred income	16	52,040	54,072
Lease liabilities		31,913	–
Deferred tax liabilities		9,123	3,496
Total non-current liabilities		1,291,076	1,386,068
Net assets		3,300,470	2,464,378
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	1,656,102	1,200,000
Reserves		1,492,729	1,129,411
Non-controlling interests		3,148,831	2,329,411
		151,639	134,967
Total equity		3,300,470	2,464,378

Xiao Jun
Director

Tang Fawei
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Issued capital RMB'000 (note 18)	Share premium RMB'000 (note 18)	Capital reserve RMB'000	Statutory reserve RMB'000	Difference arising from changes in non-controlling interests RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	1,200,000	-	101,047*	61,612*	314,833*	121,818*	336,604*	2,135,914	131,194	2,267,108
Total comprehensive income for the period	-	-	-	-	-	-	187,442	187,442	15,635	203,077
At 30 June 2018 (audited)	1,200,000	-*	101,047*	61,612*	314,833*	121,818*	524,046*	2,323,356	146,829	2,470,185
At 1 January 2019	1,200,000	-	101,047	100,704	314,833	121,818	491,009	2,329,411	134,967	2,464,378
Total comprehensive income for the period	-	-	-	-	-	-	232,262	232,262	16,672	248,934
Issue of new shares for the Initial Public Offering ("IPO")	400,000	357,821	-	-	-	-	-	757,821	-	757,821
Exercise of the over-allotment option	56,102	50,480	-	-	-	-	-	106,582	-	106,582
Share issue expenses	-	(61,952)	-	-	-	-	-	(61,952)	-	(61,952)
Dividends declared by the Company	-	-	-	-	-	-	(215,293)	(215,293)	-	(215,293)
At 30 June 2019 (unaudited)	1,656,102	346,349*	101,047*	100,704*	314,833*	121,818*	507,978*	3,148,831	151,639	3,300,470

* These reserve accounts comprise the consolidated reserves of RMB1,492,729,000 (30 June 2018: RMB1,129,411,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		301,235	235,153
Adjustments for:			
Depreciation of property, plant and equipment	10	15,390	8,638
Depreciation of right-of-use assets	10	2,189	–
Amortisation of service concession arrangements	10	74,077	62,412
Amortisation of other intangible assets		157	240
Loss/(gain) on disposal and write-off of items of property, plant and equipment		(304)	30
Share of profits of an associate	11	(13,575)	(13,834)
Interest expenses	5	36,933	32,901
Unrealised foreign exchange losses		7,399	–
Interest income from long-term receivable	3	(5,686)	–
Bank interest income	3	(16,031)	(6,162)
		401,784	319,378
Additions to service concession arrangements		–	(842,992)
Decrease/(increase) in trade receivables		29,763	(7,120)
Decrease/(increase) in other receivables		197,015	(20,356)
Increase/(decrease) in trade payables		(120,892)	463,871
Increase/(decrease) in other payables and accruals		(18,818)	18,208
		488,852	(69,011)
Cash generated from/(used in) operations activities		488,852	(69,011)
Interest received from banks		6,976	6,162
Income tax paid		(33,016)	(40,807)
		462,812	(103,656)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and software		(1,509)	(18,420)
Proceeds from disposal of items of property, plant and equipment		1,800	–
Increase in time deposits with original maturity of over three months		(739,430)	–
		(739,139)	(18,420)
Net cash flows used in investing activities		(739,139)	(18,420)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2019

	Note	For the six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans		55,000	353,000
Repayment of bank loans		(155,500)	(120,500)
Repayment of other borrowings		(55,000)	(50,000)
Proceeds from issue of shares for the IPO		757,821	–
Proceeds from exercise of the over-allotment option		106,582	–
Principal portion of lease payment		(3,429)	–
Interest portion of lease liabilities		(949)	–
Interest paid		(36,387)	(34,128)
Net cash flows from financing activities		668,138	148,372
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		878,615	1,139,951
Effect of foreign exchange rate changes		(7,399)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,263,027	1,166,247
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	14	2,082,457	1,166,247
Time deposits with original maturity of over three months		(819,430)	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,263,027	1,166,247

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

1. CORPORATE INFORMATION

Chengdu Expressway Co., Ltd. (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”). The Company’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 15 January 2019. The registered office of the Company is located at 1 Kexin Road, High-Tech Zone, Chengdu, Sichuan, the PRC. The principal place of business of the Company in Hong Kong is located at 40th Floor, Sunlight Tower, No. 248 Queen’s Road East, Wanchai, Hong Kong.

During the six months ended 30 June 2019 (the “Period”), the Company and its subsidiaries (the “Group”) was involved in the management and operation of expressways in Mainland China.

In the opinion of the directors of the Company (“Directors”), the parent company of the Company is Chengdu Expressway Construction and Development Co., Ltd. (“Chengdu Expressway Construction”), a company established in Chengdu, Sichuan Province, the PRC. The ultimate controlling shareholder of the Company is Chengdu Communications Investment Group Co., Ltd. (“Chengdu Communications”), which is wholly owned by the State-owned Assets Supervision and Administration Commission of Chengdu Municipal Government.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the Period has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new standards, interpretations, and amendments to a number of International Financial Reporting Standards (“IFRSs”) effective as of 1 January 2019.

Amendments to IFRS 9
IFRS 16
Amendments to IAS 19
Amendments to IAS 28
IFRIC 23
Annual Improvements 2015-2017 Cycle

Prepayment Features with Negative Compensation
Leases
Plan Amendment, Curtailment or Settlement
Long-term Interests in Associates and Joint Ventures
Uncertainty over Income Tax Treatments
Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Other than as explained below regarding the impact of IFRS 16 *Leases*, the adoption of the above new and revised standards has no significant financial effect on the preparation of the Group's interim condensed consolidated financial information. The nature and impact of IFRS 16 are described below:

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

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

New definition of a lease

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

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

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

Impacts on transition *(continued)*

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

	Increase/ (decrease) <i>RMB'000</i> (Unaudited)
Assets	
Increase in right-of-use assets	39,893
Decrease in prepayments, deposit and other receivables	(1,902)
Increase in total assets	37,991
Liabilities	
Increase in lease liabilities	37,991

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

	<i>RMB'000</i> (Unaudited)
Operating lease commitments as at 31 December 2018	49,565
Weighted average incremental borrowing rate as at 1 January 2019	4.90%
Discounted operating lease commitments at 1 January 2019	37,991
Lease liabilities as at 1 January 2019	37,991

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

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

	Right-of-use assets			Lease liabilities RMB'000
	Land RMB'000	Office premises RMB'000	Total RMB'000	
As at 1 January 2019	38,226	1,667	39,893	37,991
Additions	–	1,028	1,028	1,028
Depreciation expense	(1,429)	(760)	(2,189)	–
Interest expense	–	–	–	949
Payments	–	–	–	(4,378)
As at 30 June 2019	36,797	1,935	38,732	35,590

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

3. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Revenue from contracts with customers		
Toll income		
– Chengguan Expressway	145,159	162,820
– Chengpeng Expressway	112,851	13,668
– Chenwenqiong Expressway	203,381	189,106
– Chengdu Airport Expressway	70,912	69,781
Sub-total	532,303	435,375
Construction revenue in respect of service concession arrangements	–	844,329
Total revenue	532,303	1,279,704

Revenue from contracts with customers

Disaggregated revenue information

Type of revenue	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Toll income	532,303	435,375
Construction services	–	844,329
Total revenue from contracts with customers	532,303	1,279,704

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

3. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Timing of revenue recognition		
At a point in time	532,303	435,375
Over time	–	844,329
Total revenue from contracts with customers	532,303	1,279,704

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Other income and gains		
Interest income from a long-term receivable	5,686	–
Bank interest income	16,031	6,162
Compensation income for road damage	2,015	1,193
Rental income	4,683	4,961
Deferred income released to profit or loss	2,031	2,031
Gain on disposal of property, plant and equipment	304	–
Miscellaneous	1,295	443
Other income and gains	32,045	14,790
Total revenue, other income and gains	564,348	1,294,494

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

4. OTHER EXPENSES

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Foreign exchange losses	7,399	–
Miscellaneous	311	756
	7,710	756

5. INTEREST EXPENSES

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Interest on bank loans and other borrowings	35,984	34,238
Less: Interest capitalised	–	(1,337)
	35,984	32,901
Interest on lease liabilities	949	–
	36,933	32,901
Interest rate of borrowing costs capitalised	–	4.75%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Cost of operating service	203,349	172,702
Construction costs in respect of service concession arrangements	–	844,329
Cost of sales	203,349	1,017,031
Employee benefit expense (including Directors' and supervisors' remuneration):		
Wages, salaries and allowances, social security and benefits	66,013	64,448
Pension scheme contributions (Defined contribution fund)	13,439	12,022
Other staff benefits	13,215	12,829
	92,667	89,299
Depreciation in respect of:		
– property, plant and equipment (note 10)	15,390	8,638
– right-of-use assets (note 10)	2,189	–
Amortisation in respect of:		
– service concession arrangements (note 10)	74,077	62,412
– software	157	240
IPO fees expensed off	1,541	1,257
Loss/(gain) on disposal and write-off of items of property, plant and equipment	(304)	30
Minimum lease payments under operating leases of land and office	–	1,902
Foreign exchange losses	7,399	–
Bank Interest income	(16,031)	(6,162)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

7. INCOME TAX EXPENSE

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Current – Mainland China		
Charged for the period	45,717	33,881
Under provision income tax in prior years	3,752	–
Deferred	2,832	(1,805)
Total tax charge for the period	52,301	32,076

Except for Chengdu Chengpeng Expressway Co., Ltd. (“Chengpeng Expressway Company”) as further described below, the Company and its subsidiaries and associate were entitled to a preferential tax rate of 15% during the Period. 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) (the “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”) approved by the State Council, and shall be implemented as of 1 October 2014 and Revised Catalogue of Encouraged Industries in the Western Region approved by the State Council, and shall be implemented as of 28 July 2017, the income from which accounts for more than 70% of the total income of such enterprises.”

For entities within the scope of the transportation industry, i.e., the Company, Chengdu Chengwenqiong Expressway Co., Ltd. (“Chengwenqiong Expressway Company”), Chengdu Airport Expressway Co., Ltd. and Chengdu Chengbei Exit Expressway Co., Ltd. (“Chengbei Exit Expressway Company”), an associate of the Company, which have been approved to enjoy the preferential tax rate of 15% before 2012, as they have not changed their business operations and eligible revenue that falls within the scope accounting for more than 70% of their respective total revenue, income tax of these entities for the Period continued to be calculated at a tax rate of 15%.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

7. INCOME TAX EXPENSE *(continued)*

During the Period, the Directors considered that the eligible revenue derived by Chengpeng Expressway Company has not exceeded 70% of its total revenue due to the government grant received related to the expansion project of Chengpeng Expressway, and the provision for income tax expense of Chengpeng Expressway Company during the Period was calculated at the CIT rate of 25%.

The share of tax attributable to associates amounting to RMB2,036,000 (six months ended 30 June 2018: RMB2,441,000) is included in "Share of profits and losses of an associate" in profit or loss.

8. DIVIDENDS

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Final declared – RMB0.13 (2018: RMB nil) per ordinary share	215,293	–

At the meeting of the Directors held on 27 August 2019, the Directors resolved not pay an interim dividend for the Period (six months ended 30 June 2018: nil).

9. 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 ordinary equity holders of the Company of RMB232,262,000 (six months ended 30 June 2018: RMB187,442,000), and the weighted average number of ordinary shares of 1,611,900,422 (six months ended 30 June 2018: 1,200,000,000) 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 2018 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND SERVICE CONCESSION ARRANGEMENTS

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

	Property, plant and equipment <i>RMB'000</i> (Unaudited) <i>(note (a))</i>	Right-of-use assets <i>RMB'000</i> (Unaudited)	Service concession arrangements <i>RMB'000</i> (Unaudited) <i>(note (b))</i>
Carrying amounts at 1 January 2019	256,348	39,893	3,334,730
Additions	1,811	1,028	–
Disposals	(1,496)	–	–
Depreciation/amortisation charged for the period <i>(note 6)</i>	(15,390)	(2,189)	(74,077)
Carrying amounts at 30 June 2019	241,273	38,732	3,260,653

Notes:

- (a) As at 30 June 2019, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB1,353,500 (31 December 2018: RMB1,394,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings.
- (b) At 30 June 2019, the service concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 17 (a)):

	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
Chengpeng Expressway	1,388,194	1,400,060
Chengwenqiong Expressway	1,174,296	1,206,341
	2,562,490	2,606,401

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

11. INVESTMENTS IN AN ASSOCIATE

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Share of net assets	139,716	126,141

Particulars of the associate 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
Chengbei Exit Expressway Company	40%	Construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge

12. TRADE RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Batch payment arrangements	992	27,100
Inter-network toll collection and Electronic Toll Collection receivables	1,909	5,564
Impairment allowance	2,901 —	32,664 —
	2,901	32,664

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

12. TRADE RECEIVABLES (continued)

The Group seeks to maintain strict control over the outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance for impairment of trade receivables, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 3 months	2,901	32,664

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Neither past due nor impaired	2,901	32,664

The Group does not hold any collateral or other credit enhancements over these balances.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<i>Current portion:</i>			
Prepayment to suppliers		1,906	4,326
Government grant receivable	(a)	235,934	200,000
Deferred listing fees	(b)	–	44,586
Rental income receivable		4,026	2,577
Interest receivable		9,622	567
Others		6,241	4,956
		257,729	257,012
Impairment allowance		(2,750)	(2,750)
		254,979	254,262
<i>Non-current portion:</i>			
Government grant receivable	(a)	–	230,247
		254,979	484,509

Notes:

- (a) The balance represented the government grant receivable related to the expansion project of Chengpeng Expressway.
- (b) Deferred listing fees represented legal and other professional fees relating to the listing which have been deducted from equity when the Company completed the listing on 15 January 2019.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

14. CASH AND CASH EQUIVALENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and bank balances	1,113,027	694,825
Time deposits with original maturity of:		
– Less than three months	150,000	183,790
– Over three months	819,430	80,000
Cash and cash equivalents	2,082,457	958,615

15. TRADE PAYABLES

An ageing analysis of trade payables as of the end of the reporting period based on the invoice date is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 3 months	17,179	66,516
3 to 6 months	3,718	312,765
6 to 12 months	364,258	273,523
Over 1 year	499,736	353,423
	884,891	1,006,227
Retention money, included in trade payables	26,960	28,313

Trade payables are non-interest-bearing. Except for the retention money payables arising from construction and upgrade services which are normally settled between six months and two years, credit periods granted by each individual supplier or contractor are on a case-by-case basis and set out in the respective contracts.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

16. OTHER PAYABLES AND ACCRUALS

Other payables at the end of the reporting period mainly included the following balances:

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<i>Current portion:</i>			
Payroll and welfare payables		744	11,041
Taxes and surcharge payables		25,647	26,140
Due to a related party	20(c)	1,292	43
Inter-network toll collection payable	(a)	5,782	9,067
Deposits		20,443	16,812
Listing fees payable		23,771	11,844
Interest payable		1,061	1,464
Deferred income	(b)	4,062	4,062
Consultancy and professional fees		1,946	3,323
Others		15,900	16,675
		100,648	100,471
<i>Non-current portion:</i>			
Deferred income	(b)	52,040	54,072
		152,688	154,543

Notes:

- (a) The balance represented the expressway tolls pending for allocation to other expressway operators.
- (b) The balance represented leasing income received in advance for occupying the Group's land along the expressways. Deferred income of the Group to be released to profit or loss after twelve months from the end of the year has been recorded as a non-current liability.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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17. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Bank loans:			
Secured	(a)	998,000	969,000
Unsecured	(b)	225,000	354,500
Other loans, secured	(c)	175,000	230,000
		1,398,000	1,553,500
Portion classified as current liabilities		(200,000)	(225,000)
Non-current portion		1,198,000	1,328,500
Effective interest rate		4.41%-4.90%	4.41%-4.90%

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

Notes:

- (a) The bank loans were secured by the service concession rights in note 10(b).
- (b) The bank borrowings of approximately RMB225,000,000 as at 30 June 2019 (31 December 2018: RMB354,500,000) were guaranteed by the Company and Chengwenqiong Expressway Company at nil consideration.
- (c) The other borrowings of approximately RMB175,000,000 as at 30 June 2019 (31 December 2018: RMB230,000,000) was secured by Chengwenqiong Expressway (note 10(b)) with a net carrying amount of RMB1,174,296,000 as at 30 June 2019 (31 December 2018: RMB1,206,341,000).

18. ISSUED CAPITAL

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Issued and fully paid:		
Domestic shares of 1,200,000,000 of RMB1.00 each	1,200,000	1,200,000
H shares of 456,102,000 of RMB1.00 each	456,102	–
	1,656,102	1,200,000

All domestic shares and H shares rank pari passu with each other in terms of dividend and voting rights.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

18. ISSUED CAPITAL (continued)

A summary of movements in the Group's issued capital during the Period is as follows:

	Number of shares in issue	Issued capital <i>RMB'000</i>
At 1 January 2019	1,200,000,000	1,200,000
Initial public offering (note (a))	400,000,000	400,000
Exercise of the over-allotment option (note (b))	56,102,000	56,102
At 30 June 2019	1,656,102,000	1,656,102

Notes:

(a) INITIAL PUBLIC OFFERING

On 15 January 2019, 400,000,000 ordinary shares of par value RMB1 each were issued at a price of HK\$2.2 per share in connection with the Company's IPO. The proceeds of HK\$464,490,000 (equivalent to approximately RMB400,000,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK\$415,510,000 (equivalent to approximately RMB357,821,000) before issuing expenses were credited to the share premium account.

(b) OVER-ALLOTMENT OFFERING

On 12 February 2019, 56,102,000 over-allotment ordinary shares of par value RMB1 each were issued at a price of HK\$2.2 per share. The proceeds of HK\$64,967,400 (equivalent to approximately RMB56,102,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK\$58,457,000 (equivalent to approximately RMB50,480,000) before issuing expenses were credited to the share premium account.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted, but not provided for:	9,528	10,520

20. RELATED PARTY TRANSACTIONS AND BALANCE

The Directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the Period.

(a) Name of related parties and their relationships with the Group

Related parties	Relationships
Chengdu Communications	Ultimate holding company
Chengdu Expressway Construction	Parent company
Chengdu Transportation Junction Construction Management Co., Ltd. ("Chengdu Junction")	A company controlled by Chengdu Communications
Chengdu Communications Assets Management Co., Ltd. ("Assets Management")	A company controlled by Chengdu Communications
Chengdu Zhongyou Energy Co., Ltd. ("Zhongyou Energy")	An indirect associate of Chengdu Communications

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

20. RELATED PARTY TRANSACTIONS AND BALANCE *(continued)*

In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties:

(b) Transactions with related parties

(1) Land leasing income received

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Zhongyou Energy	264	571

The Directors consider that the rental expenses charged to Zhongyou Energy as determined under the tenancy agreement are based on market rates for similar premises at similar locations.

(2) Properties leased from a related party

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Chengdu Junction	–	535

The Directors consider that the office rental expenses paid by the Group to Chengdu Junction as determined under the tenancy agreement were based on market rates for similar locations.

Upon the adoption of IFRS 16, the above lease contract was recognised and measured as right-of-use asset. During the Period, rental expenses paid by the Group to Chengdu Junction amounted to RMB974,000.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

20. RELATED PARTY TRANSACTIONS AND BALANCE (continued)

(b) Transactions with related parties (continued)

(3) Properties management and other general services from related parties

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Assets Management	583	133
Chengdu Junction	43	39

The Directors consider that properties management and other general services expenses paid by the Group to Assets Management and Chengdu Junction as determined under the properties management and other general services agreements were based on market rates for similar locations/service.

(c) Balances with related parties

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Due from related parties:			
Non-trade in nature			
Chengdu Junction	(i)	178	178
Due to a related party:			
Non-trade in nature			
Assets Management	16, (ii)	1,292	43

- (i) The balance due from Chengdu Junction represented office leasing rental prepaid to Chengdu Junction.
- (ii) The balance due to Assets Management represented management and other general service fees and office rental fees payable to Assets Management.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

20. RELATED PARTY TRANSACTIONS AND BALANCE (continued)

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Fee	135	240
Salaries, allowances and benefits in kind	3,379	1,788
Pension scheme contributions	238	199
	3,752	2,227

21. 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 their short terms to maturity, are as follows:

	Carrying amounts		Fair value	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Carrying amounts				
Financial assets				
Financial assets at fair value through profit or loss	500	500	500	500
Government grant receivable, non-current portion	–	230,247	–	230,247
Financial liabilities				
Lease liabilities, non-current portion	31,913	–	31,913	–
Interest-bearing bank and other loans, non-current portion:				
– Bank loans	1,138,000	1,208,500	1,166,238	1,227,747
– Other loans	60,000	120,000	61,429	123,985

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings 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:

Management has assessed that the fair value of financial assets at fair value through profit and loss approximates to its carrying amount based on valuation techniques which requires significant unobservable input.

The fair values of the non-current portion of the Group's government grant receivable, lease liabilities 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 or the subsidiaries' own non-performance risk where appropriate.

Fair value hierarchy

The fair value measurement hierarchy of the Group's non-current portion of financial assets and financial liabilities for which fair values are disclosed is considered to be Level 3, which required significant unobservable inputs as at the end of reporting period.

The fair value measurement hierarchy of the financial assets at fair value through profit or loss requires significant unobservable inputs (Level 3). The significant unobservable input used in the fair value measurement of the financial assets at fair value through profit or loss is the discount rate and long-term growth rate. It's estimated that with all other variables held constant, a decrease/(an increase) in the estimated discount rate and an increase/(a decrease) in the estimated long-term growth rate would result in an increase/(a decrease) in the fair value of the financial assets at fair value through profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

22. EVENTS AFTER THE REPORTING PERIOD

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

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 27 August 2019.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Tang Fawei (*General Manager*)
Mr. Zhang Dongmin
Ms. Wang Xiao
Mr. Luo Dan

Non-executive Directors

Mr. Xiao Jun (*Chairman of the Board*)
Mr. Yang Bin

Independent Non-executive Directors

Mr. Shu Wa Tung, Laurence
Mr. Ye Yong
Mr. Li Yuanfu

JOINT COMPANY SECRETARIES

Mr. Zhang Guangwen
Ms. Kwong Yin Ping, Yvonne

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Shu Wa Tung, Laurence (*Chairman*)
Mr. Ye Yong
Mr. Yang Bin

NOMINATION COMMITTEE

Mr. Xiao Jun (*Chairman*)
Mr. Li Yuanfu
Mr. Ye Yong

REMUNERATION AND EVALUATION COMMITTEE

Mr. Ye Yong (*Chairman*)
Mr. Luo Dan
Mr. Li Yuanfu

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Tang Fawei (*Chairman*)
Ms. Wang Xiao
Mr. Shu Wa Tung, Laurence

SUPERVISORY COMMITTEE

Ms. Jiang Yan (*Chairman of the Supervisory Committee*)
Ms. Wu Haiyan
Mr. Pan Xin
Ms. Xu Jingxian (*employee representative Supervisor*)
Mr. Zhang Jian (*employee representative Supervisor*)

AUTHORISED REPRESENTATIVES

Mr. Luo Dan
Mr. Zhang Guangwen

AUDITOR

Ernst & Young

LEGAL ADVISERS

As to Hong Kong Law:

DLA Piper Hong Kong

As to PRC Law:

Tahota Law Firm (泰和泰律師事務所)

COMPLIANCE ADVISER

Alliance Capital Partners Limited

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKS

Bank of China Chengdu Shudu Branch

Industrial and Commercial Bank
Sichuan Chengdu Jinniu Branch

REGISTERED OFFICE

1 Kexin Road
High-Tech Zone
Chengdu, Sichuan
PRC

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

9th Floor, Chengnan Tianfu Building
No. 66 Shenghe 1st Road, High-Tech Zone
Chengdu, Sichuan
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

INVESTOR RELATIONS

Email: cggfdb@chengdugs.com
Tel: 86 28 86056037

LISTING PLACE

The Stock Exchange of Hong Kong Limited
Stock abbreviation: CHENGDU EXPWY
Stock Code:1785

WEBSITE

www.chengdugs.com