

Sichuan Expressway Company Limited

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

(Stock Code: 00107)



2021

Interim Report

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DEFINITIONS

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

I. NAME OF EXPRESSWAY PROJECTS

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

DEFINITIONS (CONTINUED)

II. BRANCHES, SUBSIDIARIES AND PRINCIPAL INVESTED COMPANIES

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

DEFINITIONS (CONTINUED)

Chengqiongya Company	Sichuan Chengqiongya Expressway Company Limited
Chengyu Development Fund	Sichuan Chengyu Development Equity Investment Fund Centre (Limited Partnership)
Chengyu Technology Company	Sichuan Chengyu Transportation Technology Development Co., Ltd.* (四川成渝交通科技發展有限公司) (formerly known as “Sichuan Chengyu Education Investment Co., Ltd.* (四川成渝教育投資有限公司)” (former abbreviation “Chengdu Education Company”)), with changes in the name and its scope of business registered on 21 May 2021)
Chengyu Financial Leasing Company	Chengyu Financial Leasing Company Limited
Chengyu Jianxin Fund Company	Chengdu Chengyu Jianxin Equity Investment Fund Management Co., Ltd.
Chengyu Logistics Company	Sichuan Chengyu Logistics Company Limited
Commercial Factoring Company	Sichuan Chengyu Commercial Factoring Company Limited (formerly known as “Tianyi United Commercial Factoring (Luzhou) Company Limited (天乙多聯商業保理(瀘州)有限公司)”

DEFINITIONS (CONTINUED)

CSI SCE	CSI SCE Investment Holding Limited
Lushan Shuhan Company	Lushan County Shuhan Engineering Construction Management Co., Ltd. (蘆山縣蜀漢工程建設管理有限公司)
Lushan Shunan Company	Lushan County Shunan Engineering Construction Project Management Co., Ltd. (蘆山縣蜀南工程建設項目管理有限公司)
Multimodal United Transportation Company	Sichuan Multimodal United Transportation Investment and Development Co., Ltd.* (四川省多式聯運投資發展有限公司) (formerly named as “Sichuan Tianyi United Investment & Development Co., Ltd (四川省天乙多聯投資發展有限公司)”))
Renshou Bank	Sichuan Renshou Rural Commercial Bank Co., Ltd.
Renshou Landmark Company	Renshou Trading Landmark Company Limited
Renshou Shunan Company	Renshou Shunan Investment Management Company Limited
Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Shuhong Company	Chengdu Shuhong Property Company Limited

DEFINITIONS (CONTINUED)

Shunan Chengxing Company	Ziyang Shunan Chengxing Project Construction & Management Co., Ltd.
Shunan Company	Sichuan Shunan Investment Management Company Limited
Shuxia Company	Sichuan Shuxia Industrial Company Limited
Suiguang Suixi Company	Sichuan Suiguang Suixi Expressway Company Limited
Transportation Construction Company	Sichuan Transportation Construction Group Co., Ltd.* (四川省交通建設集團股份有限公司) (formerly known as “Sichuan Trading Construction Engineering Co., Ltd.* (四川交投建設工程股份有限公司)” and “Sichuan Shugong Expressway Engineering Company Limited* (四川蜀工高速公路機械化工程有限公司)”))
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited
Zhongxin Company	Sichuan Zhongxin Assets Management Co., Ltd.

DEFINITIONS (CONTINUED)

III. OTHERS

2020 AGM	the 2020 annual general meeting of the Company convened on Tuesday, 25 May 2021, the resolutions of which were published on the website of the Stock Exchange on the same date
A Share(s)	ordinary share(s) denominated in RMB of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
Agreement on the Completion of Inheritance of Assets	Agreement on the Completion of Inheritance of Assets among Shudao Investment Group Company Limited, Sichuan Transportation Investment Group Company Limited* (四川省交通投資集團有限責任公司) and Sichuan Railway Investment Group Co., LTD.* (四川省鐵路產業投資集團有限責任公司)
Articles of Association	the Articles of Association of the Company, as amended from time to time
associate(s)	has the meaning as ascribed to it under the Listing Rules of the Stock Exchange
associated corporation(s)	has the meaning as ascribed to it under the SFO

DEFINITIONS (CONTINUED)

Audit Committee	the Audit Committee of the Board
Board	the Board of Directors of the Company
BOT Project	build – operate – transfer project
BT Project	build – transfer project
Chengle Expressway Expansion Construction Project	Capacity Expansion Construction Project for the Chengdu – Leshan Expressway Project
China Merchants Expressway Company	China Merchants Expressway Network and Technology Holdings Co. Ltd (previously known as China Merchants Huajian Highway Investment Company Limited), a substantial shareholder of the Company
Company	Sichuan Expressway Company Limited
CSRC	China Securities Regulatory Commission
Director(s)	director(s) of the Company
Group	the Company and its subsidiaries
H Share(s)	overseas listed share(s) of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in HKD and listed on the main board of the Stock Exchange

DEFINITIONS (CONTINUED)

HKD	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Stocks on the SSE (as the case may be)
Merger Agreement	Merger Agreement of Sichuan Transportation Investment Group Company Limited* (四川省交通投資集團有限責任公司) and Sichuan Railway Investment Group Co., LTD* (四川省鐵路產業投資集團有限責任公司)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange, which has been adopted by the Company as the code of conduct for securities transactions by Directors and Supervisors of the Company
Nomination Committee	the Nomination Committee of the Board
Period or Reporting Period	for the six months ended 30 June 2021

DEFINITIONS (CONTINUED)

PRC or Mainland China	the People's Republic of China, for the purpose of this interim report, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
Remuneration and Appraisal Committee	the Remuneration and Appraisal Committee of the Board
RMB	Renminbi, the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	A Share(s) and/or H Share(s) (as the case may be)
Shareholder(s)	holder(s) of Shares
Shudao Group	Shudao Investment and its subsidiaries
Shudao Investment	Shudao Investment Group Company Limited, the controlling shareholder of the Company
SRIG	Sichuan Railway Investment Group Co., LTD* (四川省鐵路產業投資集團有限責任公司)
SRIG Group	SRIG and its subsidiaries
SSE	Shanghai Stock Exchange

DEFINITIONS (CONTINUED)

STIG	Sichuan Transportation Investment Group Corporation Limited, the former controlling Shareholder of the Company
STIG Group	STIG and its subsidiaries
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategic Committee	the Strategic Committee of the Board
Suiguang-Suixi Expressways BOT Project	the project on Suiguang Expressway and Suixi Expressway in the form of BOT (build – operate – transfer)
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Tianqiong Expressway BOT Project	the project of Tianfu New District to Qionglai Expressway BOT (build-operate-transfer) project
Trading Property Company	Sichuan Trading Property Company Limited (四川交投地產有限公司) (previously known as “Sichuan Trading Landmark Company Limited”)

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

CORPORATE INFORMATION

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

CORPORATE INFORMATION (CONTINUED)

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

CORPORATE INFORMATION (CONTINUED)

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

CORPORATE INFORMATION (CONTINUED)

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

COMPANY PROFILE

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

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects as well as the operation of other businesses related to expressways. Currently, the Group mainly owns all or substantial interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengren Expressway, Chengbei Exit Expressway, Suiguang Expressway, Suixi Expressway and Tianqiong Expressway under construction. As at 30 June 2021, the length of expressways of the Group has reached approximately 744km in total, and the length of expressways under construction were approximately 42km. The Group's total asset and net asset were approximately RMB41,086,301,000 and RMB17,003,183,000 respectively.

INTERIM CONDENSED FINANCIAL INFORMATION

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

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	4,022,892	2,339,595
Cost of sales		<u>(2,738,034)</u>	<u>(2,053,240)</u>
Gross profit		1,284,858	286,355
Other income and gains	4	92,112	100,562
Administrative expenses		(160,803)	(144,554)
Other expenses		(20,372)	(12,398)
Finance costs	5	(299,790)	(328,129)
Share of profits and losses of:			
Joint ventures		4,991	4,553
Associates		<u>10,141</u>	<u>3,641</u>
PROFIT/(LOSS) BEFORE TAX	6	911,137	(89,970)
Income tax expense	7	<u>(179,477)</u>	<u>(46,191)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>731,660</u>	<u>(136,161)</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Attributable to:		
Owners of the Company	673,714	(164,758)
Non-controlling interests	57,946	28,597
	731,660	(136,161)

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	12,997	(80,941)
Income tax effect	(1,609)	13,484
	<u>11,388</u>	<u>(67,457)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	11,388	(67,457)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	743,048	(203,618)

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

For the six months ended 30 June 2021

		For the six months ended 30 June	
<i>Notes</i>	2021	2020	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Attributable to:			
Owners of the Company	684,898	(231,963)	
Non-controlling interests	58,150	28,345	
	743,048	(203,618)	
	<u>743,048</u>	<u>(203,618)</u>	
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE			
COMPANY			
– Basic and diluted	8	RMB0.220	RMB(0.054)
		<u>RMB0.220</u>	<u>RMB(0.054)</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	723,136	764,036
Right-of-use assets	9	395,993	416,724
Service concession arrangements	9	28,087,457	27,657,591
Investments in joint ventures	10	133,769	137,926
Investments in associates	11	288,946	289,127
Equity investments designated at fair value through other comprehensive income	12	294,881	281,883
Loans to customers	13	1,455,300	1,291,105
Long term compensation receivables		3,351	14,353
Contract assets		10,000	10,000
Contract costs		19,465	18,227
Deferred tax assets		30,468	31,014
Interests in land held for property development		156,303	156,303
Restricted deposits	16	29,800	36,027
Total non-current assets		31,628,869	31,104,316

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
	<i>Notes</i>		
CURRENT ASSETS			
Properties under development	14	1,714,602	1,587,314
Completed properties held for sale	14	706,125	969,986
Inventories		58,395	48,989
Loans to customers	13	1,328,328	1,018,472
Trade and other receivables	15	2,217,242	2,441,430
Contract assets		21,000	21,000
Contract costs		9,615	17,040
Financial assets at fair value through profit or loss		462	494
Pledged deposits	16	–	15,000
Cash and cash equivalents	16	3,401,663	3,180,340
 Total current assets		 9,457,432	 9,300,065

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

		30 June	31 December
		2021	2020
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
CURRENT LIABILITIES			
Tax payable		100,848	136,478
Trade and other payables	17	2,373,952	3,297,114
Contract liabilities		466,331	911,363
Dividend payables		48,167	29,434
Interest-bearing bank and other borrowings	18	2,313,486	4,560,204
Total current liabilities		5,302,784	8,934,593
NET CURRENT ASSETS		4,154,648	365,472
TOTAL ASSETS LESS CURRENT LIABILITIES		35,783,517	31,469,788

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

		30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	18	17,678,409	14,000,093
Deferred tax liabilities		4,680	5,441
Contract liabilities		840,996	657,856
Deferred income	17	256,249	272,717
Total non-current liabilities		18,780,334	14,936,107
Net assets		17,003,183	16,533,681
EQUITY			
Equity attributable to owners of the Company			
Issued capital		3,058,060	3,058,060
Reserves		12,916,942	12,476,974
		15,975,002	15,535,034
Non-controlling interests		1,028,181	998,647
Total equity		17,003,183	16,533,681
Gan Yongyi <i>Director</i>		Li Wenhui <i>Director</i>	

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company												
	Issued capital	Share premium account	Statutory surplus reserve	Difference arising from changes in non-controlling interests	Fair value reserve of financial assets at fair value through other comprehensive income	General risk reserve	Merger difference	Safety fund reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	3,058,060	2,654,601	5,417,299	(254,570)	90,628	990	(533,123)	8,471	32,820	4,802,722	15,277,898	876,070	16,153,968
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	(164,758)	(164,758)	28,597	(136,161)
Other comprehensive income for the period:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	(67,205)	-	-	-	-	-	(67,205)	(252)	(67,457)
Total comprehensive income/(loss) for the period	-	-	-	-	(67,205)	-	-	-	-	(164,758)	(231,963)	28,345	(203,618)
Transfer from/(to) reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Establishment for safety fund surplus reserve	-	-	-	-	-	-	-	2,806	-	(2,806)	-	-	-
General risk reserve	-	-	-	-	-	191	-	-	-	(191)	-	-	-
Utilisation of safety fund surplus reserve	-	-	-	-	-	-	-	(171)	-	171	-	-	-
Capital injection by a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	22,000	22,000
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(16,176)	(16,176)
Final 2019 dividend declared	-	-	-	-	-	-	-	-	-	(336,387)	(336,387)	-	(336,387)
At 30 June 2020 (unaudited)	3,058,060	2,654,601*	5,417,299*	(254,570)*	23,423*	1,181*	(533,123)*	11,106*	32,820*	4,296,751*	14,709,548	910,239	15,619,787

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2021

	Attributable to owners of the Company											Non-controlling interests	Total equity	
	Issued capital	Share premium account	Statutory surplus reserve	non-controlling interests	Difference from changes through other comprehensive income	Fair value reserve of financial assets at fair value	General risk reserve	Merger difference	Safety fund reserve	Capital reserve	Retained profits			Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	3,058,060	2,654,601	5,801,216	(254,570)	12,624	5,228	(533,123)	11,422	991,856	3,787,720	15,535,034	998,647	16,533,681	
Profit for the Period	-	-	-	-	-	-	-	-	-	673,714	673,714	57,946	731,660	
Other comprehensive income for the Period:														
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	11,184	-	-	-	-	-	11,184	204	11,388	
Total comprehensive income for the Period	-	-	-	-	11,184	-	-	-	-	673,714	684,898	58,150	743,048	
Transfer from/(to) reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	
Establishment for safety fund surplus reserve	-	-	-	-	-	-	-	2,638	-	(2,638)	-	-	-	
General risk reserve	-	-	-	-	-	45,558	-	-	-	(45,558)	-	-	-	
Utilisation of safety fund surplus reserve	-	-	-	-	-	-	-	(462)	-	462	-	-	-	
Capital injection by a non-controlling shareholder	-	-	-	-	-	-	-	-	-	-	-	3,004	3,004	
Deemed disposal of investment in a joint venture	-	-	-	-	-	-	-	-	(285)	-	(285)	-	(285)	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(31,620)	(31,620)	
Final 2020 dividend declared	-	-	-	-	-	-	-	-	-	(244,645)	(244,645)	-	(244,645)	
At 30 June 2021 (unaudited)	3,058,060	2,654,601*	5,801,216*	(254,570)*	23,808*	50,786*	(533,123)*	13,578*	991,571*	4,169,075*	15,975,002	1,028,181	17,003,183	

* These reserve accounts comprise the consolidated reserves of RMB12,916,942,000 (31 December 2020: RMB12,476,974,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		911,137	(89,970)
Adjustments for:			
Finance costs	5	299,790	328,129
Share of profits and losses of joint ventures and associates		(15,132)	(8,194)
Fair value change on financial assets at fair value through profit or loss	4	33	(2,956)
Depreciation of property, plant and equipment	9	45,597	45,677
Depreciation of right-of-use assets	9	31,204	29,313
Amortisation of service concession arrangements	9	401,363	384,650
Reversal of provision for impairment of other receivables	6	-	(327)
Impairment loss on trade receivables		-	5,180

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Losses/(gains) on disposal and write-off of items of property, plant and equipment	6	(1,352)	1,606
Interest income	4	(54,387)	(52,869)
Gain on disposal of financial assets at fair value through profit or loss	6	(198)	–
Dividend income from equity investments designated at fair value through other comprehensive income	6	(1,330)	(7,290)
Dividend income from financial assets at fair value other profit or loss		–	(2,380)
		1,616,725	630,569

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Additions to service concession arrangements	(932,307)	(616,736)
Additions to properties under development	(126,565)	(242,337)
Decrease in completed properties held for sale	263,861	2,162
Increased in restricted deposits	6,227	(5,597)
Increase in loans to customers	(474,051)	(186,931)
Decrease/(increase) in contract assets and contract costs	6,187	(3,720)
Decrease/(increase) in trade and other receivables	238,131	(90,609)
Decrease/(increase) in inventories	(9,406)	23,433
Decrease in deferred income	(18,946)	(6,552)
Increase/(decrease) in contract liabilities	(261,892)	423,024
Decrease in trade and other payables	(731,817)	(517,009)

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash used in operations	(423,853)	(590,303)
Interest received	29,153	37,078
Interest paid	(5,107)	(4,097)
Income tax paid	(216,932)	(83,742)
	<hr/>	<hr/>
Net cash flows used in operating activities	(616,739)	(641,064)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of items of property, plant and equipment	(5,913)	(46,265)
Proceeds from partially disposal of shares of a joint venture	-	4,312
Investment in financial assets at fair value through profit or loss	(182)	(78)
Proceeds from disposal of financial assets at fair value through profit or loss	379	88

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
Notes	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Proceeds from disposal of items of property, plant and equipment	2,568	3,981
Interest received	22,614	21,465
Dividends received from associates	16,484	–
Dividends received from a joint venture	2,701	2,776
Dividends received from equity investments designated at fair value through other comprehensive income	1,330	7,290
Dividends received from financial assets at fair value through profit or loss	–	2,380
Decrease in pledged deposits	15,000	–
Net cash flows from/(used in) investing activities	54,981	(4,051)

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
<i>Notes</i>	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(383,195)	(206,633)
Proceeds from bank loans	2,837,660	3,290,903
Repayment of bank loans	(1,779,957)	(2,303,376)
Proceeds from short term commercial paper	400,000	–
Proceeds from medium term notes	1,000,000	–
Repayment of medium term notes	(1,000,000)	–
Proceeds from other loans	33,024	83,634
Repayment of other loans	(41,824)	(10,859)
Principle portion lease payments	(28,099)	(22,864)
Capital injection by a non-controlling shareholder	3,004	22,000
Dividends paid to owners of the Company	(244,645)	(237,902)
Dividends paid to non-controlling shareholders	(12,887)	(16,176)
	783,081	598,727
Net cash flows from financing activities	783,081	598,727

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
<i>Notes</i>	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	221,323	(46,388)
Cash and cash equivalents at beginning of period	<u>3,180,340</u>	<u>2,951,704</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,401,663</u>	<u>2,905,316</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,401,663	2,863,716
Non-pledged time deposits	<u>-</u>	<u>41,600</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	16 <u>3,401,663</u>	<u>2,905,316</u>

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

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

During the six months ended 30 June 2021 (the "Period"), Sichuan Expressway Company Limited and its subsidiaries (the "Group") was involved in the following principal activities:

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

1. CORPORATE INFORMATION (CONTINUED)

On 2 April 2021, the former parent and ultimate holding company Sichuan Transportation Investment Group Corporation Limited (“STIG”) and Sichuan Railway Investment Group Co., LTD (“SRIG”) entered into an agreement, pursuant to which a new entity, Shudao Investment Group Company Limited (“Shudao Investment”), would be established through the joint restructuring of STIG and SRIG by way of merger. The restructuring was completed on 28 May 2021. Particulars of the restructuring have been set out in the Company’s announcement dated 6 April 2021 and 28 May 2021.

In the opinion of the Directors, Shudao Investment is the parent and the ultimate holding company of the Company, which is established in the PRC.

2.1 BASIS OF PREPARATION

The interim condensed financial information for the Period has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting. The interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the new and revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The Group had certain interest-bearing bank and other borrowings denominated in Renminbi based on the national Interbank Offered Rate (LPR) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the Period. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any material rent concessions granted by the lessors.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2021

	Toll roads and bridges	City operation	Financial investment	Energy investment	Tourism, culture and education	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE <i>(note 4)</i>	1,795,488	1,375,798	99,916	751,690	-	4,022,892
SEGMENT RESULTS	769,519	79,150	49,272	96,676	(14)	994,603
<i>Reconciliation:</i>						
Unallocated income and gains						60,339
Corporate and other unallocated expenses						<u>(143,805)</u>
Profit before tax						<u><u>911,137</u></u>

For the six months ended 30 June 2020

	Toll roads and bridges	City operation	Financial investment	Energy investment	Tourism, culture and education	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE <i>(note 4)</i>	885,592	661,181	93,362	699,460	-	2,339,595
SEGMENT RESULTS	(156,822)	4,577	47,800	72,266	(35)	(32,214)
<i>Reconciliation:</i>						
Unallocated income and gains						69,158
Corporate and other unallocated expenses						<u>(126,914)</u>
Loss before tax						<u><u>(89,970)</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

30 June 2021

	Toll roads and bridges <i>RMB'000</i> (Unaudited)	City operation <i>RMB'000</i> (Unaudited)	Financial investment <i>RMB'000</i> (Unaudited)	Energy investment <i>RMB'000</i> (Unaudited)	Transportation, tourism, culture and education <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
SEGMENT ASSETS	29,447,727	4,569,151	3,084,195	226,999	955	37,329,027
<i>Reconciliation:</i>						
Equity investments designated at fair value through other comprehensive income						294,881
Financial assets at fair value through profit or loss						462
Deferred tax assets						30,468
Pledged deposits						-
Restricted deposits						29,800
Cash and cash equivalents						3,401,663
Total assets						<u>41,086,301</u>
SEGMENT LIABILITIES	19,359,736	3,160,569	1,458,083	55,387	1,176	24,034,951
<i>Reconciliation:</i>						
Dividend payables						48,167
Total liabilities						<u>24,083,118</u>
OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	9,817	427	(103)	-	-	10,141
Share of profits and losses of joint ventures	4,438	-	553	-	-	4,991
Interest expenses	256,982	42,447	75	272	14	299,790
Depreciation and amortisation	463,076	6,349	989	7,268	482	478,164
Investments in associates	68,458	72,512	147,976	-	-	288,946
Investments in joint ventures	131,163	-	2,606	-	-	133,769
Capital expenditure*	<u>1,019,027</u>	<u>1,326</u>	<u>-</u>	<u>118</u>	<u>9</u>	<u>1,020,480</u>

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

3. OPERATING SEGMENT INFORMATION (CONTINUED)

31 December 2020

	Toll roads and bridges <i>RMB'000</i>	City operation <i>RMB'000</i>	Financial investment <i>RMB'000</i>	Energy investment <i>RMB'000</i>	Transportation, tourism, culture and education <i>RMB'000</i>	Total <i>RMB'000</i>
segment assets	29,081,491	4,950,053	2,618,966	202,727	6,386	36,859,623
<i>Reconciliation:</i>						
Equity investments designated at fair value through other comprehensive income						281,883
Financial assets at fair value through profit or loss						494
Deferred tax assets						31,014
Pledged deposits						15,000
Restricted deposits						36,027
Cash and cash equivalents						<u>3,180,340</u>
 Total assets						 <u><u>40,404,381</u></u>
 SEGMENT LIABILITIES	 19,141,612	 3,610,391	 1,020,021	 67,787	 1,455	 23,841,266
<i>Reconciliation:</i>						
Dividend payables						<u>29,434</u>
 Total liabilities						 <u><u>23,870,700</u></u>
 OTHER SEGMENT INFORMATION						
Share of profits and losses of associates	14,785	1,005	(23,161)	-	-	(7,371)
Share of profits and losses of joint ventures	11,044	-	3,066	-	-	14,110
Interest expenses	574,658	57,536	70	587	60	632,911
Depreciation and amortisation	891,832	12,522	3,318	15,743	939	924,354
Investments in associates	75,125	72,085	141,917	-	-	289,127
Investments in joint ventures	129,380	-	8,546	-	-	137,926
Capital expenditure*	<u>3,101,619</u>	<u>10,911</u>	<u>437</u>	<u>3,389</u>	<u>28</u>	<u>3,116,384</u>

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	3,915,332	2,241,392
<i>Revenue from other sources</i>		
Finance lease	99,315	83,117
Commercial factoring	601	10,245
Gross rental income from operating leases: other lease payments, including fixed payments	7,644	4,841
	107,560	98,203
	4,022,892	2,339,595

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

For the six months ended 30 June 2021

Segments	Toll roads and bridges <i>RMB'000</i> (Unaudited)	City operation <i>RMB'000</i> (Unaudited)	Financial investment <i>RMB'000</i> (Unaudited)	Energy investment <i>RMB'000</i> (Unaudited)	Transportation, tourism, culture and education <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services						
Toll income	1,795,488	-	-	-	-	1,795,488
Construction services	-	933,147	-	-	-	933,147
Sale of industrial products	-	35,363	-	751,690	-	787,053
Property development	-	370,258	-	-	-	370,258
Others	-	29,386	-	-	-	29,386
	<u>1,795,488</u>	<u>1,368,154</u>	<u>-</u>	<u>751,690</u>	<u>-</u>	<u>3,915,332</u>
Geographical markets						
All revenues under HKFRS 15 are generated in Mainland China.						
Timing of revenue recognition						
Goods transferred at a point in time	1,795,488	435,007	-	751,690	-	2,982,185
Services transferred over time	-	933,147	-	-	-	933,147
	<u>1,795,488</u>	<u>1,368,154</u>	<u>-</u>	<u>751,690</u>	<u>-</u>	<u>3,915,332</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

For the six months ended 30 June 2020

Segments	Toll roads and bridges	City operation	Financial investment	Energy investment	Transportation, tourism, culture and education	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Types of goods or services						
Toll income	885,592	-	-	-	-	885,592
Construction services	-	620,812	-	-	-	620,812
Sale of industrial products	-	8,283	-	699,460	-	707,743
Property development	-	3,922	-	-	-	3,922
Others	-	23,323	-	-	-	23,323
Total revenue from contracts with customers	<u>885,592</u>	<u>656,340</u>	<u>-</u>	<u>699,460</u>	<u>-</u>	<u>2,241,392</u>
Geographical markets						
All revenues under HKFRS 15 are generated in Mainland China.						
Timing of revenue recognition						
Goods transferred at a point in time	885,592	35,528	-	699,460	-	1,620,580
Services transferred over time	-	620,812	-	-	-	620,812
Total revenue from contracts with customers	<u>885,592</u>	<u>656,340</u>	<u>-</u>	<u>699,460</u>	<u>-</u>	<u>2,241,392</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income from bank deposits	22,614	21,465
Interest income from discounting long-term compensation receivables	3,153	4,266
Interest income from financial assets arising from construction contracts	28,620	27,138
Government grants*	19,791	6,652
Road damage compensation income	7,133	22,172
Dividend income from equity investments designated at fair value through other comprehensive income	1,330	7,290
Dividend income from financial assets at fair value through profit or loss	–	2,380
Fair value gains/(loss) on financial assets at fair value through profit or loss	(33)	2,956
Gain on disposal of financial assets on at fair value through profit or loss	198	–
Gain on disposal of fixed assets	1,352	–
Miscellaneous	7,954	6,243
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total other income and gains	92,112	100,562
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

5. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other loans	392,152	353,949
Interest on short term commercial papers	3,288	–
Interest on medium term notes	28,405	48,330
Interest on lease liabilities	5,107	4,097
	428,952	406,376
Less:		
Interest capitalised in respect of:		
– Service concession arrangements <i>(note 9(c))</i>	(82,260)	(30,222)
– Properties under development <i>(note 14)</i>	(723)	(6,412)
Interest recorded under cost of sales	(46,179)	(41,613)
	299,790	328,129
Interest rate of borrowing costs capitalised	3.92%–6.8%	4.41%–6.8%

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

6. PROFIT/(LOSS) BEFORE TAX

		For the six months ended 30 June	
		2021	2020
<i>Notes</i>		RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Construction costs in respect of:			
	– Service concession arrangements*	932,307	616,736
	– Construction works performed for third parties*	351	3,962
	Cost of sales of refined oil and petrochemical products	630,850	602,902
	Cost of properties sold	281,223	2,162
	Cost of finance lease operation	46,179	41,613
	Depreciation of property, plant and equipment	45,597	45,677
9	Amortisation of service concession arrangements	401,363	384,650
9	Depreciation of right-of-use assets	31,204	29,313
	Employee benefit expenses	386,388	361,855
	Repairs and maintenance	42,527	39,515
	Auditor's remuneration	460	460
	Impairment loss on trade receivables	–	5,180
	Reversal of provision for impairment of other receivables	–	(327)
	Lease payments not included in the measurement of lease liabilities	1,481	913
	Loss/(gain) on disposal of items of property, plant and equipment	(1,352)	1,606
		<u>(1,352)</u>	<u>1,606</u>

* During the Period, employee costs of RMB19,816,000 (six months ended 30 June 2020: RMB14,827,000) and depreciation and amortisation charge of RMB1,207,000 (six months ended 30 June 2020: RMB997,000) were included in the construction costs.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

7. INCOME TAX

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charged for the period	182,861	52,610
Underprovision/(overprovision) in prior years	(1,559)	1,179
Deferred	(1,825)	(7,598)
Total tax charge for the Period	179,477	46,191

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

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

7. INCOME TAX (CONTINUED)

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

Pursuant to the Announcement of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on the continuation of the enterprise income tax policy for the western development, the Ministry of Finance, the State Administration of Taxation and National Development and Reform Commission (“Announcement [2020] No. 23”), the tax preferential treatments for the Western Region Development are valid until 2030. According to the Announcement [2020] No. 23, “from 1 January 2021 to 31 December 2030, 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 prescribed in the Catalogue if the revenue within the Catalogue accounts for more than 60% of the total revenue of such enterprises.”

7. INCOME TAX (CONTINUED)

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

The share of tax attributable to joint ventures and associates amounting to RMB3,504,000 (six months ended 30 June 2020: RMB2,235,000) is included in “Share of profits and losses of joint ventures and associates” on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the Period attributable to equity holders of the Company, and the weighted average number of ordinary shares of 3,058,060,000 (six months ended 30 June 2020: 3,058,060,000) in issue during the Period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Period.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

9. 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	Right- of-use assets	Service concession arrangements
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Carrying amounts at opening of the Period	764,036	416,724	27,657,591
Additions	5,913	10,473	1,014,567
Disposals	(1,216)	–	(183,338)
Depreciation/amortisation charged for the Period (<i>note 6</i>)	<u>(45,597)</u>	<u>(31,204)</u>	<u>(401,363)</u>
Carrying amounts at end of the Period	<u><u>723,136</u></u>	<u><u>395,993</u></u>	<u><u>28,087,457</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Notes:

- (a) At 30 June 2021 and 31 December 2020, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 18 (a)):

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Chengle Expressway	6,482,284	5,788,278
Chengren Expressway	6,380,718	6,470,301
Suiguang-Suixi Expressways	11,392,015	11,662,808
Tianqiong Expressway	1,118,799	–
	<u>25,373,816</u>	<u>23,921,387</u>

- (b) During the Period, the Group was undertaking the Chengle Expressway Expansion Construction Project and Tianqiong Expressways Build-Operate-Transfer (“BOT”) Project. Total cost of RMB1,014,567,000 (six months ended 30 June 2020: RMB646,958,000), including construction costs of RMB932,307,000 and borrowing costs of RMB82,260,000 were incurred, among which RMB932,307,000 (six months ended 30 June 2020: RMB616,736,000) was sub-contracted to third party subcontractors.

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

Notes: (continued)

(b) (continued)

In addition, construction revenue of RMB932,307,000 (six months ended 30 June 2020: RMB616,736,000) was recognised in respect of the construction services provided by the Group for the Chengle Expressway Expansion Construction Project and Tianqiong Expressways BOT Project by using the input method during the Period. Construction revenue was included in the additions to service concession arrangements which should be amortised upon the Group is granted the rights to charge the users under the service concession arrangements of the abovementioned projects.

(c) Additions to service concession arrangements during the Period include interest capitalised in respect of bank loans amounting to RMB82,260,000 (six months ended 30 June 2020: RMB30,222,000) (note 5).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

10. INVESTMENTS IN JOINT VENTURES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Share of net assets	133,769	137,926

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

Name	Percentage of ownership interest attributable to the Group	Principal activities
Sichuan Chengyu Development Equity Investment Fund Center	49.836% (direct)	Asset management
Chengdu Chengyujianxin Equity Investment Fund Management Company Limited	50% (direct)	Asset management
Sichuan Communications Network Technology Company Limited	49% (indirect)	Technology service

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

11. INVESTMENTS IN ASSOCIATES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Share of net assets	298,109	298,290
Provision for impairment	(9,163)	(9,163)
	<u>288,946</u>	<u>289,127</u>

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

Name	Percentage of ownership interest attributable to the Group	Principal activities
Chengdu Airport Expressway Company Limited	25%	Operation of Chengdu Airport Expressway
Sichuan Renshou Rural Commercial Bank Company Limited	7.474%	Banking operations

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

INTERIM CONDENSED
FINANCIAL INFORMATION (CONTINUED)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Listed equity investments, at fair value	101,931	107,593
Unlisted equity investments, at fair value	192,950	174,290
	294,881	281,883

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

13. LOANS TO CUSTOMERS

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

30 June 2021

	Net lease receivables	Unearned finance income	Total gross lease receivables
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Amounts receivable:			
– Within one year	1,328,328	125,730	1,454,058
– In the second year	890,880	70,166	961,046
– In the third to fifth years, inclusive	544,085	35,326	579,411
– Over fifth years	20,335	736	21,071
Total	2,783,628	231,958	3,015,586
Portion classified as current assets	(1,328,328)		
Non-current portion	1,455,300		

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

13. LOANS TO CUSTOMERS (CONTINUED)

31 December 2020

	Net lease receivables <i>RMB'000</i>	Unearned finance income <i>RMB'000</i>	Total gross lease receivables <i>RMB'000</i>
Amounts receivable:			
– Within one year	1,018,472	98,392	1,116,864
– In the second year	863,947	74,543	938,490
– In the third to fifth years, inclusive	<u>427,158</u>	<u>15,091</u>	<u>442,249</u>
Total	2,309,577	<u><u>188,026</u></u>	<u><u>2,497,603</u></u>
Portion classified as current assets	<u>(1,018,472)</u>		
Non-current portion	<u><u>1,291,105</u></u>		

At 30 June 2021, the Group has pledged lease receivables of RMB1,629,216,000 (31 December 2020: RMB925,579,000) to secure bank and other borrowings (note 18 (a)) granted to the Group. The loans to customers were secured by the collateral provided by the lessees including specific equipment or assets.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

14. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Properties under development	1,714,602	1,587,314
Completed properties held for sale	<u>706,125</u>	<u>969,986</u>
	<u>2,420,727</u>	<u>2,557,300</u>

The Group's properties under development and completed properties held for sale are situated on leasehold land in Mainland China. As at 30 June 2021, properties under development were expected to be completed or realised within normal operating cycle. Land use right of properties under development of RMB499,100,000 (31 December 2020: RMB499,100,000) was pledged to secure bank loan granted by Bank of Chengdu (note 18 (a)). Interest capitalised as part of properties under development by the Group during the Period was RMB723,000 (six months ended 30 June 2020: RMB6,412,000 (note 5)).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES

		30 June	31 December
		2021	2020
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Trade receivables			
Trade receivables		1,734,547	1,972,178
Impairment		(50,510)	(50,510)
Trade receivables, net	(a)	1,684,037	1,921,668
Bill receivables		144	35,714
Other receivables			
Deposits and other receivables	(b)	510,212	517,994
Impairment		(95,264)	(95,264)
Prepayments		414,948	422,730
		118,113	61,318
Other receivables, net		533,061	484,048
Total trade and other receivables		2,217,242	2,441,430

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) The Group's trading terms of trade receivables arising from sales of industrial products with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers.

The term of commercial factoring contracts ranged from four months to one year since the effective date of the relevant factoring contracts. The Group's credit terms of trade receivables arising from commercial factoring are generally on 30-day basis.

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

According to the contracts governing the relevant construction works, trade receivables of RMB674,698,000 (31 December 2020: RMB853,012,000) were to be settled by instalments within two to three years upon completion of the relevant construction works and bore interest at rates ranging from 4.75% to 14.98% (2020: 4.75% to 14.98%) per annum. The remaining trade receivables are non-interest-bearing.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(a) (continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Within 3 months	914,925	1,048,515
3 to 6 months	99,490	21,555
6 to 12 months	53,801	63,199
Over 1 year	615,821	788,399
	<u>1,684,037</u>	<u>1,921,668</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Interest receivables	5,505	6,038
Long term compensation receivables to be received within one year	11,002	9,658
Toll income receivables	142,841	167,452
Deductible input value added tax	117,731	138,321
Deposits	10,284	14,943
Miscellaneous	222,849	181,582
Impairment allowance	510,212 (95,264)	517,994 (95,264)
	414,948	422,730

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Fellow subsidiaries under common control of Shudao Investment		
– Other receivables	2,362	8,752
– Prepayments	–	23
– Trade receivables	90	3,000
	2,452	11,775

INTERIM CONDENSED
FINANCIAL INFORMATION (CONTINUED)

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Cash and bank balances	3,431,463	3,216,367
Time deposits	<u>—</u>	<u>15,000</u>
	<u>3,431,463</u>	<u>3,231,367</u>
Less: Pledged time deposits for construction of road projects	—	15,000
Restricted deposits	<u>29,800</u>	<u>36,027</u>
Cash and cash equivalents	<u><u>3,401,663</u></u>	<u><u>3,180,340</u></u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER PAYABLES

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	
<i>Current portion:</i>			
Trade and bill payables	(a)	319,162	406,030
Other payables	(b)	1,971,606	2,799,893
Accruals	(c)	52,342	57,871
Deferred income		287,091	306,037
		2,630,201	3,569,831
Non-current portion		(256,249)	(272,717)
Portion classified as current liabilities		2,373,952	3,297,114

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

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

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	
Within 3 months	256,753	344,161
3 to 6 months	7,754	3,293
6 to 12 months	727	658
Over 1 year	53,928	57,918
	319,162	406,030

The trade payables are non-interest-bearing. Except for retention money payables arising from construction services which are normally settled in the range from six months to two years, which is agreed with each individual supplier or contractor on a case-by-case basis and set out in the respective contracts.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

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

		30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Advances		27,280	33,038
Inter-network toll collection	(i)	49,887	35,851
Payroll and welfare payable		215,657	239,882
Taxes and surcharge payables		26,049	41,710
Progress billing payables		818,143	1,513,015
Retention payables		216,040	350,447
Deposits		189,818	202,950
Others		428,732	383,000
		1,971,606	2,799,893

- (i) The balance represented the expressway tolls pending for allocation to other expressway operators.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

17. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

- (c) The balance as at 30 June 2021 consisted of interest accrued in respect of medium term notes of RMB22,412,000 (31 December 2020: RMB10,118,000) and interest-bearing bank and other borrowings of RMB29,930,000 (31 December 2020: RMB47,753,000).
- (d) Amounts due to related parties included in trade and other payables as at the end of the reporting period, which are on credit terms similar to those offered by the fellow subsidiaries to their major customers, are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Fellow subsidiaries under common control of Shudao Investment		
– Trade payables	15,170	42,483
– Other payables	556,791	1,157,417
	571,961	1,199,900

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June	31 December
		2021	2020
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	
Bank loans:			
Secured	(a)	14,282,704	13,065,000
Unsecured		3,590,000	3,750,000
Medium term notes	(b)	1,290,000	1,290,000
Other borrowings:			
Secured		162,274	182,652
Unsecured	(c)	112,240	112,240
Lease liabilities		154,677	160,405
Short term commercial paper		400,000	–
		19,991,895	18,560,297
Portion classified as current liabilities		(2,313,486)	(4,560,204)
Non-current portion		17,678,409	14,000,093

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Notes:

- (a) Interest-bearing bank loans were secured by:

		30 June 2021 RMB'000 (Unaudited) <i>(Bank loans amount)</i>	31 December 2020 RMB'000
Secured by concession rights of:			
	9(a)		
Chengle Expressway		3,385,000	2,590,000
Chengren Expressway		2,019,697	2,101,701
Suiguang-Suixi Expressways		7,410,000	7,610,000
Tianqiong Expressway		294,000	—
		13,108,697	12,301,701
Secured by loans to customers	13	1,134,007	681,299
Secured by land use rights	14	40,000	82,000
		14,282,704	13,065,000

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

Notes: (continued)

- (b) As at 30 June 2021, the Company had two (31 December 2020: two) tranches of outstanding medium term notes totalling RMB1,290,000,000 (31 December 2020: RMB1,290,000,000) issued to domestic institutional investors participating in the PRC interbank debt market. The interest rates for the medium term notes ranged from 3.49% to 6.30% (31 December 2020: 3.56% to 6.30%) per annum. The medium term notes were all issued at a par value of RMB100 per unit, and will be repaid between July 2024 and May 2026, with an original maturity period of five years.
- (c) As at 30 June 2021, the Group's unsecured other borrowings consisted of a shareholder's loan of RMB112,240,000 (31 December 2020: RMB112,240,000) granted to a subsidiary within the Group by its non-controlling shareholder, bearing interest at an annual interest rate of 6.80% (31 December 2020: 6.80%) (note 21(d)).

19. DIVIDENDS

At a meeting of the board of directors held on 26 August 2021, the Directors of the Company resolved not to pay an interim dividend to shareholders (six months ended 30 June 2020: nil).

The proposed final dividend of RMB0.080 per ordinary share for the year ended 31 December 2020 (2019: RMB0.110) was declared during the Period and fully paid on 6 July 2021.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

20. COMMITMENTS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000
Contracted, but not provided for:		
Service concession arrangements	<u>7,392,101</u>	<u>6,075,998</u>

21. RELATED PARTY TRANSACTIONS

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

- (a) During the Period, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a subsidiary under common control of Shudao Investment, in relation to the provision of a computer system of the highway toll fee collection networks and the supportive technological services to the Group amounted to RMB7,373,000 (six months ended 30 June 2020: RMB3,636,000). The fee was determined based on a service charge of 0.4% of toll income or RMB25,000,000 per annum, whichever is lower.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) During the Period, the Company leased out a certain part of its office buildings to Shudao Investment for half-year rental of RMB1,221,000 (six months ended 30 June 2020: RMB1,221,000). The Directors consider that the office rental income received by the Group from Shudao Investment as determined under the tenancy agreement are based on the market rate for similar premises in similar locations.
- (c) During the Period, the Group purchased raw materials, machinery and electronic equipment for various infrastructure construction projects from subsidiaries of Shudao Investment with an aggregate amount of RMB901,000 (six months ended 30 June 2020: RMB319,000), based on the market price.
- (d) As at 30 June 2021, Renshou Trading Landmark Company Limited (“Renshou Landmark”) had an outstanding loan due to its non-controlling shareholder, Sichuan Trading Landmark Co., Ltd. (“Trading Landmark”), amounting to RMB112,240,000, which will be repaid in September 2022. This balance is unsecured, with an annual interest rate of 6.80% (31 December 2020: 6.80%). During the Period, interest expenses recognised by the Group in respect of the loan provided by Trading Landmark totalled RMB3,837,000 (six months ended 30 June 2020: RMB4,428,000).

21. RELATED PARTY TRANSACTIONS (CONTINUED)

- (e) During the Period, Sichuan Trading Real Estate Co., Ltd. (“Sichuan Trading Real Estate”), a subsidiary under common control of Shudao Investment was engaged by the Group to provide sales agent service for the Renshou Landmark real estate project. Sales commission recognised during the Period was approximately RMB4,322,000 (six months ended 30 June 2020: RMB7,221,000). The prices of such works are usually determined through public tender and bidding process.
- (f) During the Period, three subsidiaries under common control of Shudao Investment was engaged by the Group to provide construction and maintenance works. The prices of such works are usually determined through public tender and bidding process. Construction and maintenance costs recognised by the Group for such services amounted to RMB204,710,000 (six months ended 30 June 2020: RMB254,522,000).
- (g) As at 30 June 2021, Sichuan Chengyu Commercial Factoring Company Limited had provided factoring services to Chengdu Sichuan Transportation Xinrong Construction Engineering Company Limited, the indirect subsidiary of Shudao Investment. Interest rates of the factoring services are usually determined through risk assessment, and the revenue recognised by the Group for such services amounted to RMB517,000 (six months ended 30 June 2020: RMB1,280,000).

21. RELATED PARTY TRANSACTIONS (CONTINUED)

- (h) During the Period, Road and Bridge International Co., Ltd., a non-controlling shareholder of a subsidiary within the Group had provided construction for Tianqiong Expressway BOT Project. Construction cost recognised by the Group for such services amounted to RMB24,697,000 (six months ended 30 June 2020: nil). The Directors consider that the amount paid for the construction services from a related company was determined based on prices similarly available to its third-party customers.
- (i) During the Period, the Group purchased refined oil products aggregating to approximately RMB464,212,000 (six months ended 30 June 2020: RMB406,323,000) from PetroChina Company Limited Sichuan Sales Branch (“PetroChina Sichuan”), a non-controlling shareholder of a subsidiary within the Group. The prices were determined by adding transportation fee to the selling price of the refined oil by reference to market price.
- (j) During the Period, the Group purchased refined oil products aggregating to approximately RMB111,566,000 (six months ended 30 June 2020: nil) from Sinochem Oil Hunan Company Limited, which is a subsidiary of Sinochem Oil Sales Company Limited, which is the holding company of a non-controlling shareholder of a subsidiary within the Group. The prices were determined by market price.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

- (k) During the Period, a subsidiary of the Group provided finance lease services for Sichuan Xugu Expressway Development Co., Ltd. (“Xugu Expressway”), a subsidiary of Shudao Investment. As at 30 June 2021, there was a balance of loan to Xugu Expressway of RMB223,827,000, and the interest recognised by the Group for such services during the Period amounted to RMB1,293,000.

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

21. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fees	<u>160</u>	<u>160</u>
Other emoluments:		
Salaries, allowances and benefits in kind	3,050	4,194
Pension scheme contributions	238	105
Supplementary pension scheme contributions	<u>294</u>	<u>209</u>
	<u>3,582</u>	<u>4,508</u>
Total compensation paid to key management personnel	<u>3,742</u>	<u>4,668</u>

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

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i>	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i>
Financial assets:				
Restricted deposits	29,800	36,027	29,800	36,027
Long-term compensation receivables, non-current portion	3,351	14,353	3,351	14,353
Loans to customers, non-current portion	1,455,300	1,291,105	1,455,300	1,291,105
Equity investments designated at fair value through other comprehensive income	294,881	281,883	294,881	281,883
	<u>1,783,332</u>	<u>1,623,368</u>	<u>1,783,332</u>	<u>1,623,368</u>
Financial liabilities:				
Interest-bearing bank and other loans:				
– Bank loans	17,872,704	16,815,000	16,894,907	14,816,717
– Medium term notes	1,290,000	1,290,000	1,198,501	1,266,725
– Short term commercial paper	400,000	–	400,000	–
– Other borrowings	274,514	294,892	261,380	144,501
	<u>19,837,218</u>	<u>18,399,892</u>	<u>18,754,788</u>	<u>16,227,943</u>

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

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

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

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

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

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

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

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2020: nil).

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total <i>RMB'000</i> (Unaudited)
	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Unaudited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Unaudited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Unaudited)	
As at 30 June 2021				
Financial assets:				
Equity investments designed at fair value through other comprehensive income:				
– Listed equity investments	101,931	-	-	101,931
– Unlisted equity investments	-	-	192,950	192,950
Financial assets at fair value through profit or loss	-	-	462	462
	<u>101,931</u>	<u>-</u>	<u>193,412</u>	<u>295,343</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
As at 31 December 2020				
Financial assets				
Equity investments designed at fair value through other comprehensive income:				
– Listed equity investment	107,593	–	–	107,593
– Unlisted equity investments	–	–	174,290	174,290
Financial assets at fair value through profit or loss	–	–	494	494
	107,593	–	174,784	282,377

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
As at 30 June 2021				
Financial assets:				
Restricted deposits	-	29,800	-	29,800
Long term compensation receivables, non-current portion	-	-	3,351	3,351
Loan to customers, non-current portion	-	-	1,455,300	1,455,300
	<u>-</u>	<u>29,800</u>	<u>1,458,651</u>	<u>1,488,451</u>

INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed: (continued)

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
As at 31 December 2020				
Financial assets:				
Restricted deposits	–	36,027	–	36,027
Long term compensation receivables, non-current portion	–	–	14,353	14,353
Loan to customers, non-current portion	–	–	1,291,105	1,291,105
	–	36,027	1,305,458	1,341,485
	–	36,027	1,305,458	1,341,485

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

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

As at 30 June 2021

Financial liabilities:

Interest-bearing bank and other loans	-	-	18,754,788	18,754,788
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As at 31 December 2020

Financial liabilities:

Interest-bearing bank and other loans	-	-	16,227,943	16,227,943
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23. CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities.

24. EVENTS AFTER THE REPORTING PERIOD

Disposal of 91% equity of Renshou Landmark and corresponding shareholder's loan

On 16 August 2021, The board of directors approved the proposal on the disposal of 91% equity of Renshou Landmark and corresponding shareholder's loan ("the Sale Equity and the Sale loan") for the purpose of optimizing the Group's asset structure and focusing on its main business. At the same day, the Company entered into the Equity and Corresponding Shareholder's Loan Transfer Agreement, with Sichuan Transportation Investment Property Company Limited ("STIP"), a subsidiary under common control of Shudao Investment. After the disposal of equity and shareholder's loan, the Company no longer holds the equity and creditor's rights of Renshou Landmark and will no longer include it in the scope of the consolidated statements.

As at the date of approval of the interim condensed financial information, the proposal on the Sale Equity and the Sale loan have not been approved by the corresponding regulatory authorities and have not been approved by the general meeting of shareholders.

24. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Transfer Of the sale assets of Chengdu Shuhong Property Company Limited (“Chengdu Shuhong”)

On 16 August 2021, The board of directors approved the proposal on the transfer of the sale assets by Chengdu Shuhong, a subsidiary of the Company, for the purpose of optimizing the group’s asset structure and reducing operating costs. At the same day, Chengdu Shuhong entered into the Assets Transfer Agreement with STIP, pursuant to which, the Sale Assets include a real estate project under construction named “Hongrui International Plaza” on the Relevant Land. Upon the completion of the transfer of the sale assets, the relevant titles and operation rights in association with the Sale Assets will be assigned to STIP. The company still holds 100% equity of Chengdu Shuhong.

As at the date of approval of the interim condensed financial information, the proposal on the transfer of the sale assets have not been approved by the corresponding regulatory authorities and have not been approved by the general meeting of shareholders.

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

**25. APPROVAL OF THE INTERIM CONDENSED
FINANCIAL INFORMATION**

The interim condensed financial information was approved and authorised for issue by the board of directors on 26 August 2021.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

- I. DURING THE REPORTING PERIOD, THERE WAS NO CHANGE IN THE TOTAL NUMBER OF SHARES AND CAPITAL STRUCTURE OF THE COMPANY.**
- II. AS AT 30 JUNE 2021, THE COMPANY HAD A TOTAL OF 50,277 SHAREHOLDERS, INCLUDING 50,021 HOLDERS OF A SHARES AND 256 HOLDERS OF H SHARES.**
- III. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2021, the interests and short positions in the Shares and underlying shares of the Company held by substantial Shareholders or other persons (other than the Directors, Supervisors and chief executives of the Company) as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

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

Name	Type of Shares	Long position/ short position	Number of the Company's Shares held	Approximate percentage in the total issued share capital of the Company	Approximate percentage in the share capital of A Shares/ H Shares	Capacity
Shudao Investment ⁽¹⁾	A Shares	Long position	1,035,915,462	33.87%	47.90%	Beneficial owner
	H Shares	Long position	60,854,200	1.99%	6.80%	Beneficial owner
	Total:		1,096,769,662	35.86%		Beneficial owner
China Merchants Expressway Company	A Shares	Long position	664,487,376	21.73%	30.72%	Beneficial owner
	H Shares	Long position	96,458,000	3.15%	10.77%	Interest in controlled corporation ⁽²⁾
	Total:		760,945,376	24.88%		

Notes:

- (1) STIG and SRIG entered into the Merger Agreement on 2 April 2021, then Shudao Investment, STIG and SRIG entered into the Agreement on the Completion of Inheritance of Assets on 28 May 2021. As more time is required for going through the procedures of registration, as of the end of the Reporting Period, STIG remained as a shareholder of the Company in its shareholding structure. Nevertheless, according to the terms of the above transactions agreements, Shudao Investment has actually taken up such shareholding of STIG, acting as the controlling shareholder of the Company. Corresponding changes will be made to relevant information in the future.

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

- (2) Cornerstone Holding Limited, a wholly-owned subsidiary of China Merchants Expressway Company, was interested in the H Shares of the Company. By virtue of the SFO, China Merchants Expressway Company is therefore deemed to be interested in such Shares held by Cornerstone Holding Limited.

Save as disclosed above, as at 30 June 2021, no persons (other than the Directors, Supervisors and chief executives of the Company) had registered interests or short positions in the Shares and underlying Shares of the Company which were required to be recorded in accordance with Section 336 of the SFO.

IV. CHANGE IN THE CONTROLLING SHAREHOLDER OF THE COMPANY

On 2 April 2021, STIG and SRIG entered into the Merger Agreement, pursuant to which, the above two companies were merged to form Shudao Investment. On 28 May 2021, Shudao Investment, STIG and SRIG entered into the Agreement on the Completion of Inheritance of Assets, for the purpose of agreeing on relevant mergers, asset inheritance and completion thereof. Upon the completion of such merger, Shudao Company will take up 35.86% of the Shares held by STIG in the Company. As of the end of the Reporting Period, the formalities for share transfer and registration remained to be performed for this merger. Nevertheless, according to the terms of the above transactions agreements, Shudao Investment has actually taken up such shareholding of STIG, acting as the controlling shareholder of the Company.

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

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

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

VI. ISSUE AND LISTING OF SECURITIES

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2021, interests and short positions held by Directors, Supervisors and chief executives of the Company in Shares, underlying shares or bonds of the Company or its associated corporation (as defined in Part XV of the SFO) that, by virtue of Divisions 7 and 8 of the SFO, which shall be reported to the Company and the Stock Exchange (including interests and short positions, by virtue of the SFO or other regulations, deemed or taken to be held by these directors, supervisors and chief executives); or any interests or short positions that shall be recorded in the register required to be kept under Section 352 of the SFO; or interests or short positions that, by virtue of Model Code as set out in Appendix 10 to the Listing Rules, shall be notified to the Company and the Stock Exchange, are as follows:

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

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 30 March 2021, Mr. Gao Jinkang, an independent director of the Company, tendered his written application for resignation to the Board for his personal work arrangement. As stipulated in the Articles of Association, the resignation of an independent Director shall become effective upon filling of vacancy by a succeeding independent Director.

On 31 March 2021, Mr. Hu Yaosheng, a staff Supervisor of the Company, resigned as the staff Supervisor of the Company due to personal work adjustment; and as approved at the staff representative meeting held on the same day, Ms. Lu Xiaoyan was elected as a staff representative Supervisor of the seventh session of the Supervisory Committee of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

On 25 May 2021, as considered and approved by the Shareholders at the 2020 annual general meeting of the Company, Mr. Yu Haizong was elected as an independent Director of the seventh session of the Board of Directors of the Company for a term commencing from the date on which his appointment was approved at the general meeting and ending on the expiry date of the seventh session of the Board of Directors. The resignation of Mr. Gao Jinkang as an independent Director became effective on the same day. As considered and approved at the thirteenth meeting of the seventh session of the Board of Directors held subsequently, Mr. Yu Haizong was appointed as a member of the Strategic Committee and the chairman of the Nomination Committee. As a result of the aforesaid adjustments, the members of the Strategic Committee of the seventh session of the Board of Directors consisted of Mr. Gan Yongyi, Mr. Yu Haizong and Madam Liu Lina with Mr. Gan Yongyi acting as the chairman of the Strategic Committee. The members of the Nomination Committee of the seventh session of the Board of Directors consisted of Mr. Yu Haizong, Mr. Gan Yongyi and Mr. Yan Qixiang, with Mr. Yu Haizong acting as chairman of the Nomination Committee.

MANAGEMENT'S DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW AND ANALYSIS

(I) Results Overview

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects, and carries out diversified operations which are highly relevant to our principal business. In the first half of 2021, the Group made solid progress in all aspects of work. With a focus on its principal business and main priorities, the Group maintained steady business operations and management, and achieved well-organized project construction and development, continuous optimization of business structure and fully enhanced risk management, demonstrating a steady recovery and steady development in general.

During the Reporting Period, the net revenue of the Group amounted to approximately RMB4,022,892,000, representing an increase of approximately 71.95% year-on-year. In particular, the net income from the toll roads and bridges segment amounted to approximately RMB1,795,488,000, representing an increase of approximately 102.74% year-on-year; the net revenue from financial investment segment amounted to approximately RMB99,916,000, representing an increase of approximately 7.02% year-on-year; the net revenue from city operation segment amounted to approximately RMB1,375,798,000, representing an increase of approximately 108.08% year-on-year; and the net revenue from energy investment segment amounted to approximately RMB751,690,000, representing an increase of approximately 7.47% year-on-year. The profit attributable to the owners of the Company was approximately RMB673,714,000, representing an increase of 508.91% year-on-year. Basic earnings per Share was approximately RMB0.220 (the same period in 2020: approximately RMB(0.054)). As at 30 June 2021, the Group had total assets of approximately RMB41,086,301,000 and net assets of approximately RMB17,003,183,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(II) Data on Operation of the Toll Roads and Bridges Business of the Group

Data on operation of the toll roads and bridges business of the Group during the Reporting Period is as follows:

Item	Shareholding percentage (%)	Average daily traffic flow (vehicles)			Toll income (before deduction of turnover tax) (RMB'000)		
		For the Period (Note 1)	Same period	Increase/ decrease (%)	For the Period (Note 2)	Same period	Increase/ (decrease) (%)
			in 2020			in 2020	
Chengyu Expressway	100.00	20,977	26,858	-21.90	383,232	224,854	70.44
Chengya Expressway	100.00	48,276	50,499	-4.40	514,841	221,367	132.57
Chengren Expressway	100.00	41,231	43,681	-5.61	463,472	228,633	102.71
Chengle Expressway	100.00	25,155	27,653	-9.03	184,870	102,826	79.79
Chengbei Exit Expressway (including Qinglongchang Bridge)	60.00	84,924	57,550	47.57	68,026	28,741	136.69
Suiguang Expressway	100.00	12,317	6,256	96.88	119,777	55,033	117.65
Suixi Expressway	100.00	10,295	2,913	253.42	78,929	27,786	184.06

Notes:

- The average daily traffic flow of expressways owned by the Group during the Period is based on the traffic flow of main line toll gantries, whereas the average daily traffic flow of expressways during the same period in 2020 was based on the traffic flow of both toll stations and main line toll gantries. The calculation of the average daily traffic flow during the same period in 2020 excluded the traffic flow during the toll-free period amid the outbreak of COVID-19, and included only the traffic flow of 56 days from 6 May to 30 June 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

2. Due to the outbreak of COVID-19 in the first half of 2020, all toll expressways exempted tolls for 79 days as per relevant regulations, which resulted in a lower toll revenue during the same period in 2020.

During the Reporting Period, the toll income (before deduction of turnover taxes) of the Group was approximately RMB1,813,147,000, representing an increase of approximately 103.90% as compared with the same period last year. The toll income (after deduction of turnover taxes) accounted for approximately 44.63% of the Group's operating revenue, representing an increase of approximately 6.78 percentage points as compared with the same period last year. During the Reporting Period, the overall operating performance of the Group's expressways was affected by the combined effects of the following factors:

(1) Economic Factors

In the first half of 2021, China's economy witnessed the steady and sound growth momentum consolidated, with the country's gross domestic product (GDP) reaching RMB53,216.7 billion, representing a year-on-year increase of 12.7%¹ at comparable prices. Sichuan Province achieved a GDP of RMB2,523.239 billion, up 12.1%² year-on-year, with a significant increase in economic vitality and sustained recovery of economic operation. Such favorable economic environment has led to an increase in regional transportation, especially freight demand. As a result, the Group's toll roads saw increases in traffic flow to varying degrees as compared with the same period last year. The Group's overall toll income increased by 103.90%.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

(2) Policy Factors

In order to prevent the spread of the COVID-19 epidemic caused by the movement of people, the General Office of the CPC Central Committee and the General Office of the State Council issued the “Circular on Ensuring Services and Supplies to People Staying Local for the Spring Festival” on 25 January 2021, calling for residents to stay at their current residing localities for the Spring Festival and avoid traveling unless necessary. Compared with previous Spring Festival travel rush periods, the Group’s expressways saw decreases in both traffic flow and toll revenue to a certain extent during the Spring Festival travel rush season in the Reporting Period.

(3) Road Network Changes and Road Construction

Changes in peripheral competitive or synergistic road networks and road refurbishment brought varying degrees of positive or negative impacts on the Group’s expressways. During the Reporting Period, some of the Group’s expressways were affected to varying degrees by these factors:

Chengyu Expressway: As a result of the construction of the “east-west thoroughfare” project in Chengdu, the traffic volume of related sections was decreased. Chengziyu Expressway was officially opened on 31 December 2020, and it is toll-free (except that the Chengdu Tianfu International Airport-Tongnan (Sichuan-Chongqing Boundary) section will start collecting tolls from 9 July 2021), which had a certain impact on the traffic volume of Chengyu Expressway. According to the Notice on Standardizing the Toll Collection for the Initial Sections of Expressways Around

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

the City” (Sichuan Jiao Han [2020] No. 203) (《關於規範城市周邊高速公路起始路段收費工作的通知》(川交函[2020]203號)), the toll of the expressways should be charged by the method of the shortest sharing mileage. The clean-up and standardization work for Chengyu Expressway was completed before 30 April 2020, and the toll mileage was shortened by 2.75 kilometers (km). In addition, according to the Reply on Approval of Adjustment to Toll Charge Mileage and Charge Section of Chengyu Expressway (Sichuan Jiao Han [2020] No. 583) (《關於成渝高速公路調整收費里程及收費區間的批覆》(川交函[2020]583號)) issued by the Department of Transportation of Sichuan Province and the Development and Reform Commission of Sichuan Province, the section from the original start point of Chengyu Expressway to the 19 km of Longquan Section would no longer set toll station and the toll charge mileage would be adjusted after the official opening of the new toll station. As of 1 February 2021, the toll station on the new main line of Chengdu-Longquan of Chengyu Expressway was officially opened and the toll charge mileage of Chengyu Expressway was adjusted from 226 km to 207 km. The tolls in respect of the reduced 19 km of the expressway will be paid by Chengdu Municipal Government by way of service purchase in the amount of RMB40 million per annum for the period commencing at 00:00 on the day on which the toll station on the main line in Chengdu is completed and put into operation and ending on the expiry date of the approval for toll charge for the section from the starting point of Chengdu-Chongqing Expressway to 19 km of Longquan Section.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Chengle Expressway: The on-going construction of renovation and expansion project of Chengle Expressway had certain adverse effects on the traffic volume and toll income of Chengle Expressway. On 4 February 2021, construction works on the left lane of K71-K122 section of the expansion project, which had lasted for one month, were successfully completed, and Chengle Expressway officially returned to two-way traffic. The section from K122+300 Mianzhu Interchange to K71+000 Meishan Interchange of Chengle Expressway has been closed for construction for more than two months since 6 April 2021, which has adversely affected the traffic volume of Chengle Expressway.

Chengya Expressway: After 22 months of closure for construction works, the new entrance and exit of Ya'an East Station of Chengya Expressway were opened on 5 and 6 February 2021, respectively, and resumed normal operation, which boosted the volume of vehicles passing through the Ya'an station of Chengya Expressway.

Chengren Expressway: Chengyi Expressway, which was officially opened on 31 December 2020 and is toll-free, and the connecting between the expressway connecting line of Chengdu Tianfu International Airport and Chengren Expressway, had certain adverse impact on Chengren Expressway in respect of toll income.

(III) Major Financing and Investment Projects of the Group

(1) Chengle Expressway Expansion Construction Project

The proposal in respect of investment in the expansion construction of Chengle Expressway and relevant matters was considered and approved at the extraordinary general meeting of the Company held on 30 October 2017. According to the reply on approval of the project from the Sichuan Provincial Development and Reform Commission, the total mileage of the project was 138.41km. The project's estimated total investment was approximately RMB23.133 billion. According to the opinion on approval of the project from the Ministry of Transport, the total mileage of the project was 130 km, and the estimated total investment was approximately RMB22.16 billion. After the completion of the project, it will help ease the traffic pressure on Chengle Expressway, and improve the overall traffic capacity and service level of Chengle Expressway. On 27 November 2019, the established tasks for the pilot section in Chengle Expressway expansion and construction project (from Meishan to Qinglong) were completed and the pilot section was opened to two-way traffic. On 18 December 2019, the new Qinglong Toll Station of Chengle Expressway officially opened to traffic. From 2017 to 2019, the Ministry of Finance of the PRC, the Department of Finance of Sichuan Province and the Department of Transportation of Sichuan Province successively issued the Notice on Regulating the Management of Project Database for the Integrated Public-Private-Partnership (PPP) Information Platform (《關於規範政府和社會資本合作(PPP)綜合信息平台項目庫管理的通知》) and other guidance documents. As at the date of

this report, Chengdu Transportation Bureau has entered into the Investment Agreement for the Expansion Construction Project of Chengdu-Leshan Expressway and the Public-Private-Partnership (PPP) Project Contract for the Expansion Construction Project of Chengdu-Leshan Expressway with Chengle Company to meet the requirements of the approval procedures for regulating PPP projects' inclusion and reclassification in the database. For details, please refer to the announcement of the Company dated 2 August 2021. From the date of construction commencement to 30 June 2021, the cumulative investment in Chengle Expressway expansion and construction project was approximately RMB5.501 billion.

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

On 30 January 2013, the general manager's office meeting of the Company considered and approved the proposal in relation to bidding for the land use rights of 3 parcels of state-owned construction land at Chengbei New City, Renshou County, Meishan City, Sichuan Province to invest and develop real estate project. On 22 February 2013, the Company won the bid for the land use rights of the land lot with a site area of 235,558.10 square meters, and the transaction price was RMB920,160,000. In May of the same year, Renshou Landmark Company was established to take charge of the development and construction of Renshou County Chengbei New City Real Estate Project. On 15 May 2014, Renshou Landmark Company once again won the bid and acquired the land use rights of 5 parcels of state-owned construction land at Chengbei New City with an aggregate site area of 194,810.52 square meters at the consideration of RMB787,100,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Currently, the sale and delivery of the real estate project, namely, Beichengshidai (Phase I) has substantially completed, and the accumulative sales revenue of Phase I amounted to approximately RMB535,888,000 as at 30 June 2021. For the Beichengshidai (Phase II), the Land A project has achieved good sales; Land C project construction has advanced steadily and solid sales are achieved; and Land B had completed tendering process, with bid sections B1 and B2 obtaining the construction permits on 22 September 2020 and 1 June 2021, respectively. During the Reporting Period, Land A and land C of Phase II realized sales revenue of RMB155 million, and the sales revenue recognized for Land A amounted to RMB396 million.

Name of project	Location	Commencement date	Construction progress	Completion date	Uses	Site area and floor area	Percentage as owned by the Group
Beichengshidai (Phase I)	Central Business Avenue, Wenlin Town, Renshou County	31 October 2014	Completed	December 2017	Residential, commercial and parking lots	Site area: 34,167.31 square meters; Construction area: 198,468.96 square meters	91%
Land A of Beichengshidai (Phase II)	Central Business Avenue, Wenlin Town, Renshou County	18 May 2018	Completed	December 2020	Residential, commercial and parking lots	Site area: 64,882.22 square meters; Construction area: 287,437.57 square meters	91%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Name of project	Location	Commencement date	Construction progress	Completion date	Uses	Site area and floor area	Percentage as owned by the Group
Land C of Beichengshidai (Phase II)	Central Business Avenue, Wenlin Town, Renshou County	24 June 2019	55.35%	Expected to be completed in December 2021	Residential, commercial and parking lots	Site area: 38,195 square meters; Construction area: 180,780.32 square meters	91%
Land B of Beichengshidai (Phase II)	Central Business Avenue, Wenlin Town, Renshou County	30 September 2020 (B1); 20 April 2021 (B2)	26.65%	Section B1 expected to be completed in November 2023; Section B2 expected to be completed in November 2023;	Residential, commercial and parking lots	Section B1: Site area of 50,020.34 square meters; and construction area of 111,856.26 square meters; Section B2: Site area of 467,171.57 square meters; and construction area of 250,725.83 square meters	91%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

On 16 August 2021, the Company entered into the Equity and Corresponding Shareholder's Loan Transfer Agreement and STIP, pursuant to which, the Company would sell the 91% equity interest in Renshou Landmark Company, a non-wholly-owned subsidiary of the Company, and the corresponding shareholder's loan to STIP at an aggregate consideration of not exceeding approximately RMB1,858.2 million (including interest accrued on the loan), which aimed to dispose of the real estate business which has relatively low profit margin, long investment cycle and requires relatively substantial investment amount, so as to allow the Group to optimise its asset structure, focus on its principal business and improve its resources utilisation efficiency. Upon completion of disposal, the Company will no longer hold any equity interest in Renshou Landmark Company and the interest in corresponding shareholder's loan, and the financial results of Renshou Landmark Company will be deconsolidated from the Group. The disposal has been considered and approved at the 14th meeting of the 7th Board of Directors of the Company and is subject to the general meeting of the Company for consideration and approval. For details, please refer to the announcement of the Company dated 17 August 2020.

(3) Tianqiong Expressway BOT Project

On 30 October 2019, the resolution in relation to the investment in the Tianqiong Expressway BOT Project was considered and approved by the Board. The consortium established by the Company and Road & Bridge International Co., Ltd. ("Road & Bridge International") participated in bidding for the project and won the bid. The total length of the project is approximately 42 km, with an estimated total investment of approximately RMB8.685 billion.

On 4 March 2020, Sichuan Chengqiongya Expressway Company Limited ("Chengqiongya Company") was incorporated in Qionglai of Sichuan Province as a project company to take charge of the investment, construction and operation of Tianqiong Expressway, with a registered capital of approximately RMB1,737 million, of which the Company contributed RMB1,424.34 million. From the commencement date of construction to 30 June 2021, an accumulated investment of approximately RMB1,119 million had been invested in the Tianqiong Expressway Project.

(4) Termination of Featured Vocational and Technical Education Project in Qionglai City

On 24 July 2019, Chengyu Technology Company (formerly known as Chengyu Education Company) entered into the Letter of Investment Intent on the Featured Vocational and Technical School Project with the People's Government of Qionglai City, Sichuan Province, pursuant to which it was proposed to invest in and develop a featured vocational and technical school project in Qionglai City, Sichuan Province. In view of the great changes in the market environment since 2020, after taking into consideration various relevant factors carefully, the Company decided to terminate the external investment, so as to safeguard the interests of the Company and the Shareholders as a whole, and changed the name and business scope of the company. The Company plan to expand the transportation technology business by combining external cooperation and independent investment. Chengyu Technology Company (former Chengyu Education Company) and the People's Government of Qionglai City reached a consensus through negotiation and entered into an agreement on 8 February 2021 to terminate the investment for the featured vocational and technical school project in Qionglai City, and completed the formalities for company change registration and obtained the new business license from the Market Supervision and Administration Bureau of Sichuan Tianfu New District on 21 May 2021.

(5) Lushan Tourism Highway PPP Project

On 4 March 2021, the consortium comprised of Shunan Company, as the leader, and Transportation Construction Company successfully won the bid for the PPP project of the construction of a tourism highway from Longmen to Baosheng to Dachuan in Lushan County. Subsequently on 15 April 2021, a project company named Lushan County Shunan Engineering Construction Project Management Co., Ltd. (蘆山縣蜀南工程建設項目管理有限公司) was incorporated.

Lushan Tourism Highway PPP Project is located within Lushan County, Ya'an City and Qionglai City, Sichuan Province. The construction mileage of the project is 8.3 km with an estimated total investment of approximately RMB390 million. The BOT (build – operate – transfer) model was adopted for the project.

II. ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Summary of the Group's Operating Results

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	<i>RMB'000</i>
Revenue	4,022,892	2,339,595
Including: Net toll roads and bridges income	1,795,488	885,592
Net city operation revenue	1,375,798	661,181
Net financial investment revenue	99,916	93,362
Net energy investment revenue	751,690	699,460
Profit before tax	911,137	(89,970)
Profit attributable to owners of the Company	673,714	(164,758)
Earnings per share attributable to owners of the Company (<i>RMB</i>)	0.220	(0.054)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Summary of the Group's Financial Position

	2021	2020
	30 June	31 December
	RMB'000	RMB'000
	(Unaudited)	
Total assets	41,086,301	40,404,381
Total liabilities	24,083,118	23,870,700
Non-controlling interests	1,028,181	998,647
Equity attributable to owners of the Company	<u>15,975,002</u>	<u>15,535,034</u>
Equity per share attributable to owners of the Company (RMB)	<u><u>5.224</u></u>	<u><u>5.080</u></u>

Analysis of Operating Results

Revenue

The Group's net revenue for the Period amounted to RMB4,022,892,000 (the same period in 2020: RMB2,339,595,000), representing a year-on-year increase of 71.95%, of which:

- (1) The net toll roads and bridges income was RMB1,795,488,000 (the same period in 2020: RMB885,592,000), representing a year-on-year increase of 102.74%, which was mainly due to: (1) for the same period last year, due to the impact of the COVID-19 pandemic, the toll-free period for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020 according to the Notice on the Extension of the Toll-free Period for Small Passenger Cars during the Spring Festival Holiday of 2020 《(關於延長2020年春節假期小型客車免費通行時段的通知)》 and the Notice on the Extension of the Toll-free Period for Small Passenger Cars on Toll Roads during the Spring Festival Holiday 《(關於延長春節假期收費公路免收小型客車通行費時段的通知)》 issued by the Ministry of Transport; according to the Notice on Toll Free for Vehicles on Toll Roads during the Prevention and Control Period of Novel Coronavirus Pneumonia Pandemic 《(關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知)》 issued by the Ministry of Transport, all vehicles passing toll roads according to law were exempt from tolls from 00:00 on 17 February 2020 to 24:00 5 May 2020. For the Period, as toll collection had resumed for the toll roads, the toll income (before deduction of turnover taxes) of Chengyu Expressway, Chengya Expressway, Chengren Expressway, Chengle Expressway, Chengbei Exit Expressway,

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Suiguang-Suixi Expressways increased significantly in 2021 as compared with that for the same period last year, representing a year-on-year increase of 70.44%, 132.57%, 102.71%, 79.79%, 136.69%, 117.65% and 184.06%, respectively. Please refer to “operating conditions of the ‘toll roads and bridges’ business of the Group” in this report for details of the main factors affecting the toll income of the Group during the Reporting Period;

- (2) The net city operation revenue was RMB1,375,798,000 (the same period in 2020: RMB661,181,000), representing a year-on-year increase of 108.08%, which was mainly due to that: (1) the construction contract revenue (before deduction of turnover taxes) in respect of service concession arrangements was RMB932,307,000 (the same period in 2020: RMB616,736,000), representing a year-on-year increase of 51.17%, which was the construction contract revenue from the project for expansion construction of Chengle Expressway and Tianqiong Expressway BOT Project recognized under the input method; (2) construction contract revenue (before deduction of turnover taxes) in respect of construction works performed for third parties amounted to RMB1,035,000 (the same period in 2020: RMB4,166,000), representing a year-on-year decrease of 75.16%, which was mainly due to certain Ziyang Jiaozi Avenue projects recognized under the input method was completed last year, and only a small part of the remaining revenue was recognized during the Period; (3) revenue generated from sales of industrial products was RMB35,363,000 (the same period in 2020: RMB8,283,000), mainly due to the decrease in sales volume of sand and gravel trading business as affected by the pandemic in the same period last year, as compared with the year-on-year increase in sales volume of sand and gravel trading business due to the regular

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

pandemic prevention and control in the Period; (4) revenue generated from property development was RMB370,258,000 (the same period in 2020: RMB3,922,000), representing a year-on-year increase of 9,340.54%, mainly due to the delivery of some residential units on Land A of Beichengshidai (Phase II) with revenue recognized from sales of commercial properties for the Period, and only the revenue from part of commercial and parking lots of Phase I was recognized for the same period last year; (5) the revenue of other projects was RMB29,386,000 (the same period in 2020: RMB23,323,000);

- (3) The net financial investment revenue was RMB99,916,000 (the same period in 2020: RMB93,362,000), representing a year-on-year increase of 7.02%, which was mainly due to the increase in rental income resulting from the increase in the amount of financial leasing projects in the Period;
- (4) The net energy investment revenue was RMB751,690,000 (the same period in 2020: RMB699,460,000), representing a year-on-year increase of 7.47%, which was mainly due to the year-on-year increase in the unit selling price of refined oil products as affected by the macro-control of oil price.

Other Income and Gains

The Group's other income and gains for the Period amounted to RMB92,112,000 (the same period in 2020: RMB100,562,000), representing a year-on-year decrease of 8.40%. This was mainly attributable to a year-on-year decrease of RMB15,039,000 in compensation income for the Period.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses

The Group's operating expenses for the Period amounted to RMB2,919,209,000 (the same period in 2020: RMB2,210,192,000), representing a year-on-year increase of 32.08%, of which:

- (1) During the Period, construction contract cost recognized under the input method in respect of service concession arrangements was RMB932,307,000 (the same period in 2020: RMB616,736,000), representing a year-on-year increase of 51.17%. This mainly included construction contract costs recognized for Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project; during the Period, construction contract costs recognized under the input method in respect of construction works amounted to RMB351,000 (the same period in 2020: RMB3,962,000), representing a year-on-year decrease of 91.14%. This was mainly due to the completion and acceptance of Ziyang Jiaozi Avenue project recognised under the input method in the last year and only few part of costs left recognised for the Period;
- (2) Depreciation and amortization expenses increased by 4.03% from RMB459,640,000 last year to RMB478,164,000 for the Period, mainly attributable to amortization for service concession arrangements and depreciation of right-of-use assets;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) The cost of sales of goods was RMB630,850,000 (the same period in 2020: RMB602,902,000), representing a year-on-year increase of 4.64%, which was mainly due to the increase in the unit price for purchase of refined oil products during the Period;
- (4) The cost of property sales was RMB281,223,000 (the same period in 2020: RMB2,162,000), representing an increase of 12,907.54% over the last year, which was mainly due to the recognition of cost of sales of commercial properties resulting from the delivery of some residential units on Land A of Beichengshidai Phase II in the Period;
- (5) Employee costs increased by 6.78% from RMB361,855,000 for the same period last year to RMB386,388,000 for the Period, mainly due to the government's social insurance concession policy in response to the pandemic in the same period last year;
- (6) Repair and maintenance costs increased by 7.62% from RMB39,515,000 for the same period last year to RMB42,527,000, representing the daily maintenance costs of the ancillary facilities of all expressways of the Group;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (7) Cost of finance lease operation amounted to RMB46,179,000 (the same period in 2020: RMB41,613,000), representing a year-on-year increase of RMB4,566,000, mainly attributable to the increase in interest on borrowings for finance lease operation project;
- (8) No provision for impairment of account receivables was made for the Period (the same period in 2020: RMB5,180,000).

Finance Costs

The Group's finance costs for the Period amounted to RMB428,952,000 (of which expensed interest expenditure amounted to RMB299,790,000), representing an increase of 5.55% as compared with RMB406,376,000 (of which expensed interest expenditure amounted to RMB328,129,000) for the same period last year. The increase in the finance costs was mainly attributable to the increase in drawdown of loan for Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project, and the decrease in expensed interest expenditure was mainly due to repayment of principal and lower interest rate.

Income Tax

The income tax expense of the Group for the Period amounted to RMB179,477,000, representing an increase of approximately 288.55% as compared with RMB46,191,000 for the same period of 2020, mainly due to the change in profit.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Profit

The Group's profit for the Period amounted to RMB731,660,000, representing a turnaround of RMB867,821,000 from a loss of RMB136,161,000 for the same period last year, of which the profit attributable to owners of the Company was RMB673,714,000, representing an increase of RMB838,472,000 as compared to the same period last year. This was mainly due to:

- (1) During the same period last year, as affected by policies on COVID-19 pandemic, the toll-free period for the first-class passenger cars and buses during the Spring Festival holiday was extended to 24:00 on 8 February 2020; in addition, the toll fees nationwide have been waived for all vehicles passing through toll roads according to law from 00:00 on 17 February 2020 to 24:00 on 5 May 2020; during the Period, toll collection had resumed for the toll roads due to regular pandemic prevention and control in the Period, and the toll income (before deduction of turnover taxes) increased by RMB923,907,000 as compared with the same period last year. Profit of the toll roads and bridges segment was approximately RMB769,519,000, representing a year-on-year increase of approximately RMB926,341,000;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (2) Profit of the city operation segment for the Period amounted to approximately RMB79,150,000, representing a year-on-year increase of RMB74,573,000 as compared with the same period last year, which was mainly due to (1) the recognition of profit for sales of commercial properties resulting from the delivery of some residential units on Land A of Beichengshidai Phase II in the Period; and (2) the increase in profit resulting from the integration of leasing business of service areas in the Period;
- (3) Profit of the financial investment segment for the Period amounted to approximately RMB49,272,000, representing an increase of RMB1,472,000 as compared with that of the same period last year, which was mainly due to the increase in the amount of financial leasing projects launched in the Period;
- (4) Profit of the energy investment segment for the Period amounted to approximately RMB96,679,000, representing an increase of approximately RMB24,413,000 as compared with that of the same period last year, mainly due to the increase in the gross profit of the refined oil product.

Analysis of Financial Position

Non-current Assets

As at 30 June 2021, the Group's non-current assets amounted to RMB31,628,869,000 representing an increase of 1.69% as compared with the end of 2020, mainly attributable to:

- (1) An increase of RMB429,866,000 in service concession arrangements which included an increase of approximately RMB1,014,567,000 from Chengle Expressway Expansion Construction Project and Tianqiong Expressway BOT Project, disposal of approximately RMB183,338,000 and the provision for amortization of service concession arrangements of approximately RMB401,363,000;
- (2) A decrease of RMB20,731,000 in right-of-use assets, mainly due to the provision for depreciation and amortization;
- (3) A decrease of RMB4,338,000 in investment in associates and joint ventures, mainly attributable to (1) the decrease in the carrying amount due to the distribution of profit of RMB16,484,000 for 2020 declared by Airport Expressway in the Period; (2) the decrease in carrying amount due to the receipt of dividends in a total amount of RMB2,701,000 from Chengyu Development Fund and Zhongxin Company during the Period; (3) the increase in carrying amount following the recognition of income from investment in a total amount of RMB15,132,000 during the Period; (4) the decrease of RMB285,000 in carrying amount due to dilution of investment in Zhongxin Company in the Period;

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (4) An increase of RMB12,998,000 in financial assets at fair value through other comprehensive income, which was mainly due to the changes of fair value of Sichuan Transportation Construction Group Co., Ltd.;
- (5) A decrease of approximately RMB6,227,000 in restricted bank deposits, which were mostly security deposits for mortgage of real estate projects;
- (6) An increase of RMB164,195,000 in loans to customers;
- (7) A decrease of RMB11,002,000 in long term compensation receivables;
- (8) A decrease of RMB40,900,000 in property, plant and equipment.

Current Assets and Current Liabilities

As at 30 June 2021, the current assets of the Group amounted to RMB9,457,432,000, representing an increase of 1.69% as compared with the end of 2020, mainly attributable to:

- (1) An increase of RMB221,323,000 in the balance of cash and cash equivalents as compared with the end of 2020, mainly due to the increase in loans for the Period;
- (2) An increase of approximately RMB309,856,000 in loan to customers due within one year compared with the end of 2020, mainly due to the increase in financial leasing funds receivable (recovery by instalment);

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Trade and other receivables decreased by RMB224,188,000 as compared to the end of 2020, mainly due to a decrease in trade receivables (including bills receivable) of RMB273,201,000, a decrease in other receivables of RMB7,782,000 and an increase in prepayment of RMB56,795,000 respectively;
- (4) An increase of approximately RMB127,288,000 in property under development as compared with the end of 2020, mainly due to an increase of development costs;
- (5) An increase of approximately RMB9,406,000 in inventories as compared with the end of 2020, mainly due to the increase of pre-purchase of oil products for the Period;
- (6) A decrease of approximately RMB7,425,000 in contract cost as compared with the end of 2020, mainly due to the reclassification of the sales commission capitalized in the real estate projects.

As at 30 June 2021, the Group's current liabilities amounted to RMB5,302,784,000, representing a decrease of 40.65% as compared with the end of 2020, mainly attributable to a decrease of RMB923,162,000 in trade and other payables, a decrease of RMB445,032,000 in contract liabilities; an increase of RMB18,733,000 in shareholders dividend payable; a decrease of approximately RMB35,630,000 in tax payable; a decrease of approximately RMB2,246,718,000 in bank loans and other interest-bearing loans and the non-current liabilities due within one year, mainly due to the repayment of approximately RMB3,469,668,000 of short-term borrowings and long-term borrowings due within one year during the Period; approximately RMB485,000,000 of new current loans, an increase in the reclassification of approximately RMB737,950,000 of bank loans and other interest-bearing loans due within one year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Non-current Liabilities

As at 30 June 2021, the non-current liabilities of the Group amounted to RMB18,780,334,000, representing an increase of 25.74% as compared with the end of 2020, which was principally attributable to an increase of approximately RMB3,678,316,000 in bank and other interest-bearing loans as a result of the increase of approximately RMB4,584,242,000 in bank and other interest-bearing loans, the reclassification of approximately RMB737,950,000 as current liabilities during the Reporting Period, early repayment of part of long-term borrowings of RMB167,976,000; and an increase of RMB183,140,000 in contract liabilities as compared to last year.

Equity

As at 30 June 2021, the Group's equity amounted to RMB17,003,183,000, representing an increase of 2.84% as compared with the end of 2020, mainly attributable to: (1) profit of RMB731,660,000 for the Period, which increased the equity; (2) an increase in equity of RMB11,388,000 due to the adjustment to the fair value of financial assets presenting changes in other comprehensive income; (3) the final dividend for 2020 declared in the Period amounting to RMB244,645,000, which decreased the equity; (4) payment of dividends of RMB31,620,000 to non-controlling shareholders, which decreased the equity; (5) an increase of RMB3,004,000 in equity due to investment by non-controlling shareholders; and (6) a decrease in capital reserve of RMB285,000 due to dilution of investments in associates.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure

As at 30 June 2021, the Group had total assets of RMB41,086,301,000 and total liabilities of RMB24,083,118,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 58.62% (31 December 2020: 59.08%).

Cash Flow

As at 30 June 2021, the cash and bank balances of the Group amounted to RMB3,401,663,000, representing an increase of approximately RMB221,323,000 as compared with the end of 2020. It comprised approximately HKD167,000 (equivalent to approximately RMB139,000) of deposits in Hong Kong dollars, and RMB3,401,524,000 of cash and deposits in Renminbi.

During the Period, net cash outflow from operating activities of the Group amounted to RMB616,739,000 (the same period of 2020: net cash outflow of RMB641,064,000), representing a decrease of RMB24,325,000 in net cash outflow compared with the same period last year, which was mainly because: profit before tax increased by RMB1,001,107,000 as compared with the same period last year; the new service concession arrangements resulted in an increase of RMB315,571,000 in cash outflow as compared with the same period last year; the increase in properties under development resulted in a decrease of RMB115,772,000 in cash outflow as compared with the same period last year; the decrease in the properties held for sale resulted in an increase of RMB261,699,000 in cash inflow as compared with the same period last year; the decrease in restricted deposits resulted in an increase in cash inflow of RMB11,824,000 for the Period as compared with the same period last year; cash outflows from new loans to customers increased by RMB287,120,000 as compared with

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

the same period last year; the decrease in trade receivables and other receivables resulted in an increase of RMB328,740,000 in net cash inflow for the Period as compared with the same period last year; the decrease in contract assets and contract costs resulted in an increase of RMB9,907,000 in the cash inflow for the Period as compared with the same period last year; the increase in contract liabilities resulted in an increase of RMB684,916,000 in the net cash outflow for the Period as compared with the same period last year; the decrease in trade payables and other payables resulted in an increase of RMB214,808,000 in cash outflow for the Period as compared with the same period last year.

Net cash inflow from investing activities of the Group amounted to RMB54,981,000 (the same period of 2020: net outflow of RMB4,051,000), representing a decrease in net cash outflow of RMB59,032,000 as compared with the same period last year, mainly due to: a decrease of RMB40,352,000 of cash outflow from the purchase of property, plant and equipment as compared with the same period last year; a decrease of RMB4,312,000 in the recovered costs of investments in joint ventures as compared with the same period last year; an increase of RMB16,409,000 in dividend income from associates and joint ventures as compared with the same period last year; a decrease of RMB5,960,000 in cash inflow for dividends from investment in financial assets at fair value through other comprehensive income during the Period as compared with the same period last year; and a decrease of RMB2,380,000 in cash inflow for dividends from investment in financial assets at fair value through profit or loss during the period as compared with the same period last year; and a decrease in the pledged time deposits during the Period resulting in an increase of RMB15,000,000 in cash inflow during the Period as compared with the same period last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net cash inflow from financing activities was RMB783,081,000 (the same period of 2020: net cash inflow of RMB598,727,000), representing an increase of RMB184,354,000 as compared with the same period last year, which was mainly due to: an increase of RMB896,147,000 in cash inflow from new bank loans and other loans as compared with the same period last year; an increase of RMB512,871,000 in cash outflow from repayment of bank loans and payment of lease principal as compared with the same period last year; an increase of RMB6,743,000 in cash outflow from dividend paid to the owners of the Company compared with the same period last year; a decrease of RMB3,289,000 in cash outflow from dividend paid to non-controlling shareholders as compared with the same period last year; an increase of RMB176,562,000 in cash outflow from interest paid compared with the same period last year; and a decrease of RMB18,996,000 in cash inflow from capital contribution by non-controlling shareholders as compared with the same period last year.

Foreign Exchange Fluctuation Risks

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Borrowings and Solvency

As at 30 June 2021, the Company's bank and other interest-bearing borrowings amounted to RMB19,991,895,000, all of which bore fixed interest rates. In particular, the balance of domestic bank loans was RMB17,872,704,000, with annual interest rates ranging from 3.10% to 6.4%; the balance of other loans amounted to RMB429,191,000, with annual interest rate of 4.99% to 6.8%; the balance of medium-term notes amounted to RMB1,290,000,000, with annual interest rates ranging from 3.49% to 6.30%; the balance of ultra-short-term commercial papers amounted to RMB400,000,000, with an annual interest rate of 3.00%. The relevant balances are set out as follows:

Interest-Bearing Bank and other Loans

	Total amount	Within 1 year	1 to 5 years	Over 5 years
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans from				
domestic banks	17,872,704	1,749,285	6,926,466	9,196,953
Other loans	429,191	164,201	210,450	54,540
Medium-term notes	1,290,000		1,290,000	
Ultra-short-term commercial papers	400,000	400,000		
Total (as at 30 June 2021)	<u>19,991,895</u>	<u>2,313,486</u>	<u>8,426,916</u>	<u>9,251,493</u>
Total (as at 31 December 2020)	<u>18,560,297</u>	<u>4,560,204</u>	<u>5,392,651</u>	<u>8,607,442</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB41,936 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying on businesses in the PRC formed a bank consortium, which signed a loan contract with the Group for a medium-long-term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. In 2019, China CITIC Bank Corporation Limited (Chengdu Branch) transferred the entire loan balance under the Syndicated Contract to China Construction Bank Corporation (Sichuan Branch), and China Construction Bank Corporation (Sichuan Branch) became the leader in 2020. As at 30 June 2021, the balance of the syndicated loan for the project was RMB2,020 million.

In 2013, China Development Bank (Sichuan Branch) as leader formed a bank consortium with other three banks carrying out businesses in the PRC, which signed a loan contract with the Group for a medium-long-term loan of RMB8,330 million. Such loan is specially used for construction of Suiguang-Suixi Expressways BOT Project. As at 30 June 2021, the balance of the syndicated loan for the project amounted to RMB7,410 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In 2019, China Construction Bank Corporation (Sichuan Branch) and China Development Bank (Sichuan Branch) as leaders formed a bank consortium with five other banks carrying out businesses in the PRC, which signed a loan contract with the Group for a medium-long-term loan of RMB10,400 million. Such loan is specially used for Chengle Expressway Expansion Construction Project. As at 30 June 2021, the balance of the syndicated loan for the project was RMB3,385 million.

In 2020, China Construction Bank Corporation (Sichuan Branch) and China Merchants Bank Co., Ltd. (Chengdu Branch) as leaders formed a consortium with five other banks carrying out businesses in the PRC, which signed a loan contract with the Group for a medium-long-term loan of RMB6,948 million. Such loan is specially used for construction of the Tianqiong Expressway BOT Project. As at 30 June 2021, the balance of the syndicated loan for the project was RMB294 million.

Pledge of assets

As at 30 June 2021, the Group did not pledge any time deposits (31 December 2020: RMB15,000,000) for the performance guarantee of road construction project; mortgage security of RMB27,453,000 was provided for North Town Times Real Estate Project (31 December 2020: RMB33,291,000); the concession right to collect toll pertaining to Chengle Expressway with net carrying value of RMB6,482,284,000 (31 December 2020: RMB5,788,278,000) was pledged to secure the syndicated loan amounting to RMB3,385,000,000 (31 December 2020: RMB2,590,000,000); the concession right to collect toll pertaining to Chengren Expressway with net carrying value of RMB6,380,718,000 (31 December 2020: RMB6,470,301,000) was pledged to secure the syndicated loan amounting to RMB2,019,697,000 (31 December 2020: RMB2,101,701,000); the concession right to collect toll

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

pertaining to Suiguang-Suixi Expressways with net carrying value of RMB11,392,015,000 (31 December 2020: RMB11,662,808,000) was pledged to secure the syndicated loan amounting to RMB7,410,000,000 (31 December 2020:RMB7,610,000,000); the concession right to collect toll pertaining to Tianqiong Expressway with net carrying value of RMB1,118,799,000 was pledged to secure the bank loans amounting to RMB294,000,000; loans to customers with net carrying value of RMB1,629,216,000 (31 December 2020: RMB925,579,000) were used for the pledge of bank and other interest-bearing loans amounting to RMB1,134,007,000 (31 December 2020: RMB681,299,000); and the land use right with a total carrying value of RMB499,100,000 (31 December 2020: RMB499,100,000) was pledged to secure bank loans amounting to RMB40,000,000 (31 December 2020: RMB82,000,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 30 June 2021.

III. BUSINESS DEVELOPMENT PLAN

Based on analysis and review of our work and operations during the Reporting Period, and taking into account our forecast and judgement of future economic situation, policy environment and developments of the industry and our business in the second half of 2021, we have formulated the following work plan with a focus on our overall development plan and business objectives for the year of 2021:

- (1) Committing to project construction and acquisition to consolidate the foundation for the Company's development. We are well aware that our future hinges on the development of our principal operations. As such, the Company will work out progress schedules for key construction projects to strengthen supervision and ensure the progress of the Chengde Expressway Expansion Construction Project and the Tianqiong Expressway BOT Project. Meanwhile, the Company will proactively explore various channels for investment in road assets, including, among others, expansion and reconstruction of existing roads, acquisition of new road projects, and acquisition and merger of completed premium road projects, and increase its efforts in project development to lay a solid foundation for its sustainable and healthy development.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (2) Improving economic efficiency by enhancing management and operation. The Company will strive to improve the quality and efficiency of its operation and management by tackling key issues and shoring up weaknesses. To this end, the Company will (i) strengthen toll collection management and work linkage mechanisms by carrying out special rectification actions; (ii) increase its efforts to improve road maintenance management and introduce pavement maintenance technology with lower cost and higher efficiency; (iii) build a sound risk prevention and control system and improve such system by strengthening supervision over weak links, key positions and risk-prone areas; (iv) boost the development quality of market-driven subsidiaries to expand income streams and enhance profitability; and (v) adopt effective measure for safety, environmental protection and epidemic prevention, increase efforts to ensure smooth traffic and road safety and put in place proper response mechanisms to deal with any emergency during public holidays, flood season and major events, as well as continuing with its efforts in epidemic prevention and control and maintaining “zero infection”.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- (3) Enhancing capital operation and support and exploring ways for boosting financial efficiency. To further tighten budget and cost control and achieve better cost reduction and efficiency improvement and financial performance, the Company will strive to build a multi-channel, multi-level and multi-dimensional capital management and reserve system. To this end, the Company will (i) further expand its financing channels by actively identifying new financing methods; (ii) further improve capital management, keep tightening centralized fund management, and seek new ways to increase the value of existing financial resources; (iii) further strengthen budget management by monitoring the monthly implementation of key budget indicators and detecting, reporting and solving problems timely to ensure fulfilment of the indicators and manage deviations, and create a sound module for budget execution analysis within the financial system to provide a scientific basis for business decisions; and (iv) manage to further cut costs and enhance efficiency by strengthening cost analysis, revising the daily cost standards and strictly implementing cost budgets, and urge all subsidiaries to implement cost controls on all staff, elements and business processes and stringently implement cost budget, minimizing costs on every possible front.

OTHER SIGNIFICANT EVENTS

I. PROFIT DISTRIBUTION

1. 2021 Interim Dividend

The Board of the Company resolved not to pay an interim dividend for the six months ended 30 June 2021 nor transfer capital reserve into share capital.

2. Profit Distribution Plan for the Year 2020 and its Implementation

As approved at the 2020 AGM of the Company, the Company paid a cash dividend of RMB0.08 per Share (tax inclusive) calculated based on the total share capital of 3,058,060,000 Shares as at the end of 2020, amounting to an aggregate of approximately RMB244,645,000 (tax inclusive), on 9 June and 6 July 2020 to holders of A Shares and holders of H Shares respectively, representing 47.27% of the distributable profit (calculated according to China Accounting Standards) earned by the Company for 2020, and 36.27% of the profit (calculated according to China Accounting Standards) attributable to the owners of the Company in the consolidated financial statements for 2020.

OTHER SIGNIFICANT EVENTS (CONTINUED)

II. MATERIAL ACQUISITION AND DISPOSAL

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

III. EMPLOYEES

As at 30 June 2021, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,409
Number of in-service employees of major subsidiaries	1,888
Total number of in-service employees	4,297
Number of retired employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	Nil

OTHER SIGNIFICANT EVENTS (CONTINUED)

Composition of Expertise

Type of Expertise	Number of employees
Production	3,027
Sales	20
Technical	529
Financial	141
Administrative	<u>580</u>
Total	<u><u>4,297</u></u>

Education Level

Type of Education Level	Number of employees
Postgraduate	231
University graduate	1,347
Junior college graduate	1,790
Technical secondary school and below	<u>929</u>
Total	<u><u>4,297</u></u>

OTHER SIGNIFICANT EVENTS (CONTINUED)

1. **Employees' Remuneration**

The total remuneration of the Company's employees is linked to the operating results of the Company. Employees' salaries comprise basic salaries, which are determined based on their individual position and length of service, and performance-based bonus. During the Reporting Period, employees' salaries incurred by the Group amounted to approximately RMB271,496,150, of which approximately RMB153,194,650 was for the employees of the Company (including its branches).

2. **Employee's Insurance and Welfare**

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

OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Staff Training

The Company highly values staff training and provides trainings of various aspects and types to improve the comprehensive quality and business standard of its staff. During the Reporting Period, the Company has organized various centralized and specific trainings such as job-specific skills training for technical staff, and continuing education for professional technical staff. The attendance of the Company (including its branches) reached 11,924 person-time.

IV. CORPORATE GOVERNANCE REPORT

1. Corporate Governance

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

OTHER SIGNIFICANT EVENTS (CONTINUED)

continuously enhance corporate governance standards, thereby laying a solid foundation for driving the Company's development and maximizing value for the Shareholders.

2. Corporate Governance Code

As a listed company with both A Shares and H Shares, in addition to complying with the applicable laws and regulations, the Company is also required to comply with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of the Stock Exchange and the Code of Corporate Governance for Listed Companies of the CSRC regarding the practice of corporate governance. During the Reporting Period and as of the date of this report, the Company has been in compliance with the Code of Corporate Governance for Listed Companies in all major respects in terms of corporate governance, and has adopted and fully complied with the requirements of the Corporate Governance Code.

3. Audit Committee

As at the date of this report, the Audit Committee of the Company comprises three independent non-executive Directors including Madam Bu Danlu, Madam Liu Lina and Mr. Yan Qixiang who are all professionals experienced in finance and transportation. The Audit Committee has reviewed and confirmed the unaudited interim condensed financial information and interim results report of the Group for the half year ended 30 June 2021.

OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Model Code for Securities Transactions by Directors and Supervisors

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

OTHER SIGNIFICANT EVENTS (CONTINUED)

V. MEMBERS OF THE BOARD

As at the date of this report, the Board comprises Mr. Gan Yongyi (Chairman), Mr. Li Wenhui (Vice Chairman), Madam Ma Yonghan, Mr. You Zhiming and Mr. He Zhuqing as executive Directors, Mr. Yang Guofeng (Vice Chairman) and Mr. Li Chengyong as non-executive Directors, and Mr. Yu Haizong, Madam Liu Lina, Mr. Yan Qixiang and Madam Bu Danlu as independent non-executive Directors.

By order of the Board

Sichuan Expressway Company Limited*

Gan Yongyi

Chairman

Chengdu, Sichuan Province, the PRC
26 August 2021