



CHENGDU EXPRESSWAY
成都高速

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

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

Stock Code: 1785



2021

INTERIM REPORT

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“CCB Gold Investment”	CCB Gold Investment (Chengdu) Equity Investment Fund Partnership (Limited Partnership) (建信金投(成都)股權投資基金合夥企業(有限合夥)), a limited partnership incorporated in the PRC which holds 18.49% equity interests in Chengdu Expressway Construction
“Chengbei Exit Expressway Company”	Chengdu Chengbei Exit Expressway Co., Ltd. (成都城北出口高速公路有限公司), a company incorporated in the PRC with limited liability, which is an associate of the Company with 40% of its equity interests held by the Company
“Chengdu Airport Expressway Company”	Chengdu Airport Expressway Co., Ltd. (成都機場高速公路有限責任公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company with 55% of its equity interests held by the Company
“Chengdu Communications Investment”	Chengdu Communications Investment Group Co., Ltd. (成都交通投資集團有限公司), a company incorporated in the PRC with limited liability on 16 March 2007, which is one of the controlling shareholders of the Company
“Chengdu Communications Investment Group”	Chengdu Communications Investment and its subsidiaries
“Chengdu Expressway Construction”	Chengdu Expressway Construction and Development Co., Ltd. (成都高速公路建設開發有限公司), a company incorporated in the PRC with limited liability, which is one of the controlling shareholders of the Company
“Chengdu Jiaoyun CNG”	Chengdu Jiaoyun Compressed Natural Gas Development Co., Ltd. (成都交運壓縮天然氣發展有限公司), a company incorporated in the PRC with limited liability and a 25%-owned associate of Energy Development Company
“Chengdu Jiuhe”	Chengdu Jiuhe Oil Management Co., Ltd. (成都九河石油經營有限公司), a company incorporated in the PRC with limited liability and a 43%-owned associate of Energy Development Company
“Chengdu Tongneng”	Chengdu Tongneng Compressed Natural Gas Co., Ltd. (成都通能壓縮天然氣有限公司), a company incorporated in the PRC with limited liability and an associate of Energy Development Company with 30% of its equity interests held by Energy Development Company

DEFINITIONS

“Chengguan Expressway Company”	Chengdu Chengguan Expressway Co., Ltd. (成都成灌高速公路有限責任公司), a company incorporated in the PRC with limited liability on 25 August 1998, the predecessor of the Company
“Chengming Expressway Company”	Sichuan Chengming Expressway Co., Ltd. (四川成名高速公路有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly owned subsidiary of the Company with 51% of its equity interests held by the Company
“Chengpeng Expressway Company”	Chengdu Chengpeng Expressway Co., Ltd. (成都成彭高速公路有限責任公司), a company incorporated in the PRC with limited liability, which is a non-wholly owned subsidiary of the Company with 99.74% of its equity interests held by the Company
“Chengwenqiong Expressway Company”	Chengdu Chengwenqiong Expressway Co., Ltd. (成都成溫邛高速公路有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company
“Chengyu Expressway Company”	Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, a substantial shareholder of Chengdu Airport Expressway Company and a controlling shareholder of Chengbei Exit Expressway Company
“CNG”	compressed natural gas
“Communications Investment Energy”	Chengdu Communications Investment Energy Development Co., Ltd. (成都交投能源發展有限公司), a company incorporated in the PRC with limited liability, which is a subsidiary of Energy Development Company with 55% of its equity interests held by Energy Development Company
“Company”	Chengdu Expressway Co., Ltd. (成都高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Stock Exchange
“Company Law”	the Company Law of the PRC (《中華人民共和國公司法》)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, in this report refers to Chengdu Communications Investment and Chengdu Expressway Construction
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB

DEFINITIONS

“Energy Development Company”	Chengdu Energy Development Co., Ltd. (成都能源發展股份有限公司), a joint stock company incorporated in the PRC with limited liability, which is held by the Company as to 94.49% (its remaining 5.51% equity interests are held by Chengdu Communications Investment Property Company Limited, an indirect wholly-owned subsidiary of Chengdu Communications Investment) and became a non-wholly-owned subsidiary of the Company on 12 August 2020
“Energy Operation”	Chengdu Communications Investment Energy Operation and Management Co., Ltd. (成都交投能源經營管理有限公司), a company incorporated in the PRC with limited liability and a 100%-owned subsidiary of Energy Development Company
“GDP”	gross domestic product
“Global Offering”	has the meaning ascribed thereto in the Prospectus
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are approved to be listed and traded on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOT”	Ministry of Transport of the People’s Republic of China
“Operation Company”	Chengdu Expressway Operation Management Co., Ltd. (成都高速運營管理有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company with 100% of its equity interests held by the Company

DEFINITIONS

“PetroChina”	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in the PRC with limited liability
“PetroChina Chengdu Sales Branch”	PetroChina Company Limited Sichuan Chengdu Sales Branch (中國石油天然氣股份有限公司四川成都銷售分公司), a branch of PetroChina
“PetroChina Sichuan Sales Branch”	PetroChina Company Limited Sichuan Sales Branch (中國石油天然氣股份有限公司四川銷售分公司), a branch of PetroChina
“Prospectus”	the prospectus of the Company dated 28 December 2018
“refined oil”	petrol and diesel oil
“Reporting Date”	the date on which the 2021 interim report of the Company was approved by the Board, being 26 August 2021
“Reporting Period”	six-month period ended 30 June 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Sinopec Chengdu Energy”	Sinopec Chengdu Energy Co., Ltd. (中石化成都能源有限公司), a company incorporated in the PRC with limited liability and a joint venture company with 50% of its equity interest held by Energy Development Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Tongneng Jinfu”	Chengdu Tongneng Jinfu Natural Gas Co., Ltd. (成都通能金府天然氣有限公司), a company incorporated in the PRC with limited liability and a 100%-owned subsidiary of Chengdu Tongneng
“Zhengtongdaoqiao”	Pengzhou Zhengtongdaoqiao Construction Company Limited (彭州市正通道橋建設有限責任公司)

DEFINITIONS

“Zhenxing Company”

Chengdu Expressway Zhenxing Development Co., Ltd. (成都高速振興發展有限責任公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company with 80% of its equity interests held by the Company

“Zhongyou Energy”

Chengdu Zhongyou Energy Co., Ltd. (成都中油能源有限公司), a company incorporated in the PRC with limited liability, which is a subsidiary of Energy Development Company with 51% of its equity interests held by Energy Development Company

“Zhongyou Jieneng”

Zhongyou Jieneng (Chengdu) Environmental Protection Technology Co., Ltd. (中油潔能(成都)環保科技有限公司), a company incorporated in the PRC with limited liability, which is a subsidiary of Chengdu Tongneng with 52.51% of its equity interest held by Chengdu Tongneng

GLOSSARY OF TECHNICAL TERMS

“Batch Payment Model”

a toll collection model only applicable to passenger vehicles with local licenses on Chengpeng Expressway and all vehicles with local licenses on Chengwenqiong Expressway which can pass through the toll plazas on these two expressways without toll payment. The relevant local governments, instead, pay the Group toll fees pursuant to the batch payment agreements entered with Chengpeng Expressway Company and Chengwenqiong Expressway Company, respectively, of which Chengpeng Expressway has restored the Standard Toll Collection Model in July 2018

“daily weighted average traffic volume”

represents the summation of the daily traffic volume and mileage of each section of expressways, i.e. the section from an expressway toll station to the next toll station, divided by the sum of the mileage. For Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Qiongming Expressway and Chengdu Airport Expressway, the daily traffic volume includes the number of vehicles leaving the expressway’s toll plazas, the number of vehicles entering the expressway but leaving from other expressways, and the number of vehicles passing by but not entering the expressways or leaving from the expressway’s toll plazas, but excluding vehicles entitled to toll-free treatment such as vehicles using the expressway during national holidays and, for Chengdu Airport Expressway, also excluding vehicles that have purchased annual tickets. The traffic volume of Chengwenqiong Expressway has taken into account the traffic volume under the Batch Payment Model

“Standard Toll Collection Model”

a toll collection model that requires payment at the time of passing-through and is applicable to all the vehicles on the expressways of the Group that are not eligible for the Batch Payment Model

GROUP PROFILE

The Group is principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan Province. Meanwhile, the Group also carries out operation of refined oil and CNG. Business operations of the Group are therefore categorised into “expressway” and “energy” two segments.

The “expressway” segment constitutes the traditional principal business of the Group. As at the Reporting Date, the Group owned five expressways, i.e., Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Qiongming Expressway and Chengdu Airport Expressway, and held 40% equity interests in Chengbei Exit Expressway, covering a total network mileage of 202.37 kilometres (including mileage of Chengbei Exit Expressway). In addition, in December 2020, the Company won the tenders for the operation and management business of Chengdu Tianfu International Airport Expressway (“Tianfu Airport Expressway”) and Pujiang-Dujiangyan Section of Chengdu Economic Zone Ring Expressway (“Pudu Expressway”), upon which, the total mileage (inclusive of the sections under entrusted management) of expressways operated by the Group reached 392.04 kilometres. Located strategically in areas adjacent to Chengdu, expressways operated and invested by the Group are an integral part to the expressway network surrounding Chengdu which connect several districts with abundant economic, cultural and tourism resources. In recent years, the expressways operated and managed by the Group have secured remarkable performance in maintenance, security and quality service. The Company, some of its subsidiaries and service teams obtained the safety production standardisation construction certification of transportation enterprises (Grade II) and honors such as the Expressway with Good Service, Environment, Security, Maintenance and Operation of Sichuan Province (四川省“五好”高速公路) and the Most Beautiful Chinese Road Collector Team (最美中國路姐團隊).

The “energy” segment was consolidated into the Group on 12 August 2020, where Energy Development Company acts as the investor to conduct operation of refined oil and CNG through its subsidiaries, joint venture and associates. The Group has a total of 23 petrol stations and 3 gas stations (1 petrol station and 3 gas stations did not commence operation during the Reporting Period) located in and around Chengdu of Sichuan Province.

As at the end of the Reporting Period, total assets of the Group reached approximately RMB9.04 billion.

GROUP PROFILE

OVERVIEW OF THE “EXPRESSWAY” SEGMENT

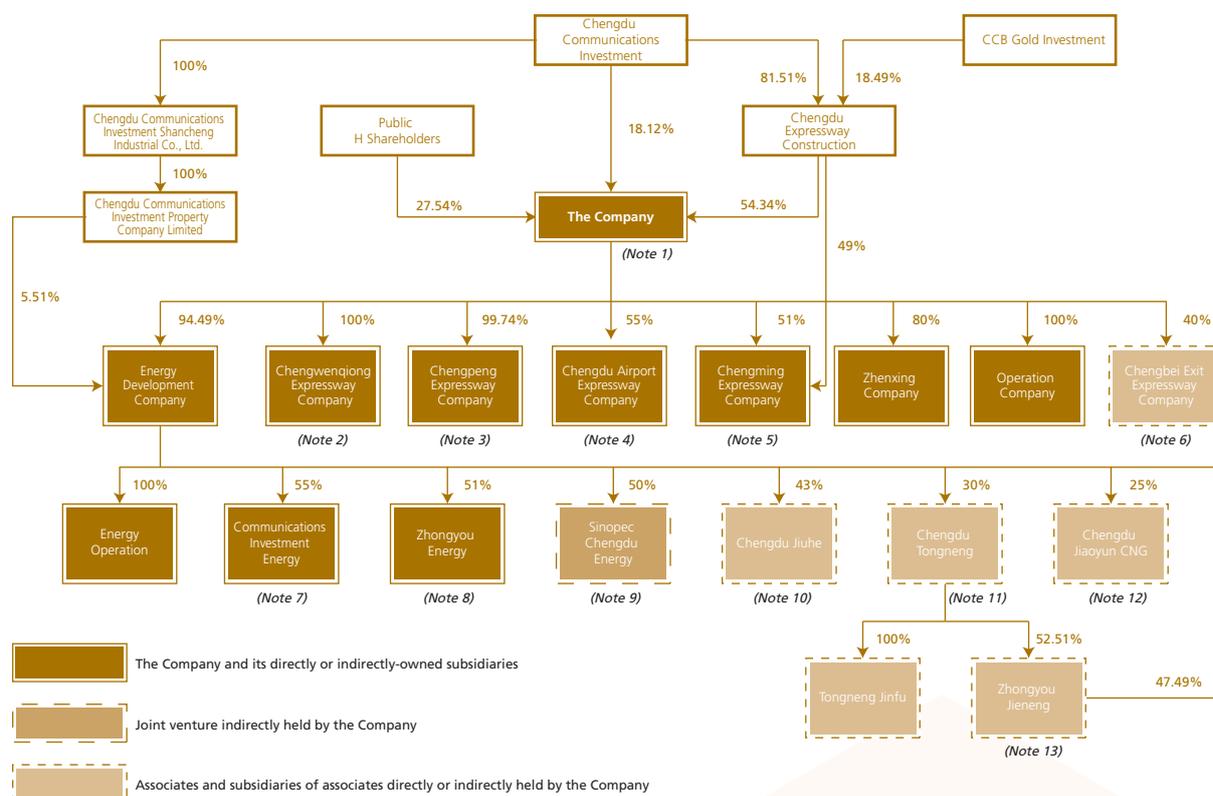
- Chengguan Expressway is a major part of the G4217 national expressway and a key section connecting Sichuan Province with Gansu Province, Qinghai Province and Tibet. It is also the main road to access Dujiangyan, a historic city, Qingcheng Mountain, Jiuzhai Valley, Huanglong and other tourist attractions and connects most of the catalogued UNESCO World Heritage Sites located in Sichuan Province.
- Chengpeng Expressway is a major part of the S105 provincial expressway, which is a key component of the radial-shaped road network surrounding Chengdu and the main route connecting Chengdu to north areas of Sichuan Province.
- Chengwenqiong Expressway is a major part of the S8 provincial expressway and is of economic and cultural significance to western Chengdu. It is also the only expressway gateway within the region that connects Wenjiang, Chongzhou, Dayi, Qionglai and other major satellite cities of Chengdu.
- Chengdu Airport Expressway is a major part of the S6 provincial expressway and the main expressway to Chengdu Shuangliu Airport from downtown Chengdu.
- Qiongming Expressway is a major part of the S8 provincial expressway and an extension of Chengwenqiong Expressway. It connects to Yunnan Province via Chengya Expressway (成雅高速公路) – Yaxi Expressway (雅西高速公路) – Xipan Expressway (西攀高速公路) and to the Tibetan region via Chengya Expressway (成雅高速公路) – Yakang Expressway (雅康高速公路) – G318 national expressway.
- Chengbei Exit Expressway forms part of the G5 Beijing-Kunming national expressway and is an important expressway connecting downtown Chengdu with Chengmian Expressway (成綿高速) and Chengdu Ring Expressway (成都繞城高速).

OVERVIEW OF THE “ENERGY” SEGMENT

Within the energy segment of the Group, Energy Development Company acts as the investor to conduct operation of refined oil and CNG through its subsidiaries, joint venture and associates. As of the Reporting Date, Energy Development Company has three subsidiaries, being Zhongyou Energy, Communications Investment Energy and Energy Operation, and six joint venture and associates, including Sinopec Chengdu Energy and Chengdu Tongneng through direct and indirect shareholding.

GROUP STRUCTURE

The chart below sets out the Group's structure as at the Reporting Date:



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

Name	Percentage of Ownership	Length (km)	Number of Lanes	Number of Toll Stations	Commencement of Operation	Expiration Date
Chengguan Expressway	100%	40.44	6	7	July 2000	July 2030
Chengwenqiong Expressway	100%	65.60	6/4	12	January 2005	January 2035
Chengpeng Expressway	99.74%	21.32	6/8	4	November 2004	October 2033
Chengdu Airport Expressway	55%	11.98	4	1	July 1999	December 2024
Qiongming Expressway	51%	52.68	4	5	November 2010	November 2038
Chengbei Exit Expressway	40%	10.35	6	1	December 1998	June 2024

GROUP STRUCTURE

The table below sets forth certain operation information of subsidiaries, joint venture, associates and subsidiaries of associates of Energy Development Company as at the Reporting Date:

Company Name	Date of Incorporation	Principal Business	Number of Stations Operated (in operation)
Zhongyou Energy	19 June 2009	Operation of refined oil	16 petrol stations
Communications Investment Energy	15 November 2010	Operation of refined oil	5 petrol stations
Energy Operation	18 December 2020	Operation of refined oil and CNG	1 petrol station
Sinopec Chengdu Energy	25 December 2012	Operation of refined oil and CNG	1 petrol station and 1 gas station
Chengdu Jiuhe	24 November 2010	Operation of refined oil	1 petrol station
Chengdu Tongneng	12 January 2009	Operation of CNG	14 gas stations
Chengdu Jiaoyun CNG	26 December 2000	Operation of CNG	1 gas station
Zhongyou Jieneng	14 September 2006	Operation of CNG	6 gas stations
Tongneng Jinfu	30 November 2000	Operation of CNG	1 gas station

Notes:

As of the Reporting Date:

1. The Company holds 100% interests in Chengguan Expressway.
2. Chengwenqiong Expressway Company holds 100% interests in Chengwenqiong Expressway.
3. The Company holds 99.74% interests in Chengpeng Expressway through Chengpeng Expressway Company, and the remaining 0.26% interests are held by Zhengtongdaoqiao.
4. The Company holds 55% interests in Chengdu Airport Expressway through Chengdu Airport Expressway Company and its remaining 45% interests are held by Chengyu Expressway Company and Sichuan Xinneng Real Estate Limited (四川新能置業有限公司) as to 25% and 20%, respectively.
5. The Company holds 51% interests in Qiongming Expressway through Chengming Expressway Company and its remaining 49% equity interests are held by Chengdu Expressway Construction.
6. The Company holds 40% interests in Chengbei Exit Expressway through Chengbei Exit Expressway Company, an associate and its remaining 60% interests are held by Chengyu Expressway Company.
7. Communications Investment Energy is held as to 55% by Energy Development Company, and its remaining 45% equity interests are held by Yanchang Shell (Sichuan) Petroleum Co., Ltd. (延長殼牌(四川)石油有限公司).
8. Zhongyou Energy is held as to 51% by Energy Development Company, and its remaining 49% equity interests are held by PetroChina.
9. Sinopec Chengdu Energy is held as to 50% by Energy Development Company, and its remaining 50% equity interests are held by Sinopec Sales Company Limited (中國石化銷售股份有限公司).

GROUP STRUCTURE

10. Chengdu Jiuhe is held as to 43% by Energy Development Company, and its remaining 57% equity interests are held by Chengdu Rongtai Industry Corporation (成都榮泰實業總公司).
11. Chengdu Tongneng is held as to 30% by Energy Development Company, and its remaining 70% equity interests are held as to 55% and 15% by Chengdu Zhengtong Hengsheng Enterprise Management Co., Ltd. (成都正通恆盛企業管理有限公 司) and Chengdu Luneng Compressed Natural Gas Co., Ltd. (成都魯能壓縮天然氣有限責任公司), respectively.
12. Chengdu Jiaoyun CNG is held as to 25% by Energy Development Company, and its remaining 75% equity interests are held as to 20%, 20% and 35% by Chengdu Zhengkun Technology Co., Ltd. (成都正昆科技有限責任公司), PetroChina and Chengdu Bus Compressed Natural Gas Co., Ltd. (成都公交壓縮天然氣股份有限公司), respectively.
13. Zhongyou Jieneng is held as to 47.49% by Energy Development Company, and its remaining 52.51% equity interests are held by Chengdu Tongneng.

MAJOR EVENTS DURING THE REPORTING PERIOD

THE “EXPRESSWAY-TO-EXPRESSWAY” INTER-NETWORK CONSTRUCTION PROJECT BETWEEN CHENGGUAN EXPRESSWAY AND CHENGDU RING EXPRESSWAY COMPLETED AND OPENED TO TRAFFIC

In line with the requirements of Chengdu Municipal Government on strengthening transportation support in the electronic information industry functional areas, the Company implemented the “expressway-to-expressway” inter-network construction project between Chengguan Expressway and Chengdu Ring Expressway (the “Expressway-to-expressway Project”) in front of the Chengdu toll station on Chengguan Expressway through building two new one-way and two-lane fixed-direction ramps, partially in the form of a viaduct, which directly connect Chengguan Expressway to Chengdu Ring Expressway. The Expressway-to-expressway Project has been completed and commenced operation at 12:00 on 9 February 2021, which marks the interconnection between Chengguan Expressway and Chengdu Ring Expressway. Such interconnection effectively eased the traffic congestion on the sections connecting these two expressways and significantly improved their traffic conversion rate.

XINFAN SERVICE AREA OF CHENGPENG EXPRESSWAY COMPLETED AND OFFICIALLY PUT INTO OPERATION

On 22 March 2021, Xinfan Service Area of Chengpeng Expressway (the “Xinfan Service Area”) invested and constructed by the Group was completed and officially put into operation. The Xinfan Service Area is located on the right side of Chengpeng Expressway, approximately 13 kilometers from Chengdu to Pengzhou, and is a single-sided service area covering an area of approximately 66 mu, of which the main building covering an area of over 4,600 square meters is in Western Sichuan residential style. The Xinfan Service Area is constructed in accordance with the standard of “four-star” service area including a commercial area, parking area, gas station and car repair area, etc. and has multiple service functions which can meet the needs of the general public for dining, refueling and resting during their travel. As disclosed in the voluntary announcement of the Company dated 22 March 2021, the completion and operation of the Xinfan Service Area is the latest achievement of the Group’s determination of development and deepened advancement of extended resources development, which is conducive to sustainably enhancing the quality of the Group’s expressway services and operation level, thereby continuously strengthening the Group’s overall competitiveness.

ALIGNMENT IN PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES AND CESSATION OF RE-APPOINTMENT OF THE INTERNATIONAL AUDITOR

To improve auditing efficiency, save auditing fees and reduce discrepancies in information disclosure, on 25 March 2021, the Board resolved to propose to the Company to adopt alignment in preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises commencing from 2021. On the same day, the Board also resolved to propose to cease to re-appoint Ernst & Young as the international auditor of the Company and appoint Ernst & Young Hua Ming LLP as the auditor of the Company for 2021. The above resolutions have been proposed and approved at the annual general meeting of the Company held on 10 June 2021. The financial statements and interim results of the Company for the six months ended 30 June 2021 are prepared pursuant to the China Accounting Standards for Business Enterprises. The Company is of the opinion that alignment in preparation of financial statements in accordance with the China Accounting Standards for Business Enterprises will not have a material impact on the financial position, operating results and cash flows of the Company in 2021 and future periods.

REVIEW AND OUTLOOK

BUSINESS REVIEW

According to data from the National Bureau of Statistics of the PRC, the Sichuan Provincial Bureau of Statistics and the Chengdu Bureau of Statistics, from January to June 2021, national GDP recorded a year-on-year increase of 12.7%, while GDP of Sichuan Province and Chengdu increased by 12.1% and 13.1% year-on-year, respectively, and demonstrated accelerated economic recovery with progress amid stability. In terms of the transportation industry, amid the abating impact from the COVID-19 pandemic (the “COVID-19 Pandemic”), normalised anti-pandemic management and control measures, released travelling demands and business reopening, domestic expressway and energy business gradually returned to the normal track. The Group’s operating results experienced a considerable recovery from the corresponding period of preceding year and embarked on a stable and upward trend. During the Reporting Period, the Group achieved revenue of RMB1,339,770,469 (corresponding period of 2020 (restated): RMB743,733,382), representing a year-on-year increase of 80.1%, of which revenue from the expressway segment amounted to RMB723,379,235 (corresponding period of 2020 (restated): RMB325,253,960), a year-on-year increase of 122.4%, and revenue from the energy segment reached RMB616,391,234 (corresponding period of 2020 (restated): RMB418,479,422), a year-on-year increase of 47.3%, and realised net profit attributable to the Shareholders of the Company of RMB320,866,053 (corresponding period of 2020 (restated): RMB66,652,873), a year-on-year increase of 381.4%.

During the Reporting Period, the daily weighted average traffic volume of the expressways operated by the Group reached 214,514 (6 May to 30 June 2020: 217,571), which remained basically unchanged from the corresponding period of 2020; and toll income of Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway amounted to RMB158,730,796, RMB137,964,203, RMB220,441,945, RMB72,694,551 and RMB96,294,176, representing a year-on-year increase of 110.9%, 121.1%, 117.4%, 101.1% and 133.7%, respectively. The surge in toll income from the same period of 2020 was primarily attributable to the fact that the Group’s toll income in the first half of 2020 fell below the normal level as a result of the COVID-19 Pandemic and the policy issued by the MOT to waive tolls on expressways nationwide during the period from 00:00 on 17 February 2020 to 00:00 on 6 May 2020 (the “Toll Waiver Policy of the MOT”), while toll collection was resumed during the Reporting Period, and people’s travelling desire was reinforced with the ease of the COVID-19 Pandemic, leading to a noticeable increase in toll income generated by the Group.

During the Reporting Period, domestic economic growth maintained a steady momentum, coupled with substantially improved demands in the oil and gas market. Having seized such favorable opportunities, the Group adopted flexible and diverse marketing approaches to explore growth potentials. During the Reporting Period, revenue from sales of refined oil amounted to RMB560,165,983 (corresponding period of 2020 (restated): RMB417,941,831), representing a year-on-year increase of 34.0%.

REVIEW AND OUTLOOK

OUTLOOK FOR THE SECOND HALF OF THE YEAR

In the second half of 2021, the traffic volume is potentially influenced by the following factors: (i) pursuant to the Circular on Implementation Plan for Comprehensively Promoting Differentiated Expressway Toll Collection (《全面推廣高速公路差異化收費實施方案》) (Jiao Gong Lu Han [2021] No.228) jointly promulgated by the MOT, the National Development and Reform Commission and the Ministry of Finance, differentiated toll collection is required to be implemented on expressways nationwide by the end of September 2021, which may have certain impact on the traffic volume of some expressways; (ii) following the official operation of Chengdu Tianfu International Airport on 27 June 2021, flights will gradually be diverted from Chengdu Shuangliu International Airport, which will probably have an adverse impact on the traffic volume of Chengdu Airport Expressway; and (iii) renovation of the former Chengpeng fast lane will be completed in the second half of 2021, which may divert the traffic volume on Chengpeng Expressway. Although the above factors may result in certain impact on the Group, it is expected that the overall operating environment of the expressway industry in Sichuan province will remain basically unchanged in the second half of 2021, and if the COVID-19 Pandemic continues to be under good control in the PRC, traffic volume on expressways of the Group will maintain the upward trends.

In 2021, favorable policies continue to be introduced to support transportation investment in Sichuan Province. In the first quarter of 2021, the Sichuan Provincial Department of Transportation raised the annual goal to ensure investment of over RMB170 billion in construction of highways and waterways, including expressways of more than 500 kilometers and total mileage open to traffic of more than 8,600 kilometers. According to data from the MOT, from January to June 2021, highway fixed-asset investment totaling RMB107.386 billion were made in Sichuan Province. Against such investment environment, quality expressways and assets in related industries will emerge in the market. The Company will keep close track of market trends and make timely judgments to actively explore business expansion opportunities leveraging sound financial policies.

In the second half of 2021, the Group will continue to seize opportunities in the energy segment, optimize production and operation to press ahead with quality improvement and efficiency enhancement and cost control, and accelerate independent investment and construction, agency construction and establishment of joint ventures. It will also consolidate on the principal business, proactively expand new energy business, and speed up implementation of relevant projects, striving to lay the foundation for the Group's long-term sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF THE GROUP'S OPERATING RESULTS

	For the six months ended 30 June 2021 RMB	For the six months ended 30 June 2020 RMB (restated)
Revenue	1,339,770,469	743,733,382
Including:		
Toll income	686,125,671	316,411,382
Revenue from sales of refined oil	560,165,983	417,941,831
Revenue from trading activities	41,696,920	–
Revenue from operation and management services	30,021,388	–
Revenue from convenience stores	13,673,637	–
Rental income	3,806,687	2,724,691
Construction revenue	–	2,155,600
Others	4,280,183	4,499,878
Total profit	418,455,134	46,853,853
Net profit attributable to the Shareholders of the Company	320,866,053	66,652,873
Basic earnings per Share	RMB0.19	RMB0.04

SUMMARY OF THE GROUP'S FINANCIAL POSITION

	As at 30 June 2021 RMB	As at 31 December 2020 RMB
Total assets	9,044,854,737	9,067,407,272
Total liabilities	4,764,073,610	4,895,499,662
Non-controlling interests	877,566,071	891,762,849
Total equity attributable to Shareholders of the Company	3,403,215,056	3,280,144,761

Notes:

- The Group's financial statements and interim results for the six months ended 30 June 2021 have been prepared under the China Accounting Standards for Business Enterprises, and relevant comparative figures for 2020 have been appropriately adjusted pursuant to the China Accounting Standards for Business Enterprises.
- Data for the corresponding period of last year used in the section headed "Management Discussion and Analysis" in this report were restated.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group generates revenue from two business segments, mainly comprising (i) toll income from operating expressways; and (ii) revenue from sales of refined oil through operating petrol stations.

During the Reporting Period, the Group operated Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway, as well as Tianfu Airport Expressway and Pudu Expressway under entrusted management under the expressway segment; and 23 petrol stations and 3 gas stations (1 petrol station and 3 gas stations did not commence operation during the Reporting Period) under the energy segment.

The Group achieved total revenue of RMB1,339,770,469 during the Reporting Period, representing an increase of RMB596,037,087 from the corresponding period of 2020, including revenue from the expressway segment of RMB723,379,235, accounting for 54.0% of the total revenue for the first half of 2021, and revenue from the energy segment of RMB616,391,234, accounting for 46.0% of the total revenue for the first half of 2021. The table below sets forth an analysis of revenue generated by the Group during the Reporting Period:

	For the six months ended 30 June 2021 RMB	For the six months ended 30 June 2020 RMB (restated)	Increase/ (decrease) during the Reporting Period over the same period of last year
Revenue from expressway segment:			
Toll income	686,125,671	316,411,382	116.8%
Chengguan Expressway	158,730,796	75,257,363	110.9%
Chengpeng Expressway	137,964,203	62,404,520	121.1%
Chengwenqiong Expressway	220,441,945	101,388,652	117.4%
Chengdu Airport Expressway	72,694,551	36,156,270	101.1%
Qiongming Expressway	96,294,176	41,204,577	133.7%
Construction revenue	–	2,155,600	N/A
Revenue from operation and management services	30,021,388	–	N/A
Rental income	3,343,669	2,243,246	49.1%
Others	3,888,507	4,443,732	(12.5%)
	723,379,235	325,253,960	122.4%
Revenue from energy segment:			
Sales of refined oil	560,165,983	417,941,831	34.0%
Trading activities	41,696,920	–	N/A
Convenience stores	13,673,637	–	N/A
Rental income	463,018	481,445	(3.8%)
Others	391,676	56,146	597.6%
	616,391,234	418,479,422	47.3%
Total revenue	1,339,770,469	743,733,382	80.1%

MANAGEMENT DISCUSSION AND ANALYSIS

Expressway Segment

Set out below is the traffic volume of each expressway of the Group recorded during the period from 1 January to 30 June 2021:

Expressways	Daily weighted average traffic volume (vehicle)		Year-on-year increase/(decrease)
	1 January to 30 June 2021	6 May to 30 June 2020 ^{Note}	
Chengguan Expressway	41,588	45,826	(9.2)%
Chengpeng Expressway	57,772	59,543	(3.0)%
Chengwenqiong Expressway	55,254	58,820	(6.1)%
Chengdu Airport Expressway	44,468	38,100	16.7%
Qiongming Expressway	15,432	15,282	1.0%
Total	214,514	217,571	(1.4)%

Note: Given toll resumption from 00:00 on 6 May 2020, traffic volume data during the period from 6 May 2020 to 30 June 2020 were adopted for each expressway of the Group during the first half of 2020.

Details of toll income and traffic volume of expressways owned by the Group are set out below:

During the Reporting Period, daily weighted average traffic volume of the Group remained largely flat from the same period of preceding year, but varied on each expressway depending on specific conditions. In particular, (i) Chengguan Expressway, Chengpeng Expressway and Chengwenqiong Expressway recorded a sharp decline in traffic volume in January and February 2021 due to a rebound in the COVID-19 Pandemic at the beginning of 2021 and the call on “stay-at-home for Lunar New Year”; (ii) Chengguan Expressway recorded a drop in traffic volume due to the Yangxi Line renovation project; (iii) Chengdu Airport Expressway recorded an increase in traffic volume benefited from the reopening of Chengdu Shuangliu International Airport; and (iv) Qiongming Expressway recorded a slight increase in traffic volume due to traffic diversion following operation and toll waiver initiative on Pudu expressway during the Reporting Period.

During the Reporting Period, expressways owned by the Group recorded a substantial improvement in toll income from the corresponding period in 2020, primarily attributable to the fact that the Group recorded a drastic decline in toll income during the first half of 2020 as a result of the COVID-19 Pandemic and the Toll Waiver Policy of the MOT, while toll collection resumed during January to June 2021, contributing to a significant increase in toll income of the Group during the first half of 2021, up by approximately 116.8% year-on-year.

In December 2020, the Company won the tenders for the operation and management business of Tianfu Airport Expressway and Pudu Expressway and established an expressway operation management center to manage Tianfu Airport Expressway and Pudu Expressway, which officially commenced operation in January 2021, thereby contributing revenue from operation and management services of RMB30,021,388 during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Energy Segment

During the Reporting Period, revenue from the energy segment of the Group amounted to RMB616,391,234, representing a year-on-year increase of RMB197,911,812, or 47.3%. In particular, revenue from sales of refined oil amounted to RMB560,165,983, representing an increase of RMB142,224,152, or 34.0% from the corresponding period of 2020, primarily attributable to a significant improvement of the demand in the refined oil market due to steady economic growth in the PRC; and the commodities business and convenience store business, newly introduced to the energy segment, contributed RMB41,696,920 and RMB13,673,637 to the Group's revenue. In particular, revenue from commodities business mainly represented sales revenue of diesel oil of RMB9,692,998, and sales revenue of asphalt of RMB32,003,922 (details of the asphalt procurement agreement are set out in the announcement of the Company dated 24 May 2021); and revenue from convenience stores represented revenue generated from independent operation of convenience stores at petrol stations which were previously leased out.

OPERATING COST

During the Reporting Period, operating cost of the Group mainly comprised of cost of procurement of refined oil and commodities, depreciation and amortization, employee compensation and road repair, maintenance, cleaning and greening cost. During the Reporting Period, the Group incurred operating cost of RMB836,135,039 (corresponding period of 2020: RMB566,871,360), a year-on-year increase of approximately 47.5%, primarily attributable to the following factors: (i) Energy Development Company incurred cost of sales of refined oil of RMB516,386,070, including fuel purchase expenses and commodities procurement cost, representing an increase of RMB180,496,960 from the corresponding period in 2020; (ii) the Group was entitled to waiver of certain social insurance contributions from February to June 2020 pursuant to the Measures for Temporary Reduction and Exemption of Enterprise Social Insurance Contributions in Sichuan Province (《四川省階段性減免企業社會保險費實施辦法》) (Chuan Ren She Fa [2020] No. 1) (the "Policy on Reduction of Social Insurance Contributions for Enterprises") issued by the Department of Human Resources and Social Security of Sichuan Province and other four departments on 4 March 2020, while the Policy on Reduction of Social Insurance Contributions for Enterprises was no longer applicable since 2021 as the COVID-19 Pandemic gradually came under control, and at the same time, the expressway operation management center recruited new hires, leading to an increase in the Group's labor cost from the same period in 2020; and (iii) an increase in road maintenance cost of RMB23,850,002 from the corresponding period in 2020, primarily due to the bridge revamp on Chengpeng Expressway, road surface renovation on Chengguan Expressway and riverbed disease disposal project of Xihe Bridge on Qiongming Expressway in the first half of 2021.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the Group generated gross profit from operations of RMB503,635,430 (corresponding period in 2020: RMB176,862,022), representing a year-on-year increase of 184.8%, and achieved gross profit margin of 37.6% (corresponding period in 2020: 23.8%), a year-on-year increase of 13.8 percentage points. In particular, the expressway segment recorded gross profit of RMB416,527,052 and gross profit margin of 57.6% (corresponding period in 2020: 29.0%, a year-on-year increase of 28.6 percentage points), primarily due to a significant increase in toll income with gradual control over the COVID-19 Pandemic and toll collection resumption for expressways. The energy segment recorded gross profit of RMB87,108,378 and gross profit margin of 14.1% (corresponding period in 2020: 19.7%, a year-on-year decrease of 5.6 percentage points), primarily due to a more rapid increase in the procurement price than that in the selling price of refined oil.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group incurred administrative expenses of RMB41,158,221 (corresponding period in 2020: RMB34,868,394), representing a year-on-year increase of 18.0%, which was mainly attributable to the fact that the Group was entitled to waiver of certain social insurance contributions from February to June 2020 pursuant to the Policy on Reduction of Social Insurance Contributions for Enterprises, while the Policy on Reduction of Social Insurance Contributions for Enterprises was no longer applicable since 2021 as the pandemic gradually came under control, leading to an increase in social insurance contributions from the same period in 2020.

During the Reporting Period, the management staff benefit expenses (including salary and social insurance expenses) of the Group were RMB31,036,418 (corresponding period in 2020: RMB21,028,661).

INVESTMENT INCOME

During the Reporting Period, the Group recognised income of RMB32,109,841 (corresponding period in 2020: RMB12,299,928) from investment in associates and a joint venture, representing an increase of 161.1%, primarily attributable to (i) abating impact from the COVID-19 Pandemic during the Reporting Period, people's strong travelling desire, toll collection resumption on expressways and increase in sales volume of CNG, leading to an increase in profit of Chengbei Exit Expressway Company and Chengdu Tongneng and an corresponding increase in the Group's investment income of RMB12,016,761 and RMB4,215,285, respectively; and (ii) RMB2,948,274 newly recognized during the Reporting Period from investment in Zhongyou Jieneng.

During the Reporting Period, the Group received dividends distributed by Sichuan Intelligent Transportation System Management Co., Ltd. (四川智能交通系統管理有限責任公司) ("Sichuan Intelligent Transportation") amounting to RMB334,800.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

During the Reporting Period, net profit attributable to the Shareholders of the Company amounted to RMB320,866,053 (corresponding period in 2020: RMB66,652,873), representing a year-on-year increase of approximately 381.4%; and basic earnings per Share reached RMB0.19 (corresponding period in 2020: RMB0.04), representing a year-on-year increase of 375.0%, primarily attributable to the facts that toll income of the Group experienced a sharp decrease in the corresponding period of 2020 as a result of the COVID-19 Pandemic and the Toll Waiver Policy of the MOT; while toll collection resumed during the Reporting Period and the Group therefore recorded a significant increase in toll income, thereby contributing to a substantial improvement in net profit attributable to Shareholders of the Company and basic earnings per Share.

MANAGEMENT DISCUSSION AND ANALYSIS

ASSETS AND LIABILITIES OVERALL CONDITIONS

As at the end of the Reporting Period, total assets of the Group amounted to RMB9,044,854,737 (31 December 2020: RMB9,067,407,272), remaining basically flat from the end of 2020. As at the end of the Reporting Period, the Group's assets mainly consisted of intangible assets underlying the service concession rights in respect of Chengguan Expressway, Chengpeng Expressway, Chengwenqiong Expressway, Chengdu Airport Expressway and Qiongming Expressway, which accounted for 68.4% of the Group's total assets. Currency funds and other assets accounted for 18.6% and 13.0% of total assets, respectively.

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB4,764,073,610 (31 December 2020: RMB4,895,499,662), representing a decrease of RMB131,426,052 from the end of 2020, primarily due to the repayment of bank borrowings of RMB168,500,000 during the Reporting Period.

BORROWINGS AND REPAYMENT CAPACITY

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB4,764,073,610 (31 December 2020: RMB4,895,499,662), of which 65.8% (31 December 2020: 66.7%) represented bank and Shareholders' borrowings while 18.4% (31 December 2020: 18.9%) represented accounts payable.

As at the end of the Reporting Period, total interest-bearing borrowings of the Group amounted to RMB3,136,881,170 (31 December 2020: RMB3,264,267,954), of which RMB3,014,000,000 represented bank borrowings and RMB122,881,170 represented Shareholders' borrowings, 93.7% of the interest-bearing borrowings are not repayable within one year.

As at the end of the Reporting Period, bank borrowings of the Group carried an annual interest rate ranging from 3.66% to 4.41%, while Shareholders' borrowings carried a fixed annual interest rate of 3.9% and 4.9%, respectively.

During the Reporting Period, interest expense of the Group amounted to RMB69,175,867 (corresponding period of 2020: RMB67,505,472). Earnings before interest and tax amounted to RMB487,631,001 (corresponding period of 2020: RMB114,359,325) and therefore interest coverage ratio (earnings before interest and tax divided by interest expenses) was 7.0 (corresponding period of 2020: 1.7).

As at the end of the Reporting Period, gearing ratio of the Group (being total liabilities divided by total assets) was 52.7% (31 December 2020: 54.0%).

BORROWING RATIO

Being a measurement of financial leverage, borrowing ratio is calculated as net debt divided by "total equity and net debt". Net debt refers to interest-bearing bank and other loans minus cash and cash equivalents, not including liabilities for working capital purpose. Equity includes equity attributable to Shareholders of the Company and non-controlling interests. As at the end of the Reporting Period, the borrowing ratio of the Group was 25.4% (31 December 2020: 26.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE COMMITMENTS AND UTILISATION

During the Reporting Period, capital expenditure of the Group amounted to RMB66,176,969, primarily for purchase of land use rights of Ande service area.

As at the end of the Reporting Period, total capital expenditure commitments of the Group amounted to RMB117,483,281, primarily relating to fixed assets including construction of Ande service area by Zhenxing Company, purchase and construction of equipment and facilities for Chengwenqiong Expressway and establishment of petrol stations and gas stations by Energy Development Company. The Group will prioritise internal resources to fund the above capital expenditure commitments.

CURRENT RATIO

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

As at the end of the Reporting Period, total current assets of the Group amounted to RMB1,998,461,695 (31 December 2020: RMB1,923,148,745), of which: (i) currency funds as well as non-current assets due within one year were RMB1,682,307,218 (31 December 2020: RMB1,760,116,050), accounting for 84.2% (31 December 2020: 91.5%) of current assets; (ii) accounts receivable were RMB193,698,314 (31 December 2020: RMB68,616,554), accounting for 9.7% (31 December 2020: 3.6%) of current assets; (iii) inventories were RMB65,241,628 (31 December 2020: RMB54,557,700), accounting for 3.3% (31 December 2020: 2.8%) of current assets; and (iv) prepayments, other receivables and other current assets were RMB57,214,535 (31 December 2020: RMB39,858,441), accounting for 2.8% (31 December 2020: 2.1%) of current assets.

As at the end of the Reporting Period, current ratio (current assets divided by current liabilities) of the Group was 133.4% (31 December 2020: 127.6%). The slight increase of the current ratio was due to an increase in current assets benefited from improvement of operating results following abating impact from the COVID-19 Pandemic, and a decrease in accounts payable and other current liabilities due to settlement of construction payments as scheduled in relevant contracts during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out certain information about the Group's consolidated statement of cash flows for the six months ended 30 June 2021 and 30 June 2020:

	For the six months ended 30 June			
	2021		2020 (restated)	
	RMB	RMB	RMB	RMB
Cash and cash equivalents presented in the consolidated statement of cash flows at the beginning of the period		1,631,650,352		1,287,292,061
Net cash flows from operating activities	181,344,625		528,999,317	
Net cash flows from investing activities	68,136,761		190,525,281	
Net cash flows used in financing activities	(221,170,818)		(163,444,403)	
Net increase in cash and cash equivalents		28,310,568		556,080,195
Cash and cash equivalents presented in the consolidated statement of cash flows at the end of the period		1,659,960,920		1,843,372,256

	As at 30 June	
	2021	2020
	RMB	RMB (restated)
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated balance sheet	1,681,877,218	2,033,788,554
Time deposits with original maturity of over three months	21,916,298	190,416,298
Cash and cash equivalents as stated in the consolidated statement of cash flows	1,659,960,920	1,843,372,256

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash flows from operating activities: During the Reporting Period, net cash flows from operating activities of the Group amounted to approximately RMB181,344,625, compared to approximately RMB528,999,317 for the corresponding period in 2020, representing a year-on-year decrease of RMB347,654,692, primarily attributable to (i) an increase in revenue during the Reporting Period following the abating impact of the COVID-19 Pandemic and toll collection resumption on the Group's expressways, leading to an increase in cash received from sale of goods or rendering of services of RMB519,405,479; (ii) a year-on-year decrease in other cash received relating to operating activities of RMB422,427,041, primarily attributable to government grant of RMB247,700,000 for Jinfeng viaduct project, government subsidies for cancelling provincial toll stations of RMB49,828,600 and construction payment of RMB100,000,000 for Expressway-to-expressway Project, totaling RMB397,528,600 received in the first half of 2020, while no such amounts were received during the Reporting Period; (iii) an increase in cash paid for purchase of goods and receipt of services of RMB242,961,985 during the Reporting Period, primarily including a year-on-year increase in fuel purchase expenses of RMB185,187,026 due to an increase in oil price and sales volume, payment of RMB33,786,711 during the Reporting Period for road surface renovation projects on Qiongming Expressway and Chengguan Expressway completed in the second half of 2020, construction payment of RMB12,593,742 settled for Xinfan Service Area and settlement of RMB14,031,375 for special maintenance projects completed in the second half of 2020 during the Reporting Period, including riverbed disease disposal and maintenance project of Xihe Bridge on Qiongming Expressway and the safety upgrading project of central movable guardrail on Qiongming Expressway; (iv) an increase in other cash paid relating to operating activities of RMB131,544,777 during the Reporting Period, primarily for settlement of construction payments of RMB122,346,088 incurred by the Expressway-to-expressway Project; (v) a year-on-year increase in cash paid to and on behalf of employees of RMB42,428,328, primarily attributable to an increase in employee compensations of RMB15,332,322 incurred by the new investment projects of Tianfu Airport Expressway and Pudu Expressway, and certain reduction of RMB14,208,307 in social insurance contributions granted to the Group from February to June 2020 pursuant to the Policy on Reduction of Social Insurance Contributions for Enterprises, which had an impact on the Reporting Period; and (vi) a year-on-year increase in taxes and surcharges of RMB27,780,503 during the Reporting Period as a result of revenue growth of the Company.

Net cash flows from investing activities: During the Reporting Period, net cash flows from investing activities of the Group amounted to approximately RMB68,136,761, compared to approximately RMB190,525,281 for the corresponding period in 2020, representing a year-on-year decrease of RMB122,388,520, primarily attributable to (i) a decrease in the reduction amount of term deposits with a maturity of over three months of RMB91,021,648 during the Reporting Period from the corresponding period last year; and (ii) a year-on-year increase in cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets of RMB27,299,914.

Net cash flows used in financing activities: During the Reporting Period, net cash flows used in financing activities of the Group amounted to approximately RMB221,170,818, compared to approximately RMB163,444,403 for the corresponding period in 2020, representing a year-on-year increase of RMB57,726,415, primarily attributable to (i) a decrease in repayment of bank loans and other borrowings of RMB997,030,670 from the corresponding period of preceding year; and (ii) a decrease in bank loans and Shareholders' borrowings incurred of RMB1,038,000,000 during the Reporting Period from the corresponding period of preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS

NET PROCEEDS FROM GLOBAL OFFERING AND UTILISATION

The Company issued 400,000,000 H Shares in Global Offering which were listed on the Main Board of the Stock Exchange on 15 January 2019, and issued 56,102,000 H Shares upon partial exercise of the over-allotment option which were listed on the Main Board of the Stock Exchange on 12 February 2019. The net proceeds from the initial public offering of new Shares and the issue of over-allotment Shares amounted to HK\$931.5 million (equivalent to approximately RMB802.5 million), which have been fully allocated and utilised in accordance with the purposes set out in the Prospectus as of the end of the Reporting Period (plans regarding acquiring or investing in one high-quality expressway and establishing new business segments or acquiring other complementary business have been accomplished within two years after listing as scheduled). The utilisation of the above net proceeds is specified below:

	Percentage of the net proceeds from the Global Offering	Net proceeds from the Global Offering and utilisation			
		Amount available for utilisation as at the beginning of the Reporting Period <i>RMB'000</i>	Amount utilised during the Reporting Period <i>RMB'000</i>	Accumulated utilised amount <i>RMB'000</i>	Remaining amount <i>RMB'000</i>
Acquiring or investing in one high-quality expressway	70%	–	–	561,716	–
Establishing new business segments or acquiring other complementary business	10%	–	–	80,245	–
Improving the operational efficiency of expressways	10%	42,827	42,827	80,245	–
General corporate and working capital purposes	10%	–	–	80,245	–
Total	100%	42,827	42,827	802,451	–

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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL

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

PLEDGE OF ASSETS

As at the end of the Reporting Period, the concession rights of Chengwenqiong Expressway with a net carrying amount of RMB1,039,874,287 (31 December 2020: RMB1,070,956,427) were pledged to secure bank loans and other loans of RMB565,000,000 (31 December 2020: RMB580,000,000), the concession rights of Chengpeng Expressway with a net carrying amount of RMB1,233,653,701 (31 December 2020: RMB1,267,783,732) were pledged to secure bank loans of RMB263,000,000 (31 December 2020: RMB283,000,000), and the concession rights of Qiongming Expressway with a net carrying amount of RMB2,353,723,725 (31 December 2020: RMB2,383,470,845) were pledged to secure bank loans of RMB1,741,000,000 (31 December 2020: RMB1,767,500,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

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

CONTINGENT LIABILITIES

On 4 June 2018, Communications Investment Energy was involved in a contract dispute arising from a forged trade receivable document composed by Chengdu Petroleum Corporation ("Chengdu Petroleum") for an amount of approximately RMB73,989,473. Chengdu Petroleum is a subsidiary of Chengdu Huaguan Industrial Co., Ltd.. As at the Reporting Date, the litigation is still unsettled. The Directors, based on the advice from the Group's legal counsel, believe that Communications Investment Energy has a valid defence against the lawsuit. In addition, Chengdu Communications Investment has irrevocably undertaken in writing to the Company, if, following the completion of the acquisition of Energy Development Company, the court ruled that Communications Investment Energy shall assume legal responsibilities, Chengdu Communications Investment shall fully compensate the actual losses thus incurred to the Group. Accordingly, the Directors have not provided for any loss arising from litigation, other than the related legal costs. Save as disclosed above, the Group did not have any significant contingent liabilities, nor did it provide any guarantees for related parties.

EMPLOYEE AND REMUNERATION POLICIES

As of the end of the Reporting Period, the Group had an aggregate of 2,156 employees (31 December 2020: 1,780), including 1,847 front-line staff, accounting for 85.7% of the total; 235 general management personnel, including staff in finance, human resources and other business departments, accounting for 10.9% of the total; and 74 middle-level department managers and above, accounting for 3.4% of the total.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Pursuant to statutory requirements, the Group has participated in the employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as basic medical insurance, work injury insurance, unemployment insurance and maternity insurance for its employees. The Company’s executive Directors, senior management and the employee representative Supervisors received management remuneration based on their specific management positions in the Company. Remuneration of the senior management includes fixed salary and performance bonuses, of which performance bonuses are calculated based on how the annual performance targets are met by them, and will be reviewed by the Remuneration and Evaluation Committee.

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

Based on the operating performance targets approved by the Board, the Company will determine the annual tasks and targets for subsidiaries of all ranks, segregate and delegate the Company’s objectives to the relevant enterprises and staff. Meanwhile, each subsidiary is required to sign accountability statements on operation results with the general manager of the Company. The Board and the general manager will determine the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company’s and individual performance targets, and calculate the performance bonuses for the senior management members accordingly as at the end of 2021. The remuneration of all senior management members is subject to review by the Remuneration and Evaluation Committee which need to be reported to the Board.

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

During the Reporting Period, the relevant staff costs amounted to RMB134,555,566 (corresponding period of 2020: RMB78,847,273). For details, please refer to note VI-23 to the financial statements contained in this report.

OTHER INFORMATION

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

On 2 April 2021, Mr. Luo Dan was appointed as a supervisor of Sichuan Intelligent Transportation.

Save as disclosed above, there was no other information regarding Directors, Supervisors and chief executive of the Company subject to disclosure pursuant to Rule 13.51B of the Listing Rules during the Reporting Period and up to the Reporting Date.

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

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Domestic Shares

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares	Percentage of total issued Share capital
Chengdu Communications Investment ¹	Interest in controlled corporation	Domestic Shares	Long position	900,000,000	100%	72.46%
	Beneficial owner	Domestic Shares	Long position	300,000,000		
Chengdu Expressway Construction ²	Beneficial owner	Domestic Shares	Long position	900,000,000	75%	54.34%

Notes:

- (1) Chengdu Communications Investment is wholly-owned by Chengdu State-owned Assets Supervision and Administration Commission.
- (2) Chengdu Expressway Construction is held as to 81.51% and 18.49% by Chengdu Communications Investment and CCB Gold Investment, respectively.

OTHER INFORMATION

H Shares

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

OTHER INFORMATION

Name of Shareholders	Nature of interest and capacity	Class of Shares	Long position/ Short position	Number of Shares interested	Percentage of relevant class of Shares	Percentage of total issued Share capital
Chengdu Urban Construction Investment Management Group Co., Ltd. (成都城建投資管理集團有限責任公司)	Beneficial owner	H Shares	Long position	49,900,000	10.94%	3.01%
Chengdu Environment Investment Group Company Limited (成都環境投資集團有限公司)	Beneficial owner	H Shares	Long position	45,450,000	9.96%	2.74%
Chengdu Tianfu New Area Investment Group Co., Ltd. (成都天府新區投資集團有限公司) ⁵	Interest in controlled corporation	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Tianfu Capital Investment Co., Ltd. (成都天府資本投資有限公司) ⁵	Trust beneficiary	H Shares	Long position	42,939,000	9.41%	2.59%
Chengdu Industry Investment Group Co., Ltd. (成都產業投資集團有限公司) ⁶	Interest in controlled corporation	H Shares	Long position	25,646,000	5.62%	1.55%
Chengdu Advanced Manufacturing Industry Investment Co., Ltd. (成都先進製造產業投資有限公司) ⁶	Beneficial owner	H Shares	Long position	25,646,000	5.62%	1.55%

Notes:

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

OTHER INFORMATION

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

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

PROGRESS OF LAND USE RIGHTS

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

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

The Group received the land expropriation approval for construction (Chuanfutu [2019] No. 177) issued by the People’s Government of Sichuan Province on 7 May 2019, which confirmed that the Land involved in the project was provided by the local people’s government in accordance with laws and relevant regulations and will be used as the construction land for the expansion and renovation project of Chengpeng Expressway.

As of the Reporting Date, relevant materials filed by Chengpeng Expressway Company for obtaining ownership certificate are being reviewed by Chengdu Planning and Natural Resources Bureau (being the government organ reformed and consolidated from, among others, Chengdu Municipal Land and Resources Bureau and Chengdu Municipal Planning Bureau) and no feedback has been received yet. Before obtaining the real estate ownership certificate, the normal operation of Chengpeng Expressway will not be adversely affected.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

DIVIDENDS

Pursuant to relevant resolutions passed at the 2020 annual general meeting of the Company held on 10 June 2021, the Company distributed final dividends for the year ended 31 December 2020 to the Shareholders on 9 August 2021, totaling approximately RMB200,388,342, being RMB0.121 (tax inclusive) per Share based on the total number of issued Shares of 1,656,102,000.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

AUDIT AND RISK MANAGEMENT COMMITTEE

As at the Reporting Date, the Audit and Risk Management Committee of the Company comprises three Directors, namely Mr. Shu Wa Tung, Laurence, being an independent non-executive Director, Mr. Ye Yong, being an independent non-executive Director and Mr. Yang Bin, being a non-executive Director. Mr. Shu Wa Tung, Laurence currently serves as the chairman of the Audit and Risk Management Committee of the Company with the professional accounting qualification. The Audit and Risk Management Committee of the Company has reviewed the results announcement and the interim report of the Group for the six months ended 30 June 2021 and has not raised any objection to the accounting policies adopted by the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code. The Company has complied with the applicable code provisions as set out in the Corporate Governance Code during the Reporting Period.

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

The Company has adopted the Model Code as the code of conduct for all the Directors and Supervisors in conducting securities transactions of the Company. The Company has made specific enquiries to all the Directors and Supervisors, and they confirmed that they have complied with the Model Code throughout the Reporting Period.

OTHER INFORMATION

OTHER EVENTS

Subscription for Structured Deposit

The Company subscribed for the structured deposit offered by Chengdu No.1 Sub-branch of China Construction Bank Corporation (中國建設銀行股份有限公司) for RMB380 million on 5 January 2021. The term of investment commences from 8 January 2021 to 22 June 2021 and the structured deposit is principal-guaranteed with floating return with an expected annualised rate of return of 1.54% to 3.40%. The Company shall not redeem the principal and income in advance during the duration. As of the end of the Reporting Period, the structured deposit and income thereof has been fully redeemed. For further details regarding the subscription for structured deposit, please refer to the announcement of the Company dated 5 January 2021.

Entering into of the Construction Project Entrusted Management Contracts

On 17 March 2021, Energy Development Company and Chengdu Communications Investment entered into several Construction Project Entrusted Management Contracts, pursuant to which Chengdu Communications Investment entrusts Energy Development Company to provide project construction management services for the construction projects specified in each Construction Project Entrusted Management Contract. Such contracts shall become effective from the date of signing and sealing by both parties, and shall end after completion of the project transfer procedures and settlement of relevant fees by both parties based on the final audit. It is estimated that management fees (including incentive payment (if any)) payable to Energy Development Company by Chengdu Communications Investment under such contracts will not exceed RMB5.337 million. For further details regarding entering into of the Construction Project Entrusted Management Contracts, please refer to the announcement of the Company dated 17 March 2021.

OTHER INFORMATION

Entering into of the Safety Management and Construction Compensation Agreements

Due to implementation of the expressway intelligent traffic control system project, Chengdu Communications Information Port Co., Ltd. (“Information Port Company”), needs to temporarily occupy certain main roads and green belts on the K1+184 to K37+076 section of Chengguan Expressway and K0+660 to K10+690 section of Chengdu Airport Expressway and set up necessary facilities along the way, and Operation Company and the Company, Operation Company and Chengdu Airport Expressway Company will provide safety supervision and construction coordination to Information Port Company during the construction process of the intelligent traffic control system projects of corresponding expressways. On 6 May 2021, Operation Company, Information Port Company and the Company entered into the Chengguan Expressway Safety Management and Construction Compensation Agreement, and Operation Company, Information Port Company and Chengdu Airport Expressway Company entered into the Chengdu Airport Expressway Safety Management and Construction Compensation Agreement. Pursuant to the agreements, it is expected that the construction compensation, performance bond and safety supervision and construction coordination fee payable by Information Port Company to the Group in respect of the signing of the Safety Management and Construction Compensation Agreements will be approximately RMB6.29 million in aggregate. For further details of entering into of the Safety Management and Construction Compensation Agreements, please refer to the announcement of the Company dated 6 May 2021.

Entering into of the Asphalt Procurement Contract and the Tripartite Agreement

On 24 May 2021, Guocheng Group Co., Ltd. (國誠集團有限公司) (“Guocheng Group”) entered into the Asphalt Procurement Contract with Energy Operation, pursuant to which, Guocheng Group should procure asphalt from Energy Operation regarding the construction project of SG7 bid section of Jinjianren Expressway (Phase II) (Jintang Avenue to Airport South Line) (the “Construction Project”), at an estimated consideration of RMB36.01 million. On the same day, Energy Operation, Guocheng Group and Chengdu Tianfu International Airport Construction Development Co., Ltd. (成都天府國際機場建設開發有限公司) entered into the Tripartite Agreement, pursuant to which, each party agrees that, if Guocheng Group fails to settle the payment of asphalt to Energy Operation as scheduled, Chengdu Communications Investment, the owner of the Construction Project, shall be entitled to deduct the corresponding amount from the construction payment due to Guocheng Group and pay such amount directly to Energy Operation. For further details of entering into of the Asphalt Procurement Contract and the Tripartite Agreement, please refer to the announcement of the Company dated 24 May 2021.

OTHER INFORMATION

SUBSEQUENT EVENTS

Subscription for Structured Deposit

The Company subscribed for the structured deposit offered by Chengdu No.1 Sub-branch of China Construction Bank Corporation (中國建設銀行股份有限公司) for RMB380 million on 2 July 2021. The term of investment commences from 6 July 2021 to 24 December 2021 and the structured deposit is principal-guaranteed with floating return with an expected annualised rate of return of 1.54% to 3.40%. The Company shall not redeem the principal and income in advance during the duration. For further details regarding the subscription for structured deposit, please refer to the announcement of the Company dated 2 July 2021.

Save as disclosed above, there is no other material event subject to disclosure herein subsequent to the Reporting Period.

INFORMATION DISCLOSURE

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

26 August 2021

CONSOLIDATED BALANCE SHEET

Unit: RMB

30 June 2021

ASSETS	<i>Note VI</i>	30 June 2021 (unaudited)	31 December 2020 (audited)
Current assets			
Currency funds	1	1,681,877,218	1,759,686,050
Accounts receivable	2	193,698,314	68,616,554
Prepayments	3	39,156,409	23,295,171
Other receivables	4	13,103,121	12,531,257
Inventories	5	65,241,628	54,557,700
Non-current assets due within one year		430,000	430,000
Other current assets		4,955,005	4,032,013
Total current assets		1,998,461,695	1,923,148,745
Non-current assets			
Long-term receivables		1,720,000	1,720,000
Long-term equity investments	6	320,069,912	300,275,502
Other non-current financial assets		13,950,700	500,000
Fixed assets	7	355,191,050	369,876,164
Construction in progress		24,993,570	26,760,079
Right-of-use assets	8	44,525,684	48,219,930
Intangible assets	9	6,185,048,695	6,268,020,216
Goodwill		34,025,910	34,025,910
Long-term prepaid expenses		513,412	341,280
Deferred tax assets	10	34,207,969	32,562,381
Other non-current assets	11	32,146,140	61,957,065
Total non-current assets		7,046,393,042	7,144,258,527
Total assets		9,044,854,737	9,067,407,272

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED BALANCE SHEET

30 June 2021

Unit: RMB

	Note VI	30 June 2021 (unaudited)	31 December 2020 (audited)
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	13	877,561,462	927,658,950
Contract liabilities		12,656,749	35,232,383
Employee benefits payable		3,659,298	32,238,051
Taxes and surcharges payable		40,877,525	52,240,944
Other payables		387,563,900	229,942,691
Non-current liabilities due within one year	14	175,385,701	229,893,532
Total current liabilities		1,497,704,635	1,507,206,551
Non-current liabilities			
Long-term borrowings	15	2,856,000,000	2,968,000,000
Lease liabilities		35,660,712	40,957,579
Deferred tax liabilities	10	182,523,155	184,570,874
Other non-current liabilities	16	192,185,108	194,764,658
Total non-current liabilities		3,266,368,975	3,388,293,111
Total liabilities		4,764,073,610	4,895,499,662
Equity			
Share capital	17	1,656,102,000	1,656,102,000
Capital reserves		503,968,616	503,968,616
Specialized reserves		14,769,255	12,176,671
Surplus reserves		173,993,461	173,993,461
Unappropriated profit	18	1,054,381,724	933,904,013
Total equity attributable to shareholders of the Company		3,403,215,056	3,280,144,761
Non-controlling interests		877,566,071	891,762,849
Total equity		4,280,781,127	4,171,907,610
Total liabilities and equity		9,044,854,737	9,067,407,272

The financial statements have been signed by:

Legal representative:

Financial controller:

Accounting supervisor:

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT

Unit: RMB

Six months ended 30 June 2021

	Note VI	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Revenue	19	1,339,770,469	743,733,382
Less: Cost of sales		836,135,039	566,871,360
Taxes and surcharges		5,568,412	3,896,157
Selling expenses		26,473,677	26,631,597
Administrative expenses		41,158,221	34,868,394
Finance expenses	20	52,375,705	51,168,987
Including: Interest expenses		69,175,867	67,505,472
Interest income		17,799,358	16,720,922
Add: Investment income	21	32,444,641	12,299,928
Including: Income from investments in associates and a joint venture		32,109,841	12,299,928
Credit impairment loss	22	(30,527)	(46,413,335)
Gains/ (Losses) from disposal of assets		(61,789)	1,803,477
Operating profit		410,411,740	27,986,957
Add: Non-operating income		8,082,064	18,965,981
Less: Non-operating expenses		38,670	99,085
Total profit		418,455,134	46,853,853
Less: Income tax expenses	24	62,773,093	(24,367,025)
Net profit		355,682,041	71,220,878
Including: Net profit of entity being absorbed before a business combination involving entities under common control		-	2,797,665
Classified by continuity of operations			
Net profit from continuing operations		355,682,041	71,220,878
Classified by ownership			
Net profit attributable to shareholders of the Company		320,866,053	66,652,873
Net profit attributable to non-controlling interests		34,815,988	4,568,005
Total comprehensive income		355,682,041	71,220,878
Including:			
Total comprehensive income attributable to shareholders of the Company		320,866,053	66,652,873
Total comprehensive income attributable to non-controlling interests		34,815,988	4,568,005
Earnings per share (RMB/share)			
Basic and diluted earnings per share	25	0.19	0.04

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Unit: RMB

Six months ended 30 June 2021 (unaudited)

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserves	Specialized reserves	Surplus reserves	Unappropriated profit	Subtotal		
I. Closing balances of the preceding year and opening balances of the current period (audited)	1,656,102,000	503,968,616	12,176,671	173,993,461	933,904,013	3,280,144,761	891,762,849	4,171,907,610
II. Changes in the current period								
(I) Total comprehensive income	-	-	-	-	320,866,053	320,866,053	34,815,988	355,682,041
(II) Profit distribution								
1. Distribution to the shareholders	-	-	-	-	(200,388,342)	(200,388,342)	(50,781,835)	(251,170,177)
(III) Specialized reserves								
1. Appropriation during the period	-	-	2,834,157	-	-	2,834,157	1,960,769	4,794,926
2. Utilization during the period	-	-	(241,573)	-	-	(241,573)	(191,700)	(433,273)
III. Closing balance for the period (unaudited)	1,656,102,000	503,968,616	14,769,255	173,993,461	1,054,381,724	3,403,215,056	877,566,071	4,280,781,127

Six months ended 30 June 2020 (restated and unaudited)

	Attributable to shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserves	Specialized reserves	Surplus reserves	Unappropriated profit	Subtotal		
I. Closing balances of the preceding year (audited)	1,656,102,000	828,681,845	-	136,394,930	678,814,745	3,299,993,520	516,011,925	3,816,005,445
Add: Business combination under common control	-	402,856,772	9,048,796	-	150,038,926	561,944,494	356,604,749	918,549,243
II. Opening balance for the period	1,656,102,000	1,231,538,617	9,048,796	136,394,930	828,853,671	3,861,938,014	872,616,674	4,734,554,688
III. Changes in the current period								
(I) Total comprehensive income	-	-	-	-	66,652,873	66,652,873	4,568,005	71,220,878
(II) Shareholder's capital injection and capital reduction								
1. Capital contributed by shareholders	-	-	-	-	-	-	200,000	200,000
(III) Profit distribution								
1. Distribution to the shareholders	-	-	-	-	(198,732,240)	(198,732,240)	(49,910,803)	(248,643,043)
(IV) Special reserve								
1. Appropriation during the period	-	-	2,150,825	-	-	2,150,825	2,174,915	4,325,740
2. Utilization during the period	-	-	(319,896)	-	-	(319,896)	(329,430)	(649,326)
IV. Closing balance for the period (unaudited)	1,656,102,000	1,231,538,617	10,879,725	136,394,930	696,774,304	3,731,689,576	829,319,361	4,561,008,937

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Unit: RMB

Six months ended 30 June 2021

	Note VI	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		1,279,396,035	759,990,556
Refund of taxes and surcharges		145,860	63,397
Other cash received relating to operating activities		50,729,692	473,156,733
Subtotal of cash inflows from operating activities		1,330,271,587	1,233,210,686
Cash paid for purchase of goods and receipt of services		729,708,121	486,746,136
Cash paid to and on behalf of employees		163,134,319	120,705,991
Payments of taxes and surcharges		119,013,593	91,233,090
Other cash paid relating to operating activities		137,070,929	5,526,152
Subtotal of cash outflows from operating activities		1,148,926,962	704,211,369
Net cash flows from operating activities	26	181,344,625	528,999,317
II. Cash flows from investing activities:			
Cash received from disposal of investments		106,119,400	197,141,048
Cash received from investment gains		12,650,231	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		74,946	3,341,435
Subtotal of cash inflows from investing activities		118,844,577	200,482,483
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets		37,257,116	9,957,202
Cash paid to acquire investments		13,450,700	-
Subtotal of cash outflows from investing activities		50,707,816	9,957,202
Net cash flows from investing activities		68,136,761	190,525,281

The accompanying notes to financial statements form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2021

Unit: RMB

	Note VI	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
III. Cash flows from financing activities:			
Cash received from borrowings		40,000,000	1,078,000,000
Other cash received relating to financing activities		–	200,000
Subtotal of cash inflows from financing activities		40,000,000	1,078,200,000
Cash paid for repayment of debts		168,500,000	1,165,530,670
Cash paid for distribution of dividends, profits or repayment of interests		88,111,443	70,708,375
Including: Dividends and profits paid to non-controlling shareholders by subsidiaries		20,272,568	17,493,569
Other cash paid relating to financing activities		4,559,375	5,405,358
Subtotal of cash outflows from financing activities		261,170,818	1,241,644,403
Net cash flows from financing activities		(221,170,818)	(163,444,403)
IV. Net increase in cash and cash equivalents		28,310,568	556,080,195
Add: Balance of cash and cash equivalents at the beginning of the period		1,631,650,352	1,287,292,061
V. Balance of cash and cash equivalents at the end of the period	27	1,659,960,920	1,843,372,256

The accompanying notes to financial statements form an integral part of these financial statements

BALANCE SHEET OF THE COMPANY

Unit: RMB

30 June 2021

ASSETS	30 June 2021 (unaudited)	31 December 2020 (audited)
Current assets		
Currency funds	1,316,760,077	1,377,223,775
Accounts receivable	23,921,736	11,326,299
Prepayments	1,190,643	382,250
Other receivables	153,450,334	99,656,504
Other current assets	645,410	150,876
Total current assets	1,495,968,200	1,488,739,704
Non-current assets		
Long-term equity investments	2,857,237,408	2,852,869,679
Other non-current financial assets	13,450,700	–
Fixed assets	30,737,085	34,358,654
Construction in progress	76,852	486,852
Right-of-use assets	15,889,279	17,560,229
Intangible assets	517,684,875	533,217,258
Deferred tax assets	2,558,937	2,505,378
Other non-current assets	15,269,400	15,270,900
Total non-current assets	3,452,904,536	3,456,268,950
Total assets	4,948,872,736	4,945,008,654

The accompanying notes to financial statements form an integral part of these financial statements

BALANCE SHEET OF THE COMPANY

30 June 2021

Unit: RMB

	30 June 2021 (unaudited)	31 December 2020 (audited)
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	38,667,968	65,633,399
Contract liabilities	2,812,293	–
Employee benefits payable	783,891	8,126,529
Taxes and surcharges payable	9,330,352	6,936,218
Other payables	1,061,149,363	1,029,375,222
Non-current liabilities due within one year	62,150,162	111,795,792
Total current liabilities	1,174,894,029	1,221,867,160
Non-current liabilities		
Long-term borrowings	389,000,000	445,000,000
Lease liabilities	11,608,604	13,915,504
Other non-current liabilities	15,170,714	14,949,061
Total non-current liabilities	415,779,318	473,864,565
Total liabilities	1,590,673,347	1,695,731,725
Equity		
Share capital	1,656,102,000	1,656,102,000
Capital reserves	670,065,375	670,065,375
Surplus reserves	173,993,461	173,993,461
Unappropriated profit	858,038,553	749,116,093
Total equity	3,358,199,389	3,249,276,929
Total liabilities and equity	4,948,872,736	4,945,008,654

The accompanying notes to financial statements form an integral part of these financial statements

INCOME STATEMENT OF THE COMPANY

Unit: RMB

Six months ended 30 June 2021

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Revenue	188,916,322	76,432,205
Less: Cost of sales	76,116,380	38,593,202
Taxes and surcharges	927,042	812,989
Administrative expenses	15,574,682	13,973,790
Finance expenses	(307,807)	(8,769,085)
Including: Interest expenses	19,149,029	5,023,222
Interest income	19,662,975	13,506,464
Add: Investment income	224,338,677	208,291,528
Including: income from investments in an associate	16,034,312	4,017,551
Losses from disposal of assets	–	(16,892)
Operating profit	320,944,702	240,095,945
Add: Non-operating income	3,228,165	7,091,959
Less: Non-operating expenses	25,752	45,300
Total profit	324,147,115	247,142,604
Less: Income tax expenses	14,836,313	10,996,588
Net profit	309,310,802	236,146,016
Net profit from continuing operations	309,310,802	236,146,016
Total comprehensive income	309,310,802	236,146,016

The accompanying notes to financial statements form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

Six months ended 30 June 2021

Unit: RMB

Six months ended 30 June 2021 (unaudited)

	Share capital	Capital reserves	Surplus reserves	Unappropriated profit	Total equity
I. Opening balance for the period	1,656,102,000	670,065,375	173,993,461	749,116,093	3,249,276,929
II. Changes in the current period					
(I) Total comprehensive income	-	-	-	309,310,802	309,310,802
(II) Profit distribution					
1. Distribution to the shareholders	-	-	-	(200,388,342)	(200,388,342)
III. Closing balance for the period	1,656,102,000	670,065,375	173,993,461	858,038,553	3,358,199,389

Six months ended 30 June 2020 (unaudited)

	Share capital	Capital reserves	Surplus reserves	Unappropriated profit	Total equity
I. Opening balance for the period	1,656,102,000	825,917,791	136,394,930	616,555,976	3,234,970,697
II. Changes in the current period					
(I) Total comprehensive income	-	-	-	236,146,016	236,146,016
(II) Profit distribution					
1. Distribution to the shareholders	-	-	-	(198,732,240)	(198,732,240)
III. Closing balance for the period	1,656,102,000	825,917,791	136,394,930	653,969,752	3,272,384,473

The accompanying notes to financial statements form an integral part of these financial statements

STATEMENT OF CASH FLOWS OF THE COMPANY

Unit: RMB

Six months ended 30 June 2021

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	186,078,540	63,893,105
Refund of taxes and surcharges	118,254	8,903
Other cash received relating to operating activities	21,237,595	122,920,504
Subtotal of cash inflows from operating activities	207,434,389	186,822,512
Cash paid for purchase of goods and receipt of services	54,844,419	10,698,190
Cash paid to and on behalf of employees	35,647,726	30,975,827
Payments of taxes and surcharges	20,487,101	17,372,986
Other cash paid relating to operating activities	117,086,010	6,845,334
Subtotal of cash outflows from operating activities	228,065,256	65,892,337
Net cash flows from operating activities	(20,630,867)	120,930,175
II. Cash flows from investing activities:		
Cash received from investment gains	165,527,318	169,630,994
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	26,319	1,892
Cash received from disposal of investments	106,119,400	117,141,048
Other cash received relating to investing activities	1,831,119	347,394,006
Subtotal of cash inflows from investing activities	273,504,156	634,167,940
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	352,835	203,688
Cash paid to acquire investments	13,450,700	-
Cash paid for acquisition of subsidiaries and other operating entities	-	20,800,000
Other cash paid relating to investing activities	-	393,750,600
Subtotal of cash outflows from investing activities	13,803,535	414,754,288
Net cash flows from investing activities	259,700,621	219,413,652

The accompanying notes to financial statements form an integral part of these financial statements

STATEMENT OF CASH FLOWS OF THE COMPANY

Six months ended 30 June 2021

Unit: RMB

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
III. Cash flows from financing activities:		
Other cash received relating to financing activities	319,064,365	70,783,157
Subtotal of cash inflows from financing activities	319,064,365	70,783,157
Cash paid for repayment of debts	107,000,000	15,000,000
Cash paid for distribution of dividends, profits or repayment of interests	10,285,337	2,575,073
Other cash paid relating to financing activities	395,193,081	1,900,417
Subtotal of cash outflows from financing activities	512,478,418	19,475,490
Net cash flows from financing activities	(193,414,053)	51,307,667
IV. Net increase in cash and cash equivalents	45,655,701	391,651,494
Add: Balance of cash and cash equivalents at the beginning of the period	1,169,188,076	389,593,992
V. Balance of cash and cash equivalents at the end of the period	1,214,843,777	781,245,486

The accompanying notes to financial statements form an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

I. BASIC INFORMATION

Chengdu Expressway Co., Ltd. (the “Company”), formerly named as Chengdu Chengguan Expressway Co., Ltd. (成都成灌高速公路有限責任公司), is a company with limited liability registered in Sichuan, the People’s Republic of China and was established on 25 August 1998 with perpetual term of operation. On 20 December 2016, the Company completed reorganization as a joint stock company and changed its name to Chengdu Expressway Co., Ltd. The H shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Company is headquartered at 9th Floor, Youyi Data Building, No. 28 Jingyuan East Road, Deyuan town (Jingrong town), Pidu District, Chengdu, Sichuan.

The Company and its subsidiaries (the “Group”) are principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan Province, and also conduct operation of refined oil and compressed natural gas.

The parent company of the Company is Chengdu Expressway Construction and Development Co., Ltd. (“Chengdu Expressway Construction”) which is established in the People’s Republic of China, and the ultimate parent company of the Company is Chengdu Communications Investment Group Co., Ltd. (“Chengdu Communications Investment”) which is established in the People’s Republic of China.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company used to adopt the International Financial Reporting Standards in preparing financial statements for information disclosure on the Hong Kong Stock Exchange. In accordance with the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong, which was published by the Hong Kong Stock Exchange in December 2010, commencing from the current financial year, the Company determined to prepare the financial statements in accordance with Accounting Standards for Business Enterprises and the relevant regulations issued by the Ministry of Finance of the People’s Republic of China (“PRC Accounting Standards”) for information disclosure on the Hong Kong Stock Exchange.

The financial statements are prepared and have disclosed relevant financial information in accordance with the requirements of the Accounting Standards for Business Enterprises No. 32 – Interim Financial Report issued by the Ministry of Finance.

The financial statements have been prepared on a going concern basis.

The financial statements are prepared under the historical cost convention, except for certain financial instruments. In case of asset impairment, corresponding provisions for impairment shall be made according to relevant rules.

Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements comply with the Accounting Standards for Business Enterprises, and give a true and complete view of the financial position of the Company and the Group as at 30 June 2021 and their financial performance and cash flows for the six months ended 30 June 2021.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The financial information of the Company and the Group for the six months ended 30 June 2021 was prepared based on the following significant accounting policies and estimates under Accounting Standards for Business Enterprises.

1. Accounting period

The accounting year of the Group is a calendar year, i.e., from 1 January to 31 December of each year. The financial statements cover an accounting period from 1 January 2021 to 30 June 2021.

2. Functional currency

The Group's functional and presentation currency is Renminbi ("RMB"). The currency unit is RMB Yuan unless otherwise stated.

3. Business combination

Business combination under common control

A business combination under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. For a business combination under common control, the party that, at the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while other enterprise participating in the combination is a party being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities (including goodwill arising from the ultimate controlling party's acquisition of the entity being absorbed) that are obtained by the absorbing entity in a business combination under common control shall be measured on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital premium under capital reserves. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

4. Consolidated financial statements

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company (such as an enterprise, a deemed separate entity, or a structured entity controlled by the Company).

In the preparation of the consolidated financial statements, the accounting policies and accounting periods of the Company and subsidiaries are consistent in the preparation of the consolidated financial statements. All intra-group assets, liabilities, equities, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full of consolidation.

Where the loss for the current period attributable to non-controlling interests of a subsidiary exceeds the non-controlling interests of the opening balance of equity of the subsidiary, the excess shall still be allocated against non-controlling interests.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

The Group reassess whether or not it controls an investee if any change in facts and circumstances indicate that there are changes to one or more of elements of the three elements of control.

A change in the non-controlling interests, without a loss of control, is accounted for as an equity transaction.

5. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Foreign currency transactions and foreign currency translations

The Group translates foreign currency transactions into its functional currency.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

6. Foreign currency transactions and foreign currency translations *(continued)*

Foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate prevailing on the transaction dates. Monetary items denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in profit or loss in, with the exception for those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalization of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognized in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

Foreign currency cash flows are translated using the spot exchange rate prevailing on the date on which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

7. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated balance sheet) when:

- (1) the rights to receive cash flows from the financial asset have expired;
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

7. Financial instruments *(continued)*

Recognition and derecognition of financial instruments (continued)

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Regular way purchases and sales of financial assets are recognized and derecognized using trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Group committed to purchase or sell a financial asset.

Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them: financial assets at fair value through profit or loss and financial assets at amortized cost.

Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss, and transaction costs relating to other financial assets are included in the initial recognition amounts.

The subsequent measurement of financial assets depends on their classification as follows:

Debt investments measured at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met: the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest method. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

7. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss

Except for the financial assets at amortized cost, other financial assets are classified as financial assets measured at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognized in profit or loss for the current period.

The Group's financial liabilities are, on initial recognition, classified into other financial liabilities, and the related transaction costs are included in the initial recognition amounts.

Such financial liabilities are subsequently measured at amortized cost using the effective interest method.

Impairment of financial instruments

Based on the expected credit losses ("ECLs"), the Group recognizes an allowance for ECLs for the financial assets measured at amortized cost.

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach to recognize a loss allowance based on lifetime ECLs.

Except for financial assets which apply the simplified approach as mentioned above, the Group assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the amortized cost and the effective interest rate.

The Group assesses whether the credit risk on the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. If the credit risk of financial instruments is low at the balance sheet date, the Group assumes that the credit risk has not increased significantly since initial recognition.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

7. Financial instruments *(continued)*

Impairment of financial instruments (continued)

When there are one or more events that have adverse effects on the expected future cash flows of a financial asset, the financial asset is credit-impaired.

When the Group no longer reasonably expects to collect all or part of the contractual cash flows of the financial asset, the Group directly writes down the carrying amount of the financial assets.

8. Inventories

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase. The actual cost of inventories transferred out is assigned by using weighted average method.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is recognized in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, in which case the net realizable value of inventories become higher than the carrying amount, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down, and is recognized in current profit or loss.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. The provision for decline in value of inventories is made on a category basis.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

9. Long-term equity investments

Long-term equity investments consist of equity investments in subsidiaries, a joint venture and associates. Long-term equity investments are recognized at initial investment cost upon acquisition.

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's individual financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, the long-term equity investment is measured at its initial investment cost. The cost of long-term equity investment is adjusted if capital is contributed or withdrawn. The cash dividends or profit distributions declared by the investee are recognized as investment income in profit or loss.

The equity method is adopted when the Group has joint control, or exercises significant influence over the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

9. Long-term equity investments *(continued)*

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the excess is included in the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognizes its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its associates and joint ventures, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognized in full), except for the disposal of assets that consist of operations. The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognized to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume further losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) and includes the corresponding adjustments in the shareholders' equity of the Group.

Upon disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss. For a long-term equity investment accounted for using the equity method, when the Group discontinues using the equity method due to disposal, all amounts previously recognized in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Equity previously recognized resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss in its entirety. When the Group continues to use the equity method, the amounts previously recognized in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities and reclassified to profit or loss on a pro-rata basis. Equity previously recognized resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss on a pro-rata basis.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

10. Fixed assets

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognized. Otherwise, such expenditures are recognized in profit or loss as incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use. Depreciation is calculated using the straight-line method. The useful lives, estimated residual value rates and annual depreciation rates of each category of fixed assets are as follows:

	Useful life	Estimated net residual rate	Annual depreciation rate
Buildings	10-40 years	5%	2.38%-6.33%
Security facilities	5-15 years	5%	6.33%-19.00%
Supervising equipment	5-15 years	5%	6.33%-19.00%
Toll collection facilities	5-10 years	5%	9.50%-19.00%
Petrol and gas station facilities	3-12 years	5%	7.92%-31.67%
Motor vehicles	5-8 years	5%	11.88%-19.00%

The Group reviews the useful life, estimated net residual value of a fixed asset, and the depreciation method applied at least at each year end, and makes adjustments if necessary.

11. Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalized before the construction is ready for its intended use and other relevant expenses.

Construction in progress is transferred to fixed assets or intangible assets when the asset is ready for its intended use.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

12. Borrowing costs

Borrowing costs are interests and other expenses arising from borrowings of the Group, including borrowing interest, amortization of discounts or premiums and ancillary expenses.

All the borrowing costs that are directly attributable to construction of all qualifying assets are capitalized and other borrowing costs are recognized as an expense. A qualifying asset is defined as a fixed asset and intangible asset that necessarily takes a substantial period of time to get ready for its intended use.

The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

- (1) Expenditures for the assets are incurred;
- (2) Borrowing costs are incurred; and
- (3) activities that are necessary to acquire or construct the asset for its intended use have been undertaken.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed gets ready for its intended use. Any borrowing costs subsequently incurred are recognized in profit or loss.

Within the capitalization period, the amounts of capitalized borrowing costs for each accounting period are determined by the following methods:

- (1) Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalization is the actual interest costs incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds; or
- (2) where funds are borrowed generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalization is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings.

Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognized as an expense in profit or loss until the acquisition or construction is resumed.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

13. Intangible assets

An intangible asset shall be recognized only when it is probable that the economic benefits associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not involving entities under common control with a fair value that can be measured reliably are recognized separately as intangible assets and measured at fair value at the date of acquisition.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

	Useful life
Land use rights	40 years
Service concession rights of expressways	24-30 years
Software	5 years

Land use rights that are acquired by the Group are generally accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights, are accounted for as fixed assets and intangible assets, respectively.

Service concession rights of expressways represent the concession rights granted by the government to the Group to participate in expressway construction via Build-Operate-Transfer (BOT) approach, and to provide follow-up business services and charge the public for certain periods after the construction is completed. Upon maturity of service concession rights, the initial construction cost of the roads and fixtures and related land use rights required to be returned to the government by the Group is accounted for as the cost of the service concession rights. Security facilities, supervising equipment and toll collection facilities that do not need to be returned to the government on maturity of the service concession rights shall be accounted for as fixed assets. The amortization method of service concession rights of expressways is the traffic flow method, that is, the amortization is calculated according to the ratio of the actual traffic flow in a specific period to the predicted total traffic flow within the operating period of expressways.

An intangible asset with a finite useful life except for service concession rights of expressways is amortized using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and the amortization method at least at each year end and makes adjustment if necessary.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

14. Long-term prepaid expenses

Long-term prepaid expenses include the expenditures for improvements to right-of-use assets, and other expenditures that has been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period.

15. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred tax assets and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing. Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in carrying amount is treated as an impairment loss and recognized in profit or loss. A provision for impairment loss of the asset is recognized accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

15. Impairment of assets *(continued)*

In testing an asset group or a set of asset group to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, compares the recoverable amount with the carrying amount and recognizes impairment loss if any. After that, the Group tests the asset group or set of asset groups including goodwill for impairment. The carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss shall firstly charge against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then charge against the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, on a pro rata basis of the carrying amount of each asset.

Once the above impairment loss is recognized, it cannot be reversed in the subsequent accounting periods.

16. Employee benefits

Employee benefits is all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits given by the Group to an employee' spouses, children, dependents, and families of deceased employees and other beneficiaries are also employee benefits.

Post-employment benefits (defined contribution plan)

The employees of the Group participate in a pension scheme and unemployment insurance which are managed by the local government, the corresponding expenditure shall be included in the costs of the relevant assets or profit or loss.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

16. Employee compensation *(continued)*

Termination benefits

The Group recognizes a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognizes costs for a restructuring and involves the payment of termination costs.

17. Provisions

Except for contingent consideration transferred and contingent liability assumed in business combinations not involving entities under common control, the Group recognizes an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed on each balance sheet date. If there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

18. Revenue from contracts with customers

Revenue from contracts with customers is recognised when the Group has fulfilled its performance obligations in the contracts, that is, when the customer obtains control of relevant goods or services. Control of relevant goods or services refers to the ability to direct the use of the goods, or the provision of the services, and obtain substantially all of the remaining benefits from the goods or services.

- (1) The Group's toll income from the operations of expressways is recognized when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow to the Group;
- (2) The Group's income from energy segment mainly includes the sales of refined oil products at gas stations, and the income is recognized when the Group's performance obligations have been completed and the control of corresponding commodities has been transferred to customers;
- (3) The construction revenue in respect of service concession rights shall be deemed as the performance obligation performed by the Group within a certain period of time, and the income shall be recognized according to the performance progress, unless the performance progress cannot be reasonably determined. According to the input method, the Group determines the performance progress of providing services based on the costs incurred;
- (4) To derive income from entrusted operation and management services, the Group shall fulfill its performance obligations in the period of providing operation and management services, and the contract settlement price shall be subject to the contractual agreement;

Principal/agent

The Group determines whether the Group is a principal or an agent when engaging in a transaction based on whether it has control over the goods or services before transferring them to the customer. If the Group is able to control the goods or services before transferring them to the customer, the Group is the principal and recognizes revenue based on the total consideration received or receivable; otherwise, the Group is the agent and recognizes revenue based on the amount of the commission or fee it expects to be entitled to receive, which should be determined as the net amount of the total consideration received or receivable less amounts payable to other related parties, or based on the predetermined amount or proportion of the commission.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

19. Contract liabilities

The Group presents contract liabilities in the balance sheet based on the performance obligations.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration or an amount of consideration is due from the customer, such as an amount of consideration that an entity has received before the transfer of the promised goods or services.

20. Government grants

Government grant is recognized when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A government grant related to income is accounted as follows: (a) if the grant is a compensation for related costs, expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and offset the related costs over the periods in which the related costs, expenses or losses are recognized; (b) if the grant is a compensation for related costs, expenses or losses already incurred, it is immediately offset the related costs or expenses of the current period. A government grant related to an asset shall offset the carrying amounts of relevant assets.

21. Income tax

Income tax comprises current and deferred tax. Income tax is recognized as income or expense in profit or loss, or recognized directly in equity if it arises from adjustments for goodwill from a business combination or relates to a transaction or event which is recognized directly in equity.

The Group measures a current tax asset or liability arising from the current and prior periods based on the amount of income tax expected to be paid by the Group or returned by the tax authority calculated according to related tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined according to related tax laws for tax purposes but which have not been recognized as assets and liabilities, deferred taxes are provided using the balance sheet liability method.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

21. Income tax *(continued)*

A deferred tax liability is recognized for all taxable temporary differences, except:

- (1) Where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of deductible tax losses and tax credits can be utilized, except:

- (1) Where the deductible temporary differences arise from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or deductible loss is affected;
- (2) In respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognized to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

21. Income tax *(continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

22. Leases

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

22. Leases *(continued)*

As lessee

Right-of-use assets

The Group's right-of-use assets mainly include buildings and land use rights acquired through leasing.

At the commencement date of the lease, the Group recognizes its right to use the leased assets over the lease term as a right-of-use asset. The cost of the right-of-use asset comprises: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received; any initial direct cost incurred; and an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the remeasurement in profit or loss.

Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, or the index or ratio used to determine the lease payment amount changes, the purchase option, the renewal option or the termination option is evaluated. When the results or actual exercise rights change, the Group re-measures the lease liability based on the present value of the changed lease payments.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

22. Leases *(continued)*

As lessee (continued)

Lease modification

The lease modifications refer to the change of lease scope, lease consideration, and lease term outside the original contract terms, including the addition or termination of the use right of one or more lease assets. It also includes the extension or shortening of the lease term stipulated in the contract.

If the lease modifications have met the following conditions simultaneously, the Group will account for the lease modifications as a separate lease:

- (1) The lease modifications expand the scope of the lease by adding the rights of use of one or more leased assets; and
- (2) The increased consideration and the individual price of the enlarged portion of the lease are equivalent to the amount adjusted for the contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability on the effective date of the lease modification by discounting the revised lease payments using a revised discount rate. When calculating the present value of the lease payment after the modification, revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

The Group distinguishes between the following cases for accounting treatment in view of the above effects of the adjustment of lease liabilities:

- (1) If the lease modifications result in a narrower lease scope or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the partial termination or full termination of the lease. The Group recognizes the related gains or losses that partially terminate or completely terminate the leases into the current profits and losses; and
- (2) Making a corresponding adjustment to the book value of right-of-use asset for all other lease modifications.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

22. Leases *(continued)*

As lessee (continued)

Short-term leases

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease. The Group does not recognize the right-of-use assets and lease liabilities for short-term leases. The Group recognizes lease payments on short-term leases in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As lessor of an operating lease

Rent income under an operating lease is recognized on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred.

23. Safety production funds

Safety production funds provided according to the regulations are included in costs of related products or profit or loss, and credited to the specialized reserves. They are treated differently when being utilized: the specialized reserves are offset against for those attributable to the expense nature; the cumulative expenditures are recognized as a fixed asset for those attributable to the fixed asset nature when the working condition for the intended use is reached, and at the same time, specialized reserves are offset against with the full depreciation of the fixed asset, at the same amount.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

24. Fair value measurement

The Group measures equity instrument investment at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For the assets and liabilities measured or disclosed at fair value in the financial statements, the lowest level input that is significantly meaningful to the entire fair value measurement will be used to confirm the fair value hierarchy level: Level 1 input value is the quoted price (unadjusted) obtained in an active market for the same asset or liability on the measurement date. Level 2 input value is the direct or indirect observable input value for the relevant asset or liability other than the Level 1 input value. Level 3 input value is the unobservable input value for the relevant asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization on each balance sheet date.

25. Significant accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

25. Significant accounting estimates *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The Group is required to perform significant judgement and estimation and take into account all reasonable and supportable information, including forward-looking information. When making such judgements and estimates, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

Impairment of non-current assets other than financial assets (other than goodwill)

The Group assesses whether there are any indications of impairment for all non-current assets other than financial assets at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such an indication exists. Other non-current assets other than financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from it. The calculation of the fair value less costs of disposal based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the assets. When the calculations of the present value of the future cash flows expected to be derived from an asset or asset group are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

25. Significant accounting estimates *(continued)*

Estimation uncertainty (continued)

Impairment of goodwill

The Group carries out tests for impairment of goodwill on an annual basis, which entails estimation of the present value of future cash flows of the asset groups or sets of asset groups to which goodwill is allocated. When estimating the present value of future cash flows, the Group needs to estimate the cash flows generated by the future asset groups or sets of asset groups, and select the appropriate discount rate to determine the present value of future cash flows.

Amortization of service concession rights of expressways

The amortization of service concession rights of expressways is calculated under the unit-of-usage method, whereby the amortization is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession rights of expressways. The projected total traffic volume over the respective concession periods could change significantly. The Group reviews regularly the projected total traffic volume throughout the operating periods of the respective service concession rights of expressways. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

Recognition of expressway maintenance and resurfacing obligations

The maintenance and resurfacing obligations of the expressways are recognized when: the Group has a present obligation; fulfilling the obligation will probably lead to the outflow of economic benefits; and the amount of the obligation can be measured reliably. The outflow of economic benefits probably to result from the performance of such obligation is determined according to the number of major maintenance and resurfacing operations and the expected cost of the Group during the operation of expressways with concession rights. During the concession period, the Group is required to provide maintenance and resurfacing services according to the requirements of the grantor of concession rights, while the standards and specific time of maintenance and resurfacing shall be determined by the grantor of concession rights based on the actual urban economic development and changes in subsequent laws and regulations. In actual practice, the Group needs to provide further services according to the changes of subsequent laws and regulations and the maintenance plans and standards approved by the government. Therefore, it is impossible to reasonably estimate the cost of providing maintenance and resurfacing services in the future at the initial stage of obtaining the concession rights, and the above expenses are included in the cost of principal business for the current period when they are actually incurred.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES *(continued)*

25. Significant accounting estimates *(continued)*

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable profits will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

IV. TAXES

Major taxes and respective tax rates of the Group for the period are set out below:

Value-added tax (VAT) – VAT is calculated at the rate of 3% for toll income, 13% for sales income of refined oil products and convenience stores, 6% for operation and management services, and 5% for rental income. Small-sized taxpayers shall pay VAT at 3% of taxable income.

City maintenance and construction tax – It is levied at 7% on the turnover taxes paid.

Corporate income tax – Corporate income tax is levied at 15% and 25% on the taxable profit.

Pursuant to the Circular of Extending the Period of Western Development Strategies Preferential Tax Rate (Ann of Ministry of Finance, State Taxation Administration and National Development and Reform Commission[2020] No. 23), the Company and its subsidiaries, including Chengdu Chengwenqiong Expressway Co., Ltd. (“Chengwenqiong Expressway Company”), Chengdu Airport Expressway Co., Ltd. (“Chengdu Airport Expressway Company”), Sichuan Chengming Expressway Co., Ltd. (“Chengming Expressway Company”), Chengdu Expressway Operation Management Co., Ltd. (“Operation Company”) and Chengdu Chengpeng Expressway Co., Ltd. (“Chengpeng Expressway Company”) shall pay corporate income tax at the preferential tax rate of 15%. The current period is subject to the income tax rate of 15%.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

V. CONSOLIDATION SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

Details of the subsidiaries of the Company are as follows:

	Place of principal business/ registration	Nature of business	Registered capital	Proportion of shareholding (%)		Voting rights	
				Direct	Indirect	Proportion (%)	Remark
Chengwenqiong Expressway Company	Chengdu	Management and operation of expressway	554,490,000	100.00	-	100.00	
Chengpeng Expressway Company	Chengdu	Management and operation of expressway	384,620,000	99.74	-	99.74	
Chengdu Airport Expressway Company	Chengdu	Management and operation of expressway	153,750,000	55.00	-	55.00	
Chengming Expressway Company	Chengdu	Management and operation of expressway	100,000,000	51.00	-	51.00	
Chengdu Expressway Zhenxing Development Co., Ltd. ("Zhenxing Company")	Chengdu	Management and operation of expressway service areas	100,000,000	80.00	-	80.00	
Operation Company	Chengdu	Expressway management	20,000,000	100.00	-	100.00	
Chengdu Energy Development Co., Ltd. ("Energy Development Company")	Chengdu	Petrol station operation and investment	381,000,000	94.49	-	94.49	Note 1
Chengdu Communications Investment Energy Development Co., Ltd. ("Communications Investment Energy")	Chengdu	Petrol station operation and investment	127,305,500	-	55.00	55.00	Note 1

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

V. CONSOLIDATION SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Information of subsidiaries (continued)

	Place of principal business/ registration	Nature of business	Registered capital	Proportion of shareholding (%)		Voting rights	
				Direct	Indirect	Proportion (%)	Remark
Chengdu Zhongyou Energy Co., Ltd. ("Zhongyou Energy")	Chengdu	Petrol station operation and investment	437,335,000	-	51.00	51.00	Note 1
Chengdu Communications Investment Energy Operation and Management Co., Ltd. ("Energy Operation")	Chengdu	Petrol station operation and investment	20,000,000	-	100.00	100.00	Note 1

Note 1: Equity interests in Communications Investment Energy, Zhongyou Energy and Energy Operation are held through Energy Development Company.

Energy Development Company is a joint stock company incorporated under the PRC laws and the other subsidiaries are limited liability companies registered and established according to PRC laws, and the place of registration and operation of all the subsidiaries are located in the PRC.

There is no inconsistency between the shareholding proportion and voting rights proportion in each subsidiary of the Company.

The consolidation scope of the consolidated financial statements is the same as that of the previous year.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	30 June 2021 (unaudited)	31 December 2020 (audited)
Cash	20,248	126,672
Bank deposits	1,678,715,195	1,758,740,699
Other monetary funds	3,141,775	818,679
	1,681,877,218	1,759,686,050

As at 30 June 2021 and 31 December 2020, the Group did not have restricted currency funds.

2. Accounts receivable

Credit period of accounts receivable generally ranges from one to three months. Accounts receivable are non-interest-bearing.

An ageing analysis of accounts receivable based on invoice date is as follows:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Within 1 year	193,740,016	68,638,905
1 to 2 years	78,780	135,209
2 to 3 years	107,639	80,069
Over 3 years	242,666	202,631
	194,169,101	69,056,814
Less: Provision for bad debts of accounts receivable	470,787	440,260
	193,698,314	68,616,554

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Prepayments

An ageing analysis of prepayments is as follows:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Within 1 year	39,156,409	23,295,171

4. Other receivables

An ageing analysis of other receivables is as follows

	30 June 2021 (unaudited)	31 December 2020 (audited)
Within 1 year	9,721,532	7,878,054
1 to 2 years	15,809	2,717,175
2 to 3 years	1,605,820	265,093
Over 3 years	49,355,740	49,266,715
	60,698,901	60,127,037
Less: Provision for bad debts of other receivables	47,595,780	47,595,780
	13,103,121	12,531,257

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Inventories

	30 June 2021 (unaudited)	31 December 2020 (audited)
Finished goods	65,241,628	54,557,700
Less: Provision for decline in value of inventories	–	–
	65,241,628	54,557,700

6. Long-term equity investments

	30 June 2021 (unaudited)	31 December 2020 (audited)
Joint venture Sinopec Chengdu Energy Co., Ltd. ("Sinopec Chengdu Energy")	14,485,150	13,350,050
Associates Chengdu Chengbei Exit Expressway Co., Ltd. ("Chengbei Exit Expressway Company")	122,585,993	118,218,264
Zhongyou Jieneng (Chengdu) Environmental Protection Technology Co., Ltd. ("Zhongyou Jieneng")	51,488,073	48,539,799
Chengdu Tongneng Compressed Natural Gas Co., Ltd. ("Chengdu Tongneng")	120,596,507	108,896,634
Chengdu Jiuhe Oil Management Co., Ltd. ("Chengdu Jiuhe")	4,911,029	4,943,881
Chengdu Jiaoyun Compressed Natural Gas Development Co., Ltd. ("Chengdu Jiaoyun CNG")	6,003,160	6,326,874
	320,069,912	300,275,502
Less: Provision for impairment of long-term equity investment	–	–
	320,069,912	300,275,502

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Long-term equity investments (continued)

Major information of a joint venture and associates:

	Place of principal business/ registration	Nature of business	Registered capital	Proportion of shareholding held by the Group (%)	Proportion of voting rights held by the Group (%)
Joint venture					
Sinopec Chengdu Energy	Chengdu	Management and operation of petrol stations	41,540,200	50.00	50.00
Associates					
Zhongyou Jieneng	Chengdu	Management and operation of gas stations	69,667,500	47.49	47.49
Chengbei Exit Expressway Company	Chengdu	Expressway management and operation	220,000,000	40.00	40.00
Chengdu Tongneng	Chengdu	Management and operation of gas stations	86,000,000	30.00	30.00
Chengdu Jiuhe	Chengdu	Management and operation of petrol stations	13,000,000	43.00	43.00
Chengdu Jiaoyun CNG	Chengdu	Management and operation of gas stations	13,000,000	25.00	25.00

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Fixed assets

30 June 2021 (unaudited)

	30 June 2021 (unaudited)
Cost	
Opening balance (audited)	863,800,091
Purchase	1,701,872
Transferred from construction in progress	8,473,623
Disposal or scrap	(3,398,726)
Closing balance	870,576,860
Accumulated depreciation	
Opening balance (audited)	493,923,927
Provision	24,695,197
Transfer	(3,233,314)
Closing balance	515,385,810
Impairment provision	
Opening balance	—
Provision	—
Transfer	—
Closing balance	—
Carrying amount	
At the end of the period	355,191,050
At the beginning of the period (audited)	369,876,164

As at 30 June 2021 and 31 December 2020, the Group did not have any restricted fixed assets. As at 30 June 2021, fixed assets with a carrying amount of RMB5,352,683 (31 December 2020: RMB5,413,540) were pending certificates of property ownership.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Right-of-use assets

30 June 2021 (unaudited)

	30 June 2021 (unaudited)
Cost	
Opening balance (audited)	58,558,455
Lease modification	10,798
Closing balance	58,569,253
Accumulated amortization	
Opening balance (audited)	10,338,525
Provision	3,705,044
Closing balance	14,043,569
Carrying amount	
At the end of the period	44,525,684
At the beginning of the period (audited)	48,219,930

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Intangible assets

30 June 2021 (unaudited)

	30 June 2021 (unaudited)
Cost	
Opening balance (audited)	8,013,253,427
Purchase	57,947,679
Closing balance	8,071,201,106
Accumulated amortization	
Opening balance (audited)	1,745,233,211
Provision	140,919,200
Closing balance	1,886,152,411
Carrying amount	
At the end of the period	6,185,048,695
At the beginning of the period (audited)	6,268,020,216

As at 30 June 2021, the Group had restricted intangible assets with a carrying amount of RMB4,627,251,713 (31 December 2020: RMB4,722,211,004). Please refer to 12 of Note VI.

During the period, land use right certificates were obtained for Zhongyou Energy's Tongwang LNG gas station and Xianglong petrol station. As at 30 June 2021, the carrying amount of the defective land of the Group's intangible assets-land use right was nil (31 December 2020: RMB45,881,385).

For the six months ended 30 June 2021, land use rights amortization of RMB732,395 (six months ended 30 June 2020: nil) was included in construction in progress.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Deferred tax assets/liabilities

Certain recognized deferred tax assets and recognized deferred tax liabilities of the Group are presented on a net basis after offset in the balance sheet. As at 30 June 2021, the amount offset reached RMB54,024,708 (31 December 2020: RMB51,010,702).

Deferred tax assets recognized:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Compensation for permanent land occupation	10,382,539	10,705,706
Advances from rental of petrol stations and service areas	11,058,829	11,303,945
Tax depreciation difference of intangible assets	11,291,630	9,410,363
Fair value adjustments arising from acquisition of subsidiaries	2,095,638	2,149,273
Impairment provision of accounts receivable and other receivables	11,587,792	11,580,161
Impairment provision of construction in progress	282,866	282,866
Unpaid related party interests	5,654,225	5,487,243
Application of new lease standards	7,271,327	7,374,208
Tax depreciation difference of fixed assets	3,136,136	3,136,136
Deductible losses	25,471,695	22,143,182
	88,232,677	83,573,083

Deferred tax liabilities recognized:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Amortization of service concession rights	99,889,736	96,967,765
Fair value adjustments arising from acquisition of subsidiaries	129,386,800	131,239,603
Application of new lease standards	7,271,327	7,374,208
	236,547,863	235,581,576

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Deferred tax assets/liabilities (continued)

Deferred tax assets and deferred tax liabilities presented on a net basis after offset:

	30 June 2021		31 December 2020	
	Amount offset (unaudited)	Balance after offset (unaudited)	Amount offset (audited)	Balance after offset (audited)
Deferred tax assets	7,271,327	34,207,969	7,374,208	32,562,381
Deferred tax liabilities	46,753,381	182,523,155	43,636,494	184,570,874

11. Other non-current assets

	30 June 2021 (unaudited)	31 December 2020 (audited)
Prepayment of land use right	16,876,740	46,687,665
Performance guarantee deposits	15,269,400	15,269,400
	32,146,140	61,957,065

On 8 December 2020, the Group won the tenders for the operation business of Chengdu Tianfu International Airport Expressway ("Tianfu International Airport Expressway") and Pujiang-Dujiangyan Section of Chengdu Economic Zone Ring Expressway ("Pudu Expressway") under Sichuan Tianfu Airport Expressway Co., Ltd. ("Tianfu Airport Expressway Company"). The Group issued performance guarantees to Tianfu Airport Expressway Company regarding the projects of Tianfu International Airport Expressway and Pudu Expressway through China CITIC Bank Corporation Limited Chengdu branch in an amount of RMB8,211,000 and RMB7,058,400, respectively with a valid period until 31 December 2022.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Assets with restricted ownership

	30 June 2021 (unaudited)	31 December 2020 (audited)
Intangible assets-service concession rights		
Chengpeng Expressway	1,233,653,701	1,267,783,732
Chengwenqiong Expressway	1,039,874,287	1,070,956,427
Qiongming Expressway	2,353,723,725	2,383,470,845
Performance guarantee deposits	15,269,400	15,269,400
	4,642,521,113	4,737,480,404

As at 30 June 2021, the Group pledged expressway service concession rights with a carrying amount of RMB4,627,251,713 (31 December 2020: RMB4,722,211,004) to obtain bank borrowings of RMB2,569,000,000 (31 December 2020: RMB2,630,500,000).

13. Accounts payable

The accounts payable are non-interest-bearing.

An ageing analysis of accounts payable based on invoice date is as follows:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Within 3 months	48,703,198	68,082,460
3 to 6 months	890,844	78,002,294
6 to 12 months	61,590,922	4,152,075
Over 1 year	766,376,498	777,422,121
	877,561,462	927,658,950

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Non-current liabilities due within one year

	30 June 2021 (unaudited)	31 December 2020 (audited)
Long-term borrowings due within one year	158,000,000	214,500,000
Lease liabilities due within one year	8,376,960	6,520,201
Land occupation compensation due within one year	9,008,741	8,873,331
	175,385,701	229,893,532

15. Long-term borrowings

	<i>Notes</i>	30 June 2021 (unaudited)	31 December 2020 (audited)
Pledged borrowings	1	2,569,000,000	2,630,500,000
Guaranteed borrowings	2	157,000,000	192,000,000
Unsecured borrowings		288,000,000	360,000,000
		3,014,000,000	3,182,500,000
Less: Long-term borrowings due within one year		158,000,000	214,500,000
		2,856,000,000	2,968,000,000

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Long-term borrowings (continued)

An analysis of long-term borrowings based on maturity dates is as follows:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Due within 1 year (inclusive)	158,000,000	214,500,000
Due within 2 years (inclusive)	248,000,000	226,000,000
Due within 3 to 5 years (inclusive)	816,000,000	818,000,000
Over 5 years	1,792,000,000	1,924,000,000
	3,014,000,000	3,182,500,000

As at 30 June 2021, the above borrowings carried an annual interest rate ranging from 3.66% to 4.41% (31 December 2020: 3.66% to 4.41%).

Note 1: The pledged borrowings are pledged by intangible assets detailed in 12 of Note VI, of which bank borrowings of RMB1,741,000,000 (31 December 2020: RMB1,767,500,000) obtained by Chengming Expressway Company was guaranteed by Chengdu Communications Investment.

Note 2: As at 30 June 2021, guaranteed borrowings of RMB157,000,000 (31 December 2020: RMB192,000,000) guaranteed by Chengwenqiong Expressway Company and the Company were obtained.

16. Other non-current liabilities

	30 June 2021 (unaudited)	31 December 2020 (audited)
Long-term shareholder borrowings	82,881,170	81,767,954
Advanced rental	53,499,708	55,020,419
Land occupation compensation	55,804,230	57,976,285
	192,185,108	194,764,658

As at 30 June 2021, the principal and interest of the borrowings granted to Chengming Expressway Company by Chengdu Expressway Construction totaled RMB82,881,170 (31 December 2020: RMB81,767,954). Pursuant to the borrowing agreement, the borrowings carry an annual interest rate of 4.9% and will mature on 30 April 2024 with principal and interest to be paid in one lump sum upon maturity. The borrowing agreement stipulates that Chengdu Expressway Construction may recover the borrowings in advance based on the actual condition of Chengming Expressway Company. The Group has confirmed with Chengdu Expressway Construction that it will not require Chengming Expressway Company to repay the principal and interests of the borrowings in the upcoming year.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Share capital

Share capital

	30 June 2021 (unaudited)		31 December 2020 (audited)	
	RMB	Proportion	RMB	Proportion
Chengdu Expressway Construction	900,000,000.00	54.34%	900,000,000.00	54.34%
Chengdu Communications Investment	300,000,000.00	18.12%	300,000,000.00	18.12%
H shares with a nominal value of RMB	456,102,000.00	27.54%	456,102,000.00	27.54%
	1,656,102,000.00	100.00%	1,656,102,000.00	100.00%

18. Unappropriated profit

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Unappropriated profit at the end of the preceding year	933,904,013	678,814,745
Business combination under common control	–	150,038,926
Restated opening balance	933,904,013	828,853,671
Net profit attributable to shareholders of the Company	320,866,053	66,652,873
Less: Cash dividends payable	200,388,342	198,732,240
Unappropriated profit at the end of the period	1,054,381,724	696,774,304

Pursuant to the resolution approved at the shareholders' general meeting on 10 June 2021, the Company paid cash dividends of RMB0.121 per share to all the shareholders, totaling RMB200,388,342 based on the total share capital of the Company of 1,656,102,000.

On 26 August 2021, the board of directors of the Company did not recommend the payment of dividends for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Revenue

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Revenue from principal business	1,318,009,962	736,508,813
Revenue from other business	21,760,507	7,224,569
	1,339,770,469	743,733,382

Revenue is presented as follows:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Revenue from contracts with customers	1,318,009,962	734,353,213
Construction revenue	–	2,155,600
Rental income	3,806,687	2,724,691
Revenue from convenience stores	13,673,637	–
Others	4,280,183	4,499,878
	1,339,770,469	743,733,382

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Revenue (continued)

Disaggregation of revenue from contracts with customers is as follows:

Six months ended 30 June 2021 (unaudited)

Reporting segment	Expressway segment	Energy segment	Total
Major revenue sources			
Toll income	686,125,671	–	686,125,671
Revenue from operation and management services	30,021,388	–	30,021,388
Revenue from sales of refined oil	–	560,165,983	560,165,983
Revenue from trading activities	–	41,696,920	41,696,920
	716,147,059	601,862,903	1,318,009,962
Timing of revenue recognition			
At a point in time	686,125,671	601,862,903	1,287,988,574
Over time	30,021,388	–	30,021,388
	716,147,059	601,862,903	1,318,009,962

Six months ended 30 June 2020 (restated and unaudited)

Reporting segment	Expressway segment	Energy segment	Total
Major revenue sources			
Toll income	316,411,382	–	316,411,382
Revenue from sales of refined oil	–	417,941,831	417,941,831
	316,411,382	417,941,831	734,353,213
Timing of revenue recognition			
At a point in time	316,411,382	417,941,831	734,353,213
	316,411,382	417,941,831	734,353,213

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Revenue (continued)

Information about the Group's performance obligations is summarized below:

Toll income

Performance obligations are satisfied when customers pass the expressways. Toll payment is settled when customers pass the expressways.

Revenue from sales of refined oil and trading activities

Revenue is recognized at a point in time when the Group's performance obligations have been satisfied and the control of corresponding commodities has been transferred to customers.

Revenue from operation and management services

Performance obligations are satisfied within the period of providing operation and management services, and the contract price shall be settled subject to the contractual agreement.

20. Finance expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Interest expense	69,175,867	67,505,472
Including: Interest expense on lease liabilities	1,106,583	860,328
Less: interest income	17,799,358	16,720,921
Including: Bank interest income	17,799,358	10,678,721
Interest income from a long-term receivable	-	6,042,200
Foreign exchange losses/(gains)	163,264	(298,251)
Others	835,932	682,687
	52,375,705	51,168,987

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Investment income

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Dividend income from other non-current financial assets held	334,800	–
Long-term equity investment income under equity method	32,109,841	12,299,928
Total	32,444,641	12,299,928

22. Credit impairment loss

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Loss from impairment of accounts receivable	(30,527)	(453,388)
Loss from impairment of other receivables	–	(45,959,947)
	(30,527)	(46,413,335)

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Expenses by nature

The supplementary information for the operating cost, administrative expenses and selling expenses of the Group classified by nature is as follows:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Refined oil purchase costs	476,750,404	335,889,110
Depreciation and amortization	168,587,046	173,721,184
Employee benefits	134,555,566	78,847,273
Trading purchase costs	39,635,666	–
Road maintenance	34,487,723	10,637,721
Purchasing cost of goods for convenience stores	12,542,644	–
Road greening	6,374,640	6,106,396
Maintenance cost of equipment and facilities	4,525,981	2,298,293
Security funds	4,794,926	4,325,740
Labor costs	4,249,833	1,459,829
Transportation and vehicle utilization fees	2,394,244	1,798,831
Agency fees	2,100,808	3,349,344
Toll income settlement service fees	2,079,322	671,907
Rental fees	316,354	983,984
Amortization of long-term prepaid expenses	54,655	1,212,081
Construction cost	–	2,155,600
Others	10,317,125	4,914,058
	903,766,937	628,371,351

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Income tax expenses

A breakdown of income tax expense is set out below:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Current income tax expense	66,466,400	40,117,520
Deferred income tax	(3,693,307)	(64,484,545)
	62,773,093	(24,367,025)

25. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the number of ordinary shares in issue.

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Net profit attributable to shareholders of the Company	320,866,053	66,652,873
Number of ordinary shares in issue	1,656,102,000	1,656,102,000
Basic earnings per share	RMB0.19	RMB0.04

The Company did not have potential diluted ordinary shares and therefore diluted earnings per share is equal to basic earnings per share.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Cash flows from operating activities

Adjustment of net profit to cash flows from operating activities

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Net profit	355,682,041	71,220,878
Add: Provisions for asset impairment	30,527	46,413,335
Depreciation of fixed assets	24,695,197	31,024,670
Depreciation of right-of-use assets	3,705,044	3,578,243
Amortization of intangible assets	140,186,805	139,118,271
Amortization of long-term prepaid expenses	54,655	1,212,081
Losses/(gains) from disposal of fixed assets	61,789	(1,803,477)
Losses on write-off of fixed assets	29,786	50
Finance costs	69,175,867	61,463,272
Investment income	(32,444,641)	(12,299,928)
Unused specialized reserves	4,361,653	3,676,414
Increase in deferred tax assets	(1,645,588)	(17,571,460)
Decrease in deferred tax liabilities	(2,047,719)	(46,913,085)
Decrease/(increase) in inventories	(10,683,928)	6,053,428
Increase in service concession rights	-	(2,155,600)
Increase in operating receivables	(141,251,398)	(82,520,523)
Increase/(decrease) in operating payables	(228,565,465)	33,633,332
Others – Government grants received relating to assets	-	294,869,416
Net cash flows from operating activities	181,344,625	528,999,317

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VI. NOTES TO THE KEY COMPONENTS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Cash and cash equivalents

	30 June 2021 (unaudited)	30 June 2020 (restated and unaudited)
Cash	1,659,960,920	1,763,372,256
Including: Cash on hand	20,248	42,916
Bank deposits on demand	1,656,798,897	1,759,961,730
Other monetary funds on demand	3,141,775	3,367,610
Cash equivalents	21,916,298	270,416,298
Including: Time deposits with maturity within three months	–	80,000,000
Time deposits with maturity over three months	21,916,298	190,416,298
Balance of cash and cash equivalents at the end of the period	1,681,877,218	2,033,788,554
Less: Time deposits with maturity over three months	21,916,298	190,416,298
Balance of cash and cash equivalents at the end of the period in the consolidated statement of cash flows	1,659,960,920	1,843,372,256

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VII. SEGMENT REPORTING

1. Operating segment

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

- (1) the expressway segment is responsible for the operation and management of expressways in mainland China;
- (2) the energy segment is responsible for the operation and management of petrol stations and gas stations in mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit from continuing operations. The adjusted total profit from continuing operations is measured consistently with the Group's total profit from continuing operations except that investment income and head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets as they are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and dividends payable as they are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VII. SEGMENT REPORTING (continued)

1. Operating segment (continued)

Six months ended 30 June 2021 (unaudited)

	Expressway segment	Energy segment	Adjustment and eliminations	Total
Revenue from external customers	723,379,235	616,391,234	—	1,339,770,469
Inter-segment transaction revenue	325,959	—	(325,959)	—
External transaction costs	306,852,183	529,282,856	—	836,135,039
Investment income from a joint venture and associates	17,264,232	14,845,609	—	32,109,841
Credit impairment loss	—	30,527	—	30,527
Depreciation and amortization	157,310,469	11,331,232	—	168,641,701
Total profit	344,482,179	41,528,314	32,444,641	418,455,134
Income tax expenses	53,923,820	12,542,580	(3,693,307)	62,773,093
Total assets	7,849,213,344	1,161,433,423	34,207,970	9,044,854,737
Total liabilities	4,403,344,088	131,736,727	228,992,795	4,764,073,610
Other disclosures				
Long-term equity investment in a joint venture and associates	122,585,994	197,483,918	—	320,069,912
Increase (decrease) in other non-current assets other than long-term equity investment	(112,718,416)	(6,587,067)	1,645,588	(117,659,895)

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VII. SEGMENT REPORTING (continued)

1. Operating segment (continued)

Six months ended 30 June 2020 (restated and unaudited)

	Expressway segment	Energy segment	Adjustment and eliminations	Total
Revenue from external customers	325,253,960	418,479,422	–	743,733,382
Inter-segment transaction revenue	211,906	–	(211,906)	–
External transaction costs	230,935,505	335,935,855	–	566,871,360
Investment income from a joint venture and associates	4,017,551	8,282,377	–	12,299,928
Credit impairment loss	209,035	46,204,300	–	46,413,335
Depreciation and amortization	158,808,680	16,124,585	–	174,933,265
Total profit	40,965,927	(6,412,002)	12,299,928	46,853,853
Income tax expenses	27,036,944	13,080,576	(64,484,545)	(24,367,025)
Other disclosures				
Increase (decrease) in other non-current assets other than long-term equity investment	(205,485,356)	737,130	17,571,460	(187,176,766)
As of 31 December 2020 (audited)				
Total assets	7,954,881,525	1,079,963,366	32,562,381	9,067,407,272
Total liabilities	4,591,925,098	102,341,638	201,232,926	4,895,499,662
Other disclosures				
Long-term equity investment in a joint venture and associates	118,218,264	182,057,239	–	300,275,503

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VII. SEGMENT REPORTING (continued)

2. Other information

Information about products and services

Revenue from external customers

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Toll income	686,125,671	316,411,382
Revenue from sales of refined oil	560,165,983	417,941,831
Revenue from trading activities	41,696,920	–
Revenue from operation and management services	30,021,388	–
Revenue from convenience stores	13,673,637	–
Rental income	3,806,687	2,724,691
Construction revenue	–	2,155,600
Others	4,280,183	4,499,878
	1,339,770,469	743,733,382

Geographical information

The Group's revenue is generated from and its non-current assets are located in Mainland China to the exception of financial assets and deferred tax assets.

Information about major customers

The Group has a diverse customer base and no revenue derived from a single customer contributed to 10% or more of the total revenue of the Group.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

VIII. FAIR VALUES

1. Fair value of financial instruments

The management has assessed that the fair values of currency funds, accounts receivable and accounts payable approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The following is the carrying amount and fair value of financial instruments except for lease liabilities and the financial instruments for which the difference between the carrying amount and fair value is immaterial:

	30 June 2021 (unaudited)		31 December 2020 (audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Other non-current financial assets	13,950,700	13,950,700	500,000	500,000
Long-term receivables	1,720,000	1,720,000	1,720,000	1,720,000
Financial liabilities				
Long-term borrowings	2,856,000,000	2,751,880,450	2,968,000,000	2,851,409,266
Other non-current financial liabilities	82,881,170	77,872,078	81,767,954	75,991,184

The finance department of the Group is led by the chief financial officer and is responsible for formulating policies and procedures for measuring the fair values of financial instruments. On each balance sheet date, the financial department analyzes the changes in the value of financial instruments and determines the main input applicable to valuation. The valuation is subject to review and approval by the chief financial officer.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, other than in a forced or liquidation sale. The following methods and assumptions are used in estimating fair value.

The fair values of the long-term borrowings and other non-current liabilities are determined using discount cash flows, at rates equal to market yield of other financial instruments with similar contract terms, credit risks and remaining Term. As at 30 June 2021, non-performance risks underlying long-term borrowings and other non-current liabilities were appraised as immaterial.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

VIII. FAIR VALUES (continued)

2. Fair value hierarchy

The fair value hierarchy of the non-current portion of the Group's financial assets and financial liabilities whose fair value has been disclosed is regarded as Level 3, which requires a substantial number of unobservable inputs as at the end of the reporting period. The fair value hierarchy of other non-current financial assets at fair value through profit or loss requires considerable unobservable inputs (Level 3). The significant unobservable inputs used in fair value measurement are the price-to-earnings ratio and liquidity discount of comparable listed companies. With all other variables remaining unchanged, it is estimated that an increase/(decrease) of price-to-earnings ratio and a decrease/ (increase) of liquidity discount will lead to an increase/(decrease) of fair value of financial assets at fair value through profit or loss.

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Criteria of related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties.

Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

2. Parent company and subsidiaries

Name of the parent company	Place of registration	Nature of business	Shareholding proportion in the Company	Voting rights proportion in the Company	Registered capital
Chengdu Expressway Construction	Chengdu	Investment in, construction, operation and management of transportation infrastructure	54.34%	54.34%	736,147,000.00

The ultimate controller of the Company is Chengdu Communications Investment.

Details of the subsidiaries of the Company are set out in 1 of Note V.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (continued)

3. Other related parties

	Related party relationship
Chengdu Transportation Junction Construction Management Co., Ltd (“Chengdu Junction”)	Under common control of Chengdu Communications Investment
Chengdu Communications Assets Management Co., Ltd. (“Assets Management”)	Under common control of Chengdu Communications Investment
Chengdu Communications Information Port Co., Ltd. (“Chengdu Communications Information Port”)	Under common control of Chengdu Communications Investment
Chengdu Road and Bridge Management Co., Ltd. (“Chengdu Road & Bridge”)	Under common control of Chengdu Expressway Construction
Chengdu Jiuhe Chengdu Huaguan Industrial Co., Ltd. (“Chengdu Huaguan”)	An associate of a subsidiary A non-controlling shareholder of a subsidiary
Chengdu Petroleum Corporation (“Chengdu Petroleum”)	A subsidiary of Chengdu Huaguan
PetroChina Company Limited Sichuan Chengdu Sales Branch (“PetroChina”)	A non-controlling shareholder of a subsidiary
Sinkiang CNPC Build Install Engineering Co., Ltd (“Sinkiang Engineering”)	A subsidiary of PetroChina

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(continued)*

4. Major transactions between the Group and related parties

(1) *Sale of refined oil to a related party*

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Chengdu Huaguan	30,527	4,165

The management is of the view that the amount of refined oil charged to Chengdu Huaguan determined according to the purchase agreement is based on market price.

(2) *Provision of services to a related party*

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Chengdu Communications Investment	326,286	–

The management is of the view that the agency management fees charged to Chengdu Communications Investment determined according to the entrusted project management agreement is based on market price.

(3) *Purchase of refined oil from a related party*

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
PetroChina	312,126,464	193,895,305

The management is of the view that the amount of refined oil charged by PetroChina determined according to the purchase agreement is based on market price.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (continued)

4. Major transactions between the Group and related parties (continued)

(4) Interest expenses to related parties

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Chengdu Communications Investment	56,333	–
Chengdu Expressway Construction	1,113,215	9,703,901
	1,169,548	9,703,901

The management is of the view that interest expense to Chengdu Communications Investment and Chengdu Expressway Construction determined according to borrowing agreement is based on the market interest rate of similar borrowings.

(5) Borrowings from a related party

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Chengdu Communications Investment	40,000,000	–

In June 2021, Energy Operation, a subsidiary of the Company, borrowed RMB40,000,000 from Chengdu Communications Investment for a term of one year and at annual interest rate of 3.9%. Interest thereof shall be paid on a quarterly basis and the principal and interest shall be paid in one lump sum upon maturity.

(6) Repayment of shareholder's borrowings to a related party

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Chengdu Expressway Construction	–	726,873,670

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(continued)*

4. Major transactions between the Group and related parties *(continued)*

(7) Acceptance of property leasing services from a related party

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Chengdu Junction	138,648	138,648

The management is of the view that office rental charged by Chengdu Junction according to the leasing agreement is based market price of office buildings in similar locations.

Upon adoption of the new leasing standards, certain contracts with Chengdu Junction were measured as right-of-use assets. For the six months ended 30 June 2021, the Group paid rental of RMB478,366 (six months ended 30 June 2020: RMB1,640,385) to Chengdu Junction.

(8) Acceptance of property management and other services from related parties

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (restated and unaudited)
Assets Management	1,718,338	1,631,106
Chengdu Junction	188,857	168,460
	1,907,195	1,799,566

The management is of the view that the property management and other general services fees payable by the Group to Assets Management and Chengdu Junction according to the property management and other general services agreements are based on the market price of similar services in similar locations.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (continued)

4. Major transactions between the Group and related parties (continued)

(9) Construction compensation from related parties

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Chengdu Road & Bridge	–	1,903,388
Chengdu Communications Information Port	2,753,073	–
	2,753,073	1,903,388

On 14 October 2019, Chengdu Airport Expressway Company and Chengdu Road & Bridge entered into the Construction Compensation Agreement regarding the occupation, demolition and compensation for the renovation project of the Blue Sky Interchange (藍天立交) node involved in the 3rd Ring Road expansion and upgrading project, pursuant to which, Chengdu Road & Bridge paid Chengdu Airport Expressway Company RMB1,903,388 from January to June 2020 as compensation of temporary occupation, demolition of pedestrian overpasses and appurtenances and safety monitoring and construction coordination fee, so as to compensate Chengdu Airport Expressway Company for the impact on its toll income during the construction period. No such matter took place in the current period.

On 6 May 2021, the Company and Chengdu Airport Expressway Company entered into the road assets compensation agreements with Chengdu Communications Information Port for the occupation, demolition and compensation of K1+184 to K37+076 section of Chengguan Expressway and K0+660 to K10+690 section of Chengdu Airport Expressway due to implementation of the expressway intelligent traffic control system project, pursuant to which, Chengdu Communications Information Port shall pay the Company and Chengdu Airport Expressway Company RMB1,796,874 and RMB956,199, respectively, for temporary occupation of road sections and greening compensation to compensate Chengguan Expressway and Chengdu Airport Expressway for the damage caused and occupation of road assets during the construction period.

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (continued)

4. Major transactions between the Group and related parties (continued)

(10) Acceptance of guarantees provided by a related party

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Chengdu Communications Investment	1,741,000,000	1,794,000,000

The guarantee was provided by Chengdu Communications Investment at nil consideration.

5. Balance of amounts receivable by and payable to related parties

(1) Other receivables

	30 June 2021 (unaudited)	31 December 2020 (audited)
Assets Management	199,047	162,407
Chengdu Petroleum	45,750,912	45,750,912
	45,949,959	45,913,319
Less: Provision for bad debts of other receivables	45,750,912	45,750,912
	199,047	162,407

(2) Other payables

	30 June 2021 (unaudited)	31 December 2020 (audited)
Chengdu Communications Investment	40,000,000	–
Chengdu Communications Information Port	400,000	–
Sinkiang Engineering	260,156	260,156
	40,660,156	260,156

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (continued)

5. Balance of amounts receivable by and payable to related parties (continued)

(3) Accounts receivable

	30 June 2021 (unaudited)	31 December 2020 (audited)
Chengdu Huaguan	462,621	432,094
Less: Provision for bad debts of accounts receivable	462,621	432,094
	—	—

(4) Contact liabilities

	30 June 2021 (unaudited)	31 December 2020 (audited)
Chengdu Communications Investment	1,114,902	—
Chengdu Communications Information Port	2,760,797	—
	3,875,699	—

(5) Prepayments

	30 June 2021 (unaudited)	31 December 2020 (audited)
PetroChina	36,242,315	21,857,922

(6) Long-term receivables

	30 June 2021 (unaudited)	31 December 2020 (audited)
Chengdu Jiuhe	2,150,000	2,150,000
Less: Non-current assets due within one year	430,000	430,000
	1,720,000	1,720,000

NOTES TO FINANCIAL STATEMENTS

Unit: RMB

Six months ended 30 June 2021

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (continued)

5. Balance of amounts receivable by and payable to related parties (continued)

(7) Other non-current liabilities

	30 June 2021 (unaudited)	31 December 2020 (audited)
Chengdu Expressway Construction	82,881,170	81,767,954

X. CONTINGENT LIABILITIES

In September to December 2015, Chengdu Guanghua branch of Agricultural Bank of China (the "ABC Guanghua Branch") entered into four factoring agreements with Chengdu Petroleum in succession and paid Chengdu Petroleum financing facilities of RMB85,000,000. On 4 June 2018, the ABC Guanghua Branch filed a lawsuit to the court, claiming that Chengdu Petroleum transferred its accounts receivable of RMB111,369,479 from Communications Investment Energy to the ABC Guanghua Branch as the consideration for such financing, and Communications Investment Energy signed a maximum guarantee contract with the ABC Guanghua Branch, pursuant to which, the parties agreed to provide maximum guarantee for Chengdu Petroleum's liabilities of RMB85,000,000. As of 4 June 2018, RMB73,989,473 and the overdue interests remained unpaid by Chengdu Petroleum and Chengdu Petroleum failed to fulfill the obligations of repurchase and repayment of principal and interest, and the guarantor did not fulfill its guarantee responsibility. The ABC Guanghua Branch required Communications Investment Energy to immediately pay the accounts receivable of RMB73,989,473 and the overdue interest to the ABC Guanghua Branch.

In addition, Communications Investment Energy was not aware that it had signed the underlying transaction contract and guarantee contract provided by Chengdu Petroleum to the ABC Guanghua Branch for the application of factoring financing, and the relevant contracts were forged. On 29 July 2016, Energy Development Company, a shareholder of Communications Investment Energy, reported the case to the Economic Investigation Detachment of Chengdu Public Security Bureau.

As of the approval date of these financial statements, the case had not been issued with a final judgement, and the management, based on the advice of the legal adviser, considered that Communications Investment Energy had legitimate defense against the lawsuit. Chengdu Communications Investment has irrevocably undertaken to the Group in writing that, following the acquisition of Energy Development Company, if the court rules that Communications Investment Energy shall bear legal responsibilities, Chengdu Communications Investment shall compensate the actual losses caused to the Group in full. Accordingly, the management did not make provision in this regard.

NOTES TO FINANCIAL STATEMENTS

Six months ended 30 June 2021

Unit: RMB

XI. COMMITMENTS

	30 June 2021 (unaudited)	31 December 2020 (audited)
Contracted but not provided for Capital commitments	117,483,281	40,436,563

XII. COMPARATIVE FIGURES

Given the business combination under common control that took place in August 2020, comparative figures in the consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity have been restated accordingly.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

There are no events occurring after the balance sheet date subject to disclosure in the current period.

XIV. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors of the Company on 26 August 2021.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Yang Tan (*General Manager*)
Ms. Wang Xiao
Mr. Zhang Dongmin
Mr. Luo Dan

Non-executive Directors

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

Independent non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. Zhang Guangwen
Ms. Kwong Yin Ping, Yvonne

AUDIT AND RISK MANAGEMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND EVALUATION COMMITTEE

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

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Yang Tan (*Chairman*)
Ms. Wang Xiao
Mr. Shu Wa Tung, Laurence

SUPERVISORY COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Luo Dan
Mr. Zhang Guangwen

AUDITOR

Ernst & Young Hua Ming LLP

LEGAL ADVISERS

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DLA Piper Hong Kong

As to PRC Law:

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CORPORATE INFORMATION

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Sichuan Chengdu Jinniu Branch

Industrial and Commercial Bank
Sichuan Chengdu Binjiang Branch

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Stock Code: 1785

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