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越秀交通基建有限公司

Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 01052)

2018 INTERIM RESULTS ANNOUNCEMENT

The directors of Yuexiu Transport Infrastructure Limited (“Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, “Group”) for the six months ended 30 June 2018 (“Reporting Period”) as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	(Unaudited)	
		Six months ended 30 June	
		2018	2017
		RMB'000	RMB'000
Revenue	4	1,371,008	1,200,125
Cost of services	5	(373,266)	(352,668)
Construction income under service concession upgrade services		36,864	21,735
Construction cost under service concession upgrade services		(36,864)	(21,735)
Other income, gains and losses - net	6	28,215	16,830
General and administrative expenses	5	(110,656)	(99,925)
Operating profit		915,301	764,362
Finance income	7	64,306	15,719
Finance costs	7	(268,911)	(249,827)
Share of result of a joint venture		42,236	25,985
Share of results of associates		171,784	167,845
Profit before income tax		924,716	724,084
Income tax expense	8	(291,030)	(192,717)
Profit for the period		633,686	531,367
Profit attributable to:			
Shareholders of the Company		462,423	380,070
Non-controlling interests		171,263	151,297
		633,686	531,367
Earnings per share for profit attributable to shareholders of the Company		RMB	RMB
Basic and diluted earnings per share	9	0.2764	0.2272

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	(Unaudited)	
	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	633,686	531,367
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	224	(823)
Total comprehensive income for the period	633,910	530,544
Total comprehensive income attributable to:		
Shareholders of the Company	462,647	379,247
Non-controlling interests	171,263	151,297
	633,910	530,544

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2018**

		(Unaudited) As at 30 June 2018 RMB'000	(Audited) As at 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights		17,650,940	17,915,044
Goodwill		632,619	632,619
Property, plant and equipment		82,959	87,473
Investment properties		36,674	36,484
Investment in a joint venture		475,700	433,465
Investments in associates		1,540,215	1,550,386
Available-for-sale financial assets		—	200
Other non-current receivables	11	55,816	65,440
		<u>20,474,923</u>	<u>20,721,111</u>
Current assets			
Trade receivables	12	120,517	140,476
Other receivables, deposits and prepayments		62,488	60,091
Amount due from a non-controlling interest of a subsidiary		—	2,470
Derivative financial instruments		—	35,523
Short-term bank deposits, cash and cash equivalents		2,778,933	2,958,818
		<u>2,961,938</u>	<u>3,197,378</u>
Total assets		<u><u>23,436,861</u></u>	<u><u>23,918,489</u></u>

	(Unaudited)	(Audited)
	As at	As at
	30 June	31 December
Note	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	147,322	147,322
Reserves	9,550,151	9,397,526
	<u>9,697,473</u>	<u>9,544,848</u>
Non-controlling interests	2,286,023	2,272,556
Total equity	<u>11,983,496</u>	<u>11,817,404</u>
LIABILITIES		
Non-current liabilities		
Borrowings	6,147,843	5,533,459
Deferred income	—	87,075
Contract liabilities	85,550	—
Deferred income tax liabilities	2,093,783	1,988,483
Corporate bonds	1,694,822	1,993,263
	<u>10,021,998</u>	<u>9,602,280</u>
Current liabilities		
Borrowings	463,619	319,724
Notes payable	—	1,557,953
Corporate bonds	299,601	—
Amount due to non-controlling interests of subsidiaries	159,407	1,611
Amounts due to holding companies	1,212	696
Amount due to a joint venture	92,050	92,050
Trade and other payables and accrued charges	328,446	441,352
Deferred income	—	3,935
Contract liabilities	3,935	—
Current income tax liabilities	83,097	81,484
	<u>1,431,367</u>	<u>2,498,805</u>
Total liabilities	<u>11,453,365</u>	<u>12,101,085</u>
Total equity and liabilities	<u>23,436,861</u>	<u>23,918,489</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

This Financial Information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. Accounting policies

The accounting policies applied are consistent with those of the Group’s annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2018.

New standards, amendments, improvement and interpretation

HKAS 40 (Amendment)	Transfer of investment property
HKFRSs	Annual improvements 2014-2016 reporting cycle
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK (IFRIC) – Int 22	Foreign currency transactions and advance consideration

The above new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2018 do not have a material impact on the Group, except for HKFRS 15 “Revenue from contracts with customers” as set out below.

HKFRS 15 “Revenue from contracts with customers” – Impact of adoption

The Group has adopted HKFRS 15 “Revenue from contracts with customers” from 1 January 2018, resulting in changes in accounting policies and adjustments to the amounts recognised in the Financial Information. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard. The reclassification arising from the new rules is therefore not reflected in the consolidated balance sheet as at 31 December 2017, but is recognised in the opening balance sheet on 1 January 2018.

The adjustments on the consolidated balance sheet as at 1 January 2018 are summarised below:

	31 December 2017	Effect of	1 January 2018
	As originally	adoption of	restated
Consolidated balance sheet (extract)	presented	HKFRS 15	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
– Deferred income	87,075	(87,075)	—
– Contract liabilities	—	87,075	87,075
Current liabilities			
– Deferred income	3,935	(3,935)	—
– Contract liabilities	—	3,935	3,935

Contract liabilities in relation to fees received in advance from contractors relating to operation of service areas and petrol stations along a toll highway were previously presented as deferred income.

Contract liabilities are recognised when customer pay consideration, or are contractually required to pay consideration and the amounts are already due, before the Group recognises the related revenue.

The adoption of HKFRS 15 did not result in any other impact to the Financial Information.

The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
New standards, amendment, improvement and interpretation		
HKAS 19 (Amendment)	Employee benefits	1 January 2019
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2019
HKFRSs	Annual improvement 2015 – 2017 reporting cycle	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation and modification of financial liabilities	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) - Int 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

Management is in the process of making an assessment of the impact of these new standards, amendments, improvement and interpretation in the period of initial application. The Group's assessment of the impact of these new standards, amendments, improvement and interpretation is set out below.

HKFRS 16 “Leases”

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for the first interim period within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other new standards, amendments, improvement and interpretation that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Significant accounting estimates and assumptions

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

4. Revenue and segment information

The Group is principally engaged in the operation and management of toll highways and bridges in the PRC. The chief operating decision-maker has been identified as Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance of the Group's main reporting segment - Toll highways and bridges projects in the PRC. The Executive Directors assess the performance of this main reporting segment based on measurement of profit after income tax for the period. Other operations mainly comprise investment and others. There have been no sales carried out between segments. None of these operations constitutes a separate segment. The financial information provided to the chief operating decision-maker is measured in a manner consistent with that of the Financial Information.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2018 and 2017 respectively.

Business segment	Toll roads operations	All other segments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2018			
Revenue (from external customers)	1,371,008	—	1,371,008
Amortisation of intangible operating rights	(276,930)	—	(276,930)
Depreciation of property, plant and equipment	(7,252)	(365)	(7,617)
Operating profit/(loss)	916,167	(866)	915,301
Finance income	64,306	—	64,306
Finance costs	(268,911)	—	(268,911)
Share of result of a joint venture	42,236	—	42,236
Share of results of associates	171,784	—	171,784
Profit/(loss) before income tax	925,582	(866)	924,716
Income tax expense	(291,030)	—	(291,030)
Profit/(loss) for the period	634,552	(866)	633,686
Six months ended 30 June 2017			
Revenue (from external customers)	1,200,125	—	1,200,125
Amortisation of intangible operating rights	(262,639)	—	(262,639)
Depreciation of property, plant and equipment	(6,299)	(395)	(6,694)
Operating profit	762,894	1,468	764,362
Finance income	15,719	—	15,719
Finance costs	(249,827)	—	(249,827)
Share of result of a joint venture	25,985	—	25,985
Share of results of associates	167,845	—	167,845
Profit before income tax	722,616	1,468	724,084
Income tax expense	(192,717)	—	(192,717)
Profit for the period	529,899	1,468	531,367

The following tables present assets and liabilities information regarding the Group's operating segments as at 30 June 2018 and 31 December 2017 respectively.

Assets and liabilities	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
As at 30 June 2018 and for the six months ended 30 June 2018			
Total segment assets	23,404,617	32,244	23,436,861
Addition to non-current assets	16,059	—	16,059
Total segment assets include:			
Investment in a joint venture	475,700	—	475,700
Investments in associates	1,537,965	2,250	1,540,215
Total segment liabilities	(11,453,201)	(164)	(11,453,365)
Total segment liabilities include:			
Amount due to a joint venture	<u>(92,050)</u>	<u>—</u>	<u>(92,050)</u>
As at 31 December 2017 and for the year ended 31 December 2017			
Total segment assets	23,886,140	32,349	23,918,489
Addition to non-current assets	86,052	—	86,052
Total segment assets include:			
Investment in a joint venture	433,465	—	433,465
Investments in associates	1,548,136	2,250	1,550,386
Total segment liabilities	(12,100,922)	(163)	(12,101,085)
Total segment liabilities include:			
Amount due to a joint venture	<u>(92,050)</u>	<u>—</u>	<u>(92,050)</u>

All major operating entities are domiciled in the PRC. All revenues of the Group from external customers are generated in the PRC. Besides, most of the assets of the Group are located in the PRC. Thus no geographic information is presented.

There are no differences from the last annual financial statements on the basis of segmentation or in the basis of measurement of segment profit or loss.

5. Expenses by nature

Expenses included in cost of services and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Taxes and surcharges	5,718	4,794
Amortisation of intangible operating rights	276,930	262,639
Depreciation of property, plant and equipment	7,617	6,694
Toll highways and bridges maintenance expenses	19,275	17,564
Toll highways and bridges operating expenses	18,831	18,168
Staff costs (including directors' emoluments)		
- Wages and salaries	92,936	81,571
- Pension costs (defined contribution plan)	7,522	7,605
- Social security costs	6,335	6,002
- Staff welfare and other benefits	21,579	18,744
Auditor's remuneration	1,234	1,545
Rental expenses	5,350	6,174
Legal and professional fee	7,260	5,404

6. Other income, gains and losses – net

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value gain on investment properties	—	1,181
Exchange gain – net	17,020	2,789
Loss on disposal of property, plant and equipment	(103)	(2,354)
Compensation for expressways and bridges damages	3,177	5,331
Handling income from toll fee collection	526	523
Management service income	876	781
Income from service areas and gas stations	6,475	5,801
Others	244	2,778

7. Finance income/costs

	Six months ended 30 June	
	2018	2017
	RMB'000	<i>RMB'000</i>
Bank interest income	24,262	8,265
Interest income on other non-current receivables	2,571	3,015
Interest income on amount due from a non-controlling interest of a subsidiary	—	1,460
Fair value gain on derivative financial instruments	—	2,979
Exchange gain on notes payables	37,473	—
	<u>64,306</u>	<u>15,719</u>
Finance income		
Interest expenses:		
- Bank borrowings	(134,438)	(112,119)
- Bank facility fees	(530)	(1,559)
- Loans from non-controlling interests of certain subsidiaries	(54)	(50)
- Loan from an ultimate holding company	(66)	—
- Notes payable	(11,299)	(15,280)
- Corporate bonds	(32,624)	(32,654)
Fair value loss on derivative financial instruments	(50,666)	—
Exchange loss on bank borrowings	(39,234)	—
Exchange loss on notes payable	—	(88,165)
	<u>(268,911)</u>	<u>(249,827)</u>
Finance costs		

8. Income tax expense

- (a) No provision for Hong Kong profits tax has been made in the Financial Information as the Group had no assessable income subject to Hong Kong profits tax during the period (30 June 2017: Nil).
- (b) During the six months ended 30 June 2018, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and joint venture in the PRC in accordance with the Corporate Income Tax Law of China. The applicable principal income tax rate for the six months ended 30 June 2018 is 25% (30 June 2017: 25%). Certain subsidiaries of the Group enjoy six years' preferential tax treatment of income tax, at a preferential income tax rate of 15%.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%. During the period, withholding income tax was provided for dividend distributed reinvestment and undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (30 June 2017: 5% or 10%).

- (c) The amount of income tax charged to the interim condensed consolidated income statement represents:

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax	185,729	173,517
Deferred income tax		
Withholding tax on dividend distributed for reinvestment	70,000	—
Withholding tax on undistributed profits of subsidiaries and associate	35,301	19,200
	<u>291,030</u>	<u>192,717</u>

9. Earnings per share for profit attributable to shareholders of the Company

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to shareholders of the Company (RMB'000)	<u>462,423</u>	<u>380,070</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,162</u>	<u>1,673,162</u>
Basic and diluted earnings per share (RMB)	<u>0.2764</u>	<u>0.2272</u>

The diluted earnings per share for the six months ended 30 June 2018 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the period (30 June 2017: same).

10. Interim dividends

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, proposed, of HK\$0.15 equivalent to approximately RMB0.13 (30 June 2017: HK\$0.13 equivalent to approximately RMB0.11) per share	<u>218,405</u>	<u>186,823</u>

A dividend of RMB310,022,000 that relates to the period to 31 December 2017 was paid on 28 June 2018 (30 June 2017: RMB296,394,000 that relates to the period to 31 December 2016 was paid on 28 June 2017).

On 9 August 2018, the board of directors has resolved to declare an interim dividend of HK\$0.15 per share (30 June 2017: HK\$0.13). This interim dividend, amounting to RMB0.13 (30 June 2017: RMB0.11), has not been recognised as a liability in this Financial Information. It will be recognised in shareholders' equity for the year ending 31 December 2018.

11. Other non-current receivables

Non-current receivables represent the non-current portion of the present value of consideration receivable, discounted at a rate of 5.32% in relation to the disposal of the Group's toll operating rights of Xiang Jiang Bridge II in 2009.

As at 30 June 2018, the total remaining balance of the consideration receivable (including current and non-current portions) is RMB80.3 million (31 December 2017: RMB89.0 million) which will be settled by 7 half yearly installments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB55.8 million (31 December 2017: RMB65.4 million) will be received after 30 June 2019 (31 December 2017: 31 December 2018) according to the repayment schedule.

The fair value of the consideration receivable (including current and non-current portions) of approximately RMB83.9 million (31 December 2017: RMB93.2 million) is estimated by discounting remaining balance of RMB91.8 million (31 December 2017: RMB103.6 million) at the applicable current interest rate of 4.71% (31 December 2017: 4.72%) and is categorised as level 2 under the fair value hierarchy.

12. Trade receivables

As at 30 June 2018, trade receivables were aged below 30 days (31 December 2017: 30 days).

The Group's revenue is generally settled in cash and it usually does not maintain any account balances owing. The trade receivables represented amounts due from local transport departments which collected the toll revenue for all operating entities due to the implementation of unified toll collection policy on expressways and highways. The settlement period is normally within a month.

13. Trade and other payables and accrued charges

	As at	
	30 June 2018 <i>RMB'000</i>	31 December 2017 <i>RMB'000</i>
Trade payables	49,968	65,410
Other payables and accrued charges	278,478	375,942
	<u>328,446</u>	<u>441,352</u>

The ageing analysis of trade payables is as follows:

0 - 30 days	12,996	28,438
Over 90 days	36,972	36,972
	<u>49,968</u>	<u>65,410</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage	Width (Lanes)	Toll Station(s)	Road Type	Attributable Interest (%)	Remaining Operating Term (years)
Subsidiaries						
GNSR Expressway	42.5	6	5	Expressway	60.00	14
Cangyu Expressway	23.3	4	1	Expressway	100.00	12
Jinbao Expressway	23.9	4	3	Expressway	60.00 ⁽¹⁾	12
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	18
Changzhu Expressway	46.5	4	5	Expressway	100.00	22
Weixu Expressway	64.3	6	2	Expressway	100.00	17
Suiyuan Expressway	98.1	4	4	Expressway	70.00	22
Associates and Joint Venture						
GWSR Expressway	42.1	6	4	Expressway	35.00	12
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽²⁾	11
Northern Ring Road	22.0	6	8	Expressway	24.30	5
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	10
Qinglian Expressway	215.2	4	16	Expressway	23.63	16

Notes:

- (1) The percentage of equity interest attributable to the Group was 60%; profit sharing ratio: 90% in 2012 and before, 40% from 2013 to 2015, 60% in 2016 and thereafter.
- (2) The profit sharing ratio was 18.446% from 2010 onwards.

Toll Summary of Toll Roads and Bridges

For the six months ended 30 June 2018

	Average daily toll traffic volume		Average daily toll revenue	
	First half of 2018	Y-O-Y Change %	First half of 2018	Y-O-Y Change %
	(vehicles/day)		(RMB/day)	
Subsidiaries				
GNSR Expressway	229,937	6.7%	3,068,138	-0.3%
Cangyu Expressway	11,976	-7.5%	225,639	-2.3%
Jinbao Expressway	37,255 ⁽¹⁾	14.6%	263,775	9.9%
Han-Xiao Expressway	27,098	1.4%	472,219	3.5%
Changzhu Expressway	59,624 ⁽¹⁾	3.6%	676,749	18.6%
Weixu Expressway	29,499	32.4%	1,171,963	40.1%
Suiyuan Expressway	23,138	18.7%	1,696,148	39.1%
Associates and Joint Venture				
GWSR Expressway	75,571	17.0%	1,485,472	31.2%
Humen Bridge	120,665	4.9%	4,501,108	6.1%
Northern Ring Road	342,207	8.0%	2,110,862	2.6%
Shantou Bay Bridge	24,998	-1.7%	567,903	-13.8%
Qinglian Expressway	43,482	5.1%	2,139,404	4.1%

Note:

- (1) According to the upgrade of traffic data collection technology and related work arrangements of the local network centers in Hunan Province and Tianjin City, the statistical calibers for the toll traffic volumes of Changzhu Expressway and Jinbao Expressway have been adjusted from May 2018. The statistical caliber for the toll traffic volume of Changzhu Expressway has been changed from the entrance and exit traffic volume to the sum of the entrance and exit traffic volume and the passing through traffic volume, while that of Jinbao Expressway has been changed from MTC (Manual Toll Collection) traffic volume to the sum of MTC (Manual Toll Collection) and ETC (Electronic Toll Collection) traffic volume. The aforesaid adjustment to the statistical calibers for the toll traffic volumes of Changzhu Expressway and Jinbao

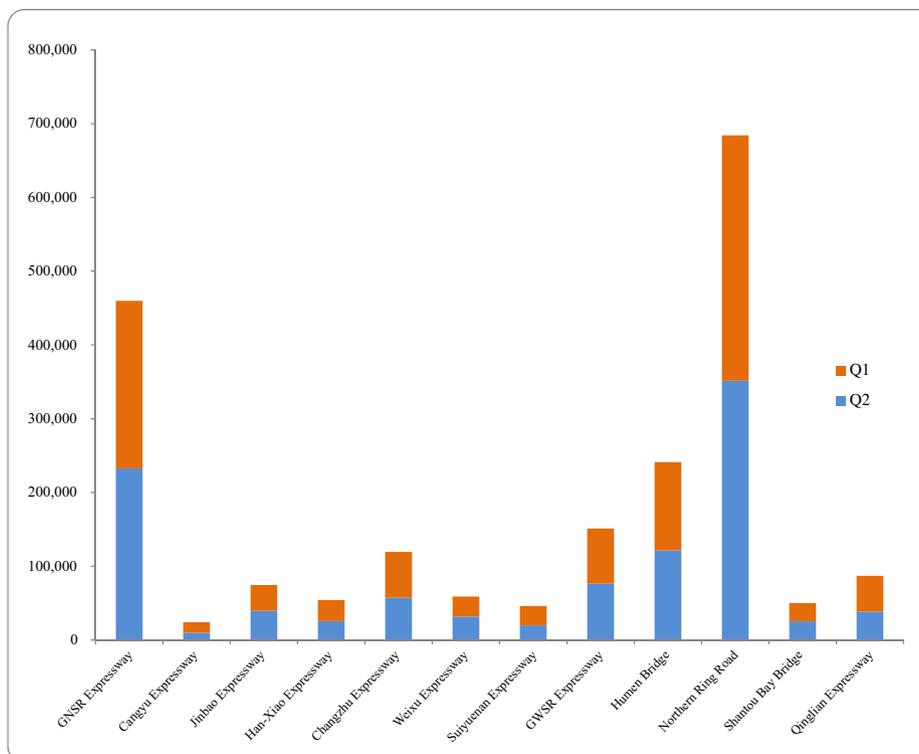
Expressway has no influence on the toll revenues as the previous statistical calibers for toll revenues have included the entrance and exit traffic volume and the passing through traffic volume (including MTC (Manual Toll Collection) and ETC (Electronic Toll Collection)). From now on, the statistical calibers of toll traffic volumes for all projects of the Group's subsidiaries, associates and joint ventures are the entrance and exit traffic volume and the passing through traffic volume (including MTC (Manual Toll Collection) and ETC (Electronic Toll Collection)).

Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for the period from January to June 2018

	Average daily toll traffic volume for the first quarter (vehicles/day)	Average daily toll traffic volume for the second quarter (vehicles/day)
Subsidiaries		
GNSR Expressway	227,123	232,720
Cangyu Expressway	14,110	9,866
Jinbao Expressway	34,821	39,661
Han-Xiao Expressway	28,309	25,901
Changzhu Expressway	61,646	57,625
Weixu Expressway	27,164	31,808
Suiyuenan Expressway	26,152	20,157
Associates and Joint Venture		
GWSR Expressway	74,642	76,489
Humen Bridge	119,499	121,819
Northern Ring Road	333,008	351,305
Shantou Bay Bridge	24,552	25,441
Qinglian Expressway	48,565	38,454

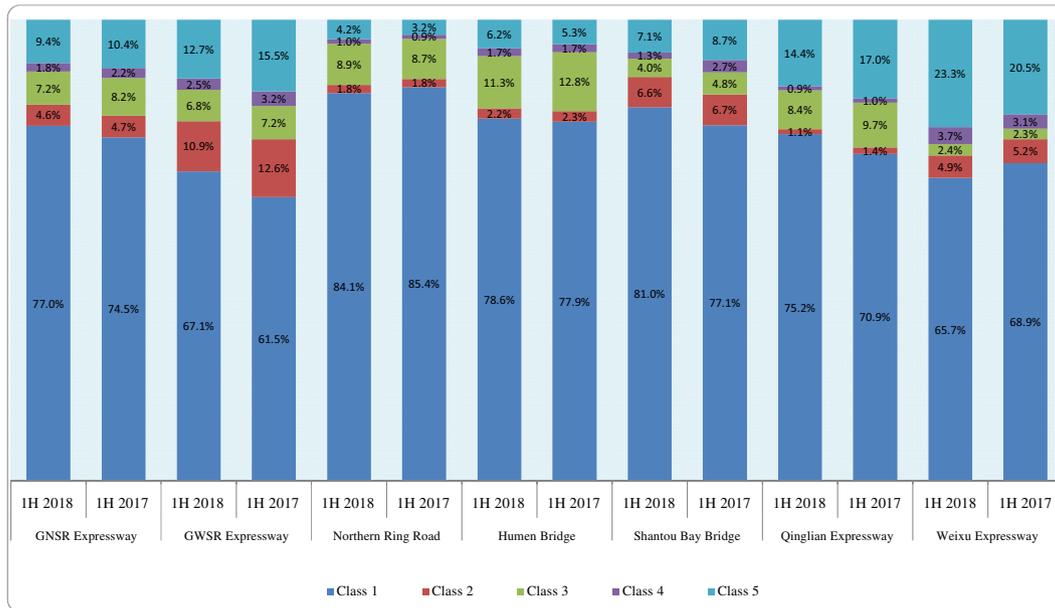
Analysis of average daily toll traffic volume for the first and second quarters of 2018



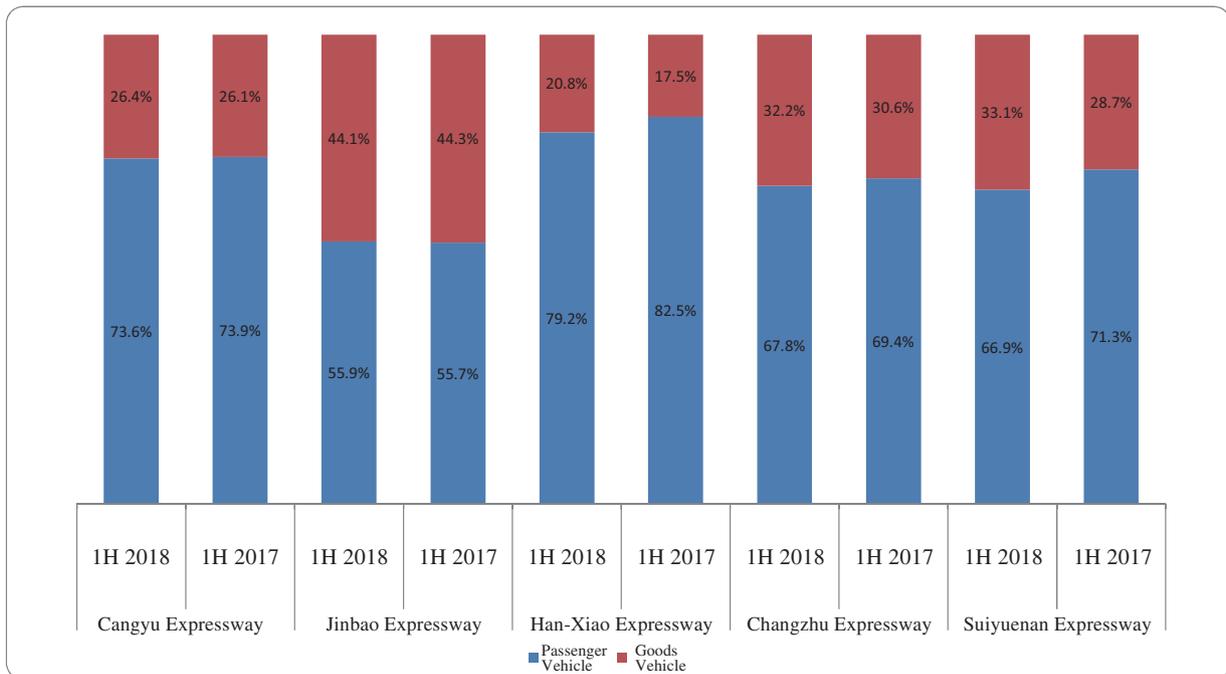
Analysis of Quarterly Toll Traffic Volume

During the Reporting Period, the Group's operating projects were primarily distributed in six provinces/municipalities including Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. According to the vehicle type classification, which was based on the location where the Group invested in and operated its projects, the vehicle types of projects operated in the provinces of Guangdong and Henan were classified as Class 1 to Class 5, for projects operated in other areas, the vehicle types were classified into passenger (vehicle) and goods (vehicle).

Vehicle type analysis on projects operated in Guangdong Province and Henan Province for the first half of 2018 (based on statistics of traffic volume)



Vehicle type analysis on projects operated in other regions for the first half of 2018 (based on statistics of traffic volume)



SUMMARY OF OPERATING PERFORMANCE

Macroeconomic environment

During the Reporting Period, the world economic growth continued to strengthen. The expansion of developed economies continued to outpace potential growth rates, while the growth rate of emerging economies is accelerating. However, the current favorable economic growth rate still requires consolidation. The International Monetary Fund (IMF) raised its forecast for world economic growth this year by 0.2 percentage points to 3.9% in the “World Economic Outlook”. Meanwhile, the equilibrium of economic expansion has deteriorated and the risks on economic growth prospects have heightened. The intensified trade conflicts, geopolitical issues and increasing political uncertainties may bring new waves of market volatility.

The Chinese economy recorded an overall steady growth. As indicated by the data from the National Bureau of Statistics, GDP for the first half of 2018 amounted to RMB41.8961 trillion, representing a year-on-year increase of 6.8%. Purchasing Managers’ Index (PMI) of the manufacturing industry was 51.5% during the first half of 2018, which maintain the upward trend of expansion, indicating the overall steady trend of positive improvement with stability.

During the Reporting Period, the economy of domestic transportation industry remained generally stable, and the optimization of transportation structure continued. Investment in fixed assets in highway construction amounted to RMB906.6 billion, representing a year-on-year increase of 1%. Highway passengers turnover decreased by 6.1% and cargo turnover increased by 6.5% year-on-year, respectively.

During the Reporting Period, domestic car ownership maintained a relatively speedy growth momentum. During the first half of 2018, domestic car ownership reached 229 million vehicles, representing a year-on-year increase of 11.7%.

The projects invested and operated by the Group are distributed throughout Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The GDP growth of these regions for the first half of 2018 increased by 7.1%, 3.4%, 6.2%, 7.8%, 7.8% and 7.8%, respectively.

(unit: RMB100 million)

	Guangxi						
	Guangdong	Tianjin	Autonomous	Hunan	Hubei	Henan	
	National	Province	Municipality	Region	Province	Province	Province
GDP for the first half of 2018	418,961	46,342	9,928	8,763	16,405	17,958	22,245
GDP Growth for the first half of 2018	6.8%	7.1%	3.4%	6.2%	7.8%	7.8%	7.8%
GDP Growth for the first half of 2017	6.9%	7.8%	6.9%	7.2%	7.6%	7.8%	8.2%

Source: National and Provincial Bureaus of Statistics, Ministry of Transport

Regulatory Environment of the Sector

During the Reporting Period, the regulatory environment of the transportation industry remained stable as a whole. According to the “Report on the Work of the State Council in 2018”, the reformation of toll road system will be deepened, and the logistics costs will be further reduced by optimizing the arrangement of time-differentiated charges and truck concessions, which would further the sustainable development of the toll road operation. At the same time, measures such as non-inductive payment, truck electronic toll collection (ETC), removal of highway toll stations in provincial boundaries will be implemented to further improve road traffic efficiency.

During the Reporting Period, the new “Green Passage Toll Free Policy” was enforced on the expressways and bridges of the Group in compliance with the relevant national requirements. The enforcement of this policy led to a decrease in the toll income of the Group by approximately RMB150.94 million (first half of 2017: approximately RMB117.05 million).

During the Reporting Period, the “Toll Free Policy for Passenger Cars with Seven Seats or Less during Major Holidays” was implemented on the expressways and bridges of the Group in compliance with the relevant national requirements. There were a total of 13 days of major holidays during the first half of the year that falls under the requirements. Based on preliminary estimation, the implementation of this policy resulted in a decrease in the toll income of the Group by approximately RMB51.95 million ⁽¹⁾ (first half of 2017: approximately RMB49.97 million ⁽¹⁾).

Business Improvements and Innovations

During the Reporting Period, the Group continued to smoothen traffic flow, enhanced operational management and standardized safety management capabilities, and strived to improve our traffic services capability and quality. We made great efforts to develop comprehensive maintenance and renovation as well as construction project management capabilities, and expand on our research and development efforts and the application of new technologies and materials. We would improve on the road condition and performance, and enhance the overall road maintenance management level; actively carry out trial application of the new scan-and-pay technologies such as non-inductive payment, WeChat, Alipay, etc., so as to effectively enhance traffic efficiency; actively promote the establishment of information technologies, and continue to develop the master data management system, e-procurement management system, electromechanical information management system, thus effectively enhance the information synergy capabilities; continue to enhance our staff development system, implement the talent management system, and provide a solid foundation for the Company’s long-term development.

Progress of investment

During the Reporting Period, the Group persistently looked for high-quality expressway projects of large and medium sizes so that we could strengthen our core business. Established in Guangdong Province, we would actively look for and acquire expressways which have a balanced operating cash flow from economically strong provinces in the central and western parts of the country so as to expand our business scale and would also seek for diversified project development opportunities with stable cash flows.

Note:

- (1) The estimation result is based on the simulated calculation based on data available to subsidiaries of the Group and historical data and is for reference purpose only.

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

Subsidiaries

GNSR Expressway

During the Reporting Period, the average daily toll traffic volume was 229,937 vehicles and the average daily toll revenue was RMB3,068,000, representing an increase of 6.7% and a decrease of 0.3% respectively, when compared with the first half of 2017.

Benefiting from the growth of car ownership, the average daily toll traffic volume maintained a growing trend year-on-year, yet the toll revenue slightly decreased year-on-year, which is mainly attributable to the lag amount of approximately RMB10,000,000 in 2016 as recorded in the corresponding period of the previous year. If such factor was excluded, there was an increase of 1.6% year-on-year. The slowdown of revenue increase was mainly attributable to the commencement of operation of GNTR on 29 January 2018, which resulted in certain diversion impact of vehicles.

Cangyu Expressway

During the Reporting Period, the average daily toll traffic volume was 11,976 vehicles and the average daily toll revenue was RMB226,000, representing a decrease of 7.5% and 2.3%, respectively, when compared with the first half of 2017.

Affected by the commencement of operation of Liuwu Expressway and Wuzhou Ring Expressway (certain sections of the expressway) on 23 December 2017, which resulted in certain diversion impact of vehicles, thus the average daily toll traffic volume and average daily toll revenue decreased year-on-year.

Jinbao Expressway

During the Reporting Period, the average daily toll traffic volume was 37,255 vehicles and the average daily toll revenue was RMB264,000, representing an increase of 14.6% and 9.9% respectively, when compared with the first half of 2017.

Benefiting from the increased efforts in overload control implemented on local roads, coupled with the construction of the peripheral road networks, some vehicles were diverted to Jinbao Expressway, the average daily toll traffic volume and average daily toll revenue maintained a growing trend year-on-year. (Note: Please refer to the note in the paragraph headed “Toll Summary of Toll Roads and Bridges” for the changes in the statistical caliber for the toll traffic volume.)

Han-Xiao Expressway

During the Reporting Period, the average daily toll traffic volume was 27,098 vehicles and the average daily toll revenue was RMB472,000, representing an increase of 1.4% and 3.5% respectively, when compared with the first half of 2017.

Benefiting from an increased traffic flow brought by the improving regional economy, the average daily toll traffic volume and average daily toll revenue maintained a growing trend year-on-year.

Changzhu Expressway

During the Reporting Period, the average daily toll traffic volume was 59,624 vehicles and the average daily toll revenue was RMB677,000, representing an increase of 3.6% and 18.6% respectively, when compared with the first half of 2017.

Benefiting from the peripheral logistics industry development, coupled with the traffic control on heavy goods vehicles for the Changsha section of the G4 National Expressway from 1 December 2017 onwards, the average daily toll traffic volume and average daily toll revenue maintained a growing trend year-on-year. (Note: Please refer to the note in the paragraph headed “Toll Summary of Toll Roads and Bridges” for the changes in the statistical caliber for the toll traffic volume.)

Weixu Expressway

During the Reporting Period, the average daily toll traffic volume was 29,499 vehicles and the average daily toll revenue was RMB1,172,000, representing an increase of 32.4% and 40.1%, respectively, when compared with the first half of 2017.

Benefiting from an increased traffic flow brought by the improving regional economy, coupled with diversion of goods vehicles to Weixu Expressway due to the measures combating off-gauge loading on the local roads, the average daily toll traffic volume and average daily toll revenue maintained a relatively rapid growing trend year-on-year.

Suiyuanan Expressway

During the Reporting Period, the average daily toll traffic volume was 23,138 vehicles and the average daily toll revenue was RMB1,696,000, representing an increase of 18.7% and 39.1%, respectively, when compared with the first half of 2017.

Benefiting from the traffic control during maintenance of Wuhan Junshan Yangtze River Bridge of the G4 National Expressway from 30 July 2017 onwards, some vehicles were diverted to Suiyuanan Expressway, the average daily toll traffic volume and average daily toll revenue maintained a relatively rapid growing trend year-on-year.

Associates and Joint Venture

GWSR Expressway

During the Reporting Period, the average daily toll traffic volume was 75,571 vehicles and the average daily toll revenue was RMB1,485,000, representing an increase of 17.0% and 31.2%, respectively, when compared with the first half of 2017.

Benefiting from the traffic control during the transformation and construction of Foshan First Ring Road from 1 August 2017 onwards, some goods vehicles were diverted to GWSR Expressway, the average daily toll traffic volume and average daily toll revenue maintained a relatively rapid growing trend year-on-year.

Humen Bridge

During the Reporting Period, the average daily toll traffic volume was 120,665 vehicles and the average daily toll revenue was RMB4,501,000, representing an increase of 4.9% and 6.1%, respectively, when compared with the first half of 2017.

Benefiting from the growth of car ownership as well as the implementation of the policy of suspension at Humen Ferry Pier, of which the suspension time between 22:30 pm each day and 6:30 am on the following day was changed to time between 18:30 pm. each day and 6:30 am on the following day, starting from 1 January 2018, the average daily toll traffic volume and average daily toll revenue maintained a growing trend year-on-year.

Northern Ring Road

During the Reporting Period, the average daily toll traffic volume was 342,207 vehicles and the average daily toll revenue was RMB2,111,000, representing an increase of 8.0% and 2.6%, respectively, when compared with the first half of 2017.

Benefiting from the growth of car ownership, the average daily toll traffic volume and average daily toll revenue maintained a growing trend year-on-year.

Shantou Bay Bridge

During the Reporting Period, the average daily toll traffic volume was 24,998 vehicles and the average daily toll revenue was RMB568,000, representing a decrease of 1.7% and 13.8% respectively, when compared with the first half of 2017.

Affected by the commencement of operation of Chaozhang Expressway on 28 December 2017, vehicles were diverted away, thus the average daily toll traffic volume and average daily toll revenue decreased year-on-year.

Qinglian Expressway

During the Reporting Period, the average daily toll traffic volume was 43,482 vehicles and the average daily toll revenue was RMB2,139,000, representing an increase of 5.1% and 4.1%, respectively, when compared with the first half of 2017.

Benefiting from the growth of car ownership, the average daily toll traffic volume and average daily toll revenue maintained a growing trend year-on-year.

FINANCIAL REVIEW

Key operating results figures

	Six months ended 30 June		Change %
	2018	2017	
	RMB'000	RMB'000	
Income from operations	1,371,008	1,200,125	14.2
Gross profit	997,742	847,457	17.7
Operating profit	915,301	764,362	19.7
Earnings before interests, tax, depreciation and amortization (“EBITDA”) ⁽¹⁾	1,456,773	1,234,174	18.0
Finance costs	(268,911)	(249,827)	7.6
Share of result of a joint venture	42,236	25,985	62.5
Share of results of associates	171,784	167,845	2.3
Profit attributable to shareholders of the Company	462,423	380,070	21.7
Basic and diluted earnings per share	RMB0.2764	RMB0.2272	21.7
Interim dividend	218,405	186,823	

Note:

(1) EBITDA includes share of results of associates and a joint venture and excludes non-cash gains and losses.

I. Overview of operating results

The Group's income from operations increased by 14.2 percent to RMB1,371.0 million and profit attributable to shareholders of the Company increased by 21.7 percent to RMB462.4 million in the Reporting Period. The Board of Directors resolved to declare an interim dividend for 2018 of HK\$0.15 which is equivalent to approximately RMB0.1305345 (2017: HK\$0.13 which was equivalent to approximately RMB0.1116586) per share, represented an interim dividend payout ratio of 47.2 percent (2017: 49.2 percent).

The income from operations in the Reporting Period increased RMB170.9 million or 14.2 percent as compared with same period in 2017. The increase was mainly due to revenue increment of Suiyuanan Expressway, Weixu Expressway and Changzhu Expressway. Income from operations of Suiyuanan Expressway grew 39.1 percent or RMB86.3 million, mainly because of the traffic control implemented for the maintenance in the Wuhan Junshan Yangtze River Bridge of the G4 National Expressway since 30 July 2017, resulting in certain trucks diverted to the Suiyuanan Expressway. Income from operations of Weixu Expressway increased 40.1 percent or RMB60.7 million, mainly due to favorable regional economic condition and the transportation control measures implemented on local roads, resulting in certain trucks diverted to the Weixu Expressway. Changzhu Expressway's income from operations grew 18.6 percent or RMB19.2 million benefiting from the development of the logistics industry in surrounding areas and the control of heavy trucks in the Changsha section of the G4 National Expressway implemented since 1 December 2017. Income from operations of GNSR Expressway decreased by 0.3 percent or RMB1.5 million due to the fact that the income from operation for the same period in 2017 included a lag amount of split in 2016 of approximately RMB10.0 million. Income from operations of Han-Xiao Expressway increased by 3.5 percent or RMB2.9 million mainly due to the increase in truck traffic flow as a result of regional economic development. Income from operations of Jinbao Expressway increased by 9.9 percent or RMB4.3 million, being benefited from the enhanced efforts of the local road authorities on overload control and the construction of a bridge of nearby road resulting in diversion of certain trucks to Jinbao Expressway.

Cangyu Expressway's income from operations decreased by 2.3 percent or RMB1.0 million mainly due to the decrease in the traffic flow of passenger vehicles upon the commencement of operation of Liuwu Expressway and certain sections of Wuzhou Ring Expressway.

Income from operations of non-controlled toll projects in aggregate grew 6.5 percent in the Reporting Period. Income from operations of Humen Bridge, Qinglian Expressway and Northern Ring Road grew 6.1 percent, 4.1 percent and 2.6 percent respectively. Income from operations of GWSR Expressway increased by 31.2 percent mainly due to due to the diversion of certain trucks to GWSR Expressway in response to the traffic control implemented for transformation and construction in the Foshan First Ring Road since 1 August 2017. Income from operations of Shantou Bay Bridge decreased by 13.8 percent mainly due to the traffic diversion upon the commencement of operation of Chaozhang Expressway since 28 December 2017.

Of the profit attributable to shareholders of the Company (after elimination of inter-company loan interests), controlled projects contributed a net profit of RMB474.7 million in the Reporting Period with a 16.9 percent increase as compared with same period in 2017. GNSR Expressway's net profit decreased by 0.2% to RMB193.5 million in the Reporting Period. Weixu Expressway has contributed a net profit of RMB108.6 million in the Reporting Period which was 66.2 percent higher than that of the same period in 2017. Suiyuan Expressway's net profit in the Reporting Period increased by 61.3 percent to RMB85.8 million. Changzhu Expressway's net profit increased 11.2 percent to RMB40.5 million in the Reporting Period. Han-Xiao Expressway's net profit in the Reporting Period decreased by 41.5 percent to RMB21.1 million, as Han-Xiao Expressway has obtained bank borrowings with a lower interest rate in 2017 and repaid the inter-company shareholder loan (inter-company shareholder loan interests were eliminated at the consolidated level) which led to an increase in finance cost of Han-Xiao Expressway for the Reporting Period. Cangyu Expressway's net profit decreased by 11.0 percent to RMB19.3 million. Jinbao Expressway recorded net profit growth of 4.3 percent to RMB6.4 million. Xian Expressway recorded a loss of RMB0.6 million mainly related to expense incurred during winding up process. The non-controlled toll projects in aggregate contributed a net profit of RMB214.0 million to the Group with an increase of 10.4 percent. Humen Bridge grew 6.7 percent to RMB97.9 million. Northern Ring

Road grew 0.8 percent to RMB44.4 million. Shantou Bay Bridge dropped 16.2 percent to RMB16.4 million. Qinglian Expressway grew 4.6 percent to RMB13.1 million. GWSR Expressway recorded 62.5 percent increase to RMB42.2 million.

At the corporate level, apart from the accrual of the withholding tax of RMB70.0 million due to the direct reinvestment with its PRC subsidiary's distributed profit made by the Company, there were no material corporate level transactions which had significant impacts to the overall profit attributable to shareholders of the Company during the Reporting Period.

II. Analysis of operating results

Income from operations

The Group recorded total income from operations of RMB1,371.0 million in the Reporting Period, representing an increase of 14.2 percent as compared with same period in 2017.

Analysis of income from operations by each controlled project

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2017 RMB'000	Percentage of total %	Change %
GNSR Expressway	555,332	40.5	556,810	46.4	-0.3
Suiyuanan Expressway	307,003	22.4	220,753	18.4	39.1
Weixu Expressway	212,125	15.5	151,426	12.6	40.1
Changzhu Expressway	122,492	8.9	103,274	8.6	18.6
Han-Xiao Expressway	85,472	6.2	82,608	6.9	3.5
Jinbao Expressway	47,743	3.5	43,459	3.6	9.9
Cangyu Expressway	40,841	3.0	41,795	3.5	-2.3
Total income from operation	<u>1,371,008</u>	<u>100.0</u>	<u>1,200,125</u>	<u>100.0</u>	14.2

GNSR Expressway accounted for 40.5 percent (same period in 2017: 46.4 percent) of the income from operations of the Group's controlled projects in the Reporting Period. Toll revenue of GNSR Expressway decreased by 0.3 percent to RMB555.3 million in the

Reporting Period due to the fact that the income from operation for the same period in 2017 included a lag amount of split in 2016 of approximately RMB10.0 million. Without taking into account this factor, there was an increase of approximately 1.6% period-over-period. The slow-down of revenue increment was mainly due to the impact of truck diversion upon the commencement of operation of GNTR Expressway on 29 January 2018.

Suiyuanan Expressway, ranked the second in terms of income from operations, accounted for 22.4 percent (same period in 2017: 18.4 percent) among controlled projects. Toll revenue of Suiyuanan Expressway grew by 39.1 percent to RMB307.0 million, mainly because of the traffic control implemented for the maintenance in the Wuhan Junshan Yangtze River Bridge of the G4 National Expressway since 30 July 2017, resulting in certain trucks diverted to the Suiyuanan Expressway.

Weixu Expressway, ranked the third in terms of income from operations, accounted for 15.5 percent (same period in 2017: 12.6 percent) among controlled projects. Benefiting from the increased traffic flow due to favorable regional economic condition, coupled with combating off-gauge loading on the local roads, resulting in certain trucks diverted to the Weixu Expressway, toll revenue of Weixu Expressway grew by 40.1 percent to RMB212.1 million in the Reporting Period.

Changzhu Expressway, ranked the fourth in terms of income from operations, accounted for 8.9 percent (same period in 2017: 8.6 percent) among controlled projects. Toll revenue of Changzhu Expressway increased 18.6 percent to RMB122.5 million in the Reporting Period mainly due to the development of the logistics industry in surrounding areas and the traffic control of heavy trucks in the Changsha section of the G4 National Expressway implemented since 1 December 2017.

Han-Xiao Expressway, ranked the fifth in terms of income from operations, accounted for 6.2 percent (same period in 2017: 6.9 percent) among controlled projects. Benefiting from the increased traffic flow as a result of regional economic development, toll revenue of Han-Xiao Expressway grew 3.5 percent to RMB85.5 million.

Jinbao Expressway, ranked the sixth in terms of income from operations, accounted for 3.5 percent (same period in 2017: 3.6 percent) among controlled projects. Toll revenue of Jinbao Expressway increased 9.9 percent to RMB47.7 million in the Reporting Period mainly due to the enhanced efforts of the local road authorities on overload control and the construction of the peripheral road networks resulting in diversion of certain trucks to Jinbao Expressway.

Cangyu Expressway, ranked the seventh in terms of income from operations, accounted for 3.0 percent (same period in 2017: 3.5 percent) among controlled projects. Toll revenue of Cangyu Expressway dropped 2.3 percent to RMB40.8 million in the Reporting Period mainly due to the decrease in the traffic flow of vehicles upon the commencement of operation of Liuwu Expressway and certain sections of Wuzhou Ring Expressway.

Cost of services

In the Reporting Period, total cost of services of the Group amounted to RMB373.3 million (same period in 2017: RMB352.7 million), representing an increase of RMB20.6 million or 5.8 percent as compared with same period in 2017. Cost ratio (cost of services/ income from operations) was 27.2 percent in the Reporting Period, being 2.2 percentage point lower than the same period in 2017.

Analysis of cost of services by each controlled project

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2017 RMB'000	Percentage of total %	Change %
GNSR Expressway	123,233	33.0	117,313	33.3	5.0
Suiyuanan Expressway	71,450	19.1	72,552	20.6	-1.5
Weixu Expressway	53,151	14.3	47,444	13.5	12.0
Changzhu Expressway	45,373	12.2	41,982	11.9	8.1
Jinbao Expressway	31,786	8.5	27,611	7.8	15.1
Han-Xiao Expressway	31,324	8.4	30,781	8.7	1.8
Cangyu Expressway	16,949	4.5	14,985	4.2	13.1
Total	<u>373,266</u>	<u>100.0</u>	<u>352,668</u>	<u>100.0</u>	5.8

Analysis of cost of services by nature

	Reporting Period RMB'000	Percentage of total %	First half of 2017 RMB'000	Percentage of total %	Change %
Amortization of intangible operating rights	276,930	74.2	262,639	74.5	5.4
Staff costs	48,092	12.9	45,951	13.0	4.7
Toll highways and bridges maintenance expenses	19,275	5.2	17,564	5.0	9.7
Toll highways and bridges operating expenses	18,831	5.0	18,168	5.1	3.6
Taxes and surcharges	5,718	1.5	4,794	1.4	19.3
Depreciation of other fixed assets	4,420	1.2	3,552	1.0	24.4
Total	<u>373,266</u>	<u>100.0</u>	<u>352,668</u>	<u>100.0</u>	5.8

Gross profit

Gross profit in the Reporting Period increased by 17.7 percent to RMB997.7 million. Gross profit margin in the Reporting Period was 72.8 percent, being 2.2 percentage point higher than the same period in 2017.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Period		First half of 2017	
	Gross Profit	Margin⁽¹⁾	Gross Profit	Margin⁽¹⁾
	RMB'000		RMB'000	
GNSR Expressway	432,099	77.8%	439,497	78.9%
Suiyuanan Expressway	235,553	76.7%	148,201	67.1%
Weixu Expressway	158,974	74.9%	103,982	68.7%
Changzhu Expressway	77,119	63.0%	61,292	59.3%
Han-Xiao Expressway	54,148	63.4%	51,827	62.7%
Cangyu Expressway	23,892	58.5%	26,810	64.1%
Jinbao Expressway	15,957	33.4%	15,848	36.5%
Total	997,742	72.8%	847,457	70.6%

Note:

(1) Gross profit margin = Gross profit/income from operations

General and administrative expenses

The Group's general and administrative expenses in the Reporting Period amounted to RMB110.7 million, representing an increase of 10.7 percent from RMB99.9 million for the same period in 2017 mainly due to increase in staff cost of RMB12.3 million.

Other income, gains and losses — net

The Group's other income, gains and losses — net was a gain of RMB28.2 million in the Reporting Period, representing an increase of RMB11.4 million over the same period in 2017, which was mainly due to the increase in net exchange gain of RMB14.2 million for the Reporting Period. There was no material other income, gains and losses — net in the Reporting Period.

Finance income / Finance costs

The Group's finance income in the Reporting Period amounted to RMB64.3 million (same period in 2017: RMB15.7 million) which was 309.1 percent higher than the same period in 2017.

The Group's finance costs in the Reporting Period increased by 7.6 percent to RMB268.9 million as compared with RMB249.8 million of the same period in 2017, mainly due to the increase in interest expense of RMB17.3 million. The Group has effectively managed the foreign exchange risk through appropriate measures. The Group's overall weighted average interest rate in the Reporting Period was 3.78 percent which was similar to the weighted average interest rate of 3.77 percent during the same period in 2017.

Share of results of associates and a joint venture

The Group's share of results of associates and a joint venture has increased by 10.4 percent to RMB214.0 million in the Reporting Period.

Share of post-tax profit of Humen Bridge in the Reporting Period increased by 6.7 percent to RMB97.9 million. Income from operations at the project company level has increased by 6.1 percent to RMB814.7 million in the Reporting Period, mainly due to the growth in car ownership and the extension of the suspension policy implemented at Humen Ferry Pier with effect from 1 January 2018.

Share of post-tax profit of Northern Ring Road in the Reporting Period increased by 0.8 percent to RMB44.4 million. Income from operations at the project company level grew 2.6 percent to RMB382.1 million mainly benefiting from the growth in car ownership.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Period decreased by 16.2 percent to RMB16.4 million. Income from operations at the project company level decreased by 13.8 percent to RMB102.8 million mainly due to the traffic diversion upon the commencement of operation of Chaozhang Expressway since 28 December 2017.

Share of post-tax profit of Qinglian Expressway in the Reporting Period increased by 4.6 percent to RMB13.1 million. Income from operations at the project company level grew 4.1 percent to RMB387.2 million benefiting from the increase in car ownership volume.

Share of post-tax profit of GWSR Expressway in the Reporting Period increased by 62.5 percent to RMB42.2 million. Income from operations at the project company level grew 31.2 percent to RMB268.9 million mainly due to the diversion of certain trucks to GWSR Expressway in response to the traffic control implemented for transformation and construction in the Foshan First Ring Road since 1 August 2017.

Analysis of share of results of associates and a joint venture and respective income from operations

	Profit Sharing ratio %	Income from operations		Share of results	
		Reporting Period	YoY change	Reporting Period	YoY change
		RMB'000	%	RMB'000	%
Associates					
Humen Bridge	18.446	814,701	6.1	97,926	6.7
Northern Ring Road	24.3	382,066	2.6	44,380	0.8
Shantou Bay Bridge	30.0	102,790	-13.8	16,423	-16.2
Qinglian Expressway	23.63	387,232	4.1	13,055	4.6
Sub-total		1,686,789	3.4	171,784	2.3
Joint venture					
GWSR Expressway	35.0	268,871	31.2	42,236	62.5
Total		1,955,660	6.5	214,020	10.4

Income tax expense

Total income tax expense of the Group increased by 51.0 percent to RMB291.0 million in the Reporting Period. The increase was mainly due to the accrual of the withholding tax of RMB70.0 million owing to the direct reinvestment with its PRC subsidiary's distributed profit made by the Company during the Reporting Period.

Profit attributable to shareholders of the Company

The Company reported a profit attributable to its shareholders of RMB462.4 million in the Reporting Period, representing an increase of 21.7 percent as compared with the same period in 2017. The increase was mainly due to (i) the increased traffic flow due to favorable regional economic condition and the transportation control measures implemented on local roads, resulting in certain trucks diverted to the Weixu Expressway and (ii) the traffic control implemented for the maintenance in the Wuhan Junshan Yangtze River Bridge of the G4 National Expressway since 30 July 2017, resulting in certain trucks diverted to the Suiyuanan Expressway.

Given the management team's continuous effort in optimizing the overall debt structure of the Group, there were inter-company loan interests incurred inevitably on the controlled projects level and the corporate entities level which would be eliminated ultimately at the consolidated level.

Analysis of the profit attributable to shareholders of the Company after elimination of inter-company loan interests

	Reporting Period RMB'000	Percentage of total %	First half of 2017 RMB'000	Percentage of total %	Change %
Net profit from controlled projects	474,668	68.9	406,035	67.7	16.9
Net profit from non-controlled projects ⁽¹⁾	214,020	31.1	193,830	32.3	10.4
Net profit from projects	688,688	100.0	599,865	100.0	14.8
Withholding tax on					
PRC dividends/income	(87,444)		(17,573)		397.6
Corporate expenses	(55,278)		(59,885)		-7.7
Corporate income/gains, net	1,299		241		439.0
Corporate finance income	61,296		11,768		420.9
Corporate finance costs	(146,138)		(154,346)		-5.3
Profit attributable to shareholders of the Company	462,423		380,070		21.7

Note:

(1) Representing share of results of associates and a joint venture

An analysis of the profit attributable to shareholders of the Company showed that the net profit derived from controlled projects amounted to RMB474.7 million in the Reporting Period, accounted for 68.9 percent (same period in 2017: 67.7 percent) while the net profit from non-controlled projects amounted to RMB214.0 million in the Reporting Period, accounted for 31.1 percent (same period in 2017: 32.3 percent).

Net profit from controlled projects was RMB474.7 million, represented a growth of 16.9 percent or RMB68.6 million as compared with the same period in 2017.

Analysis of net profit by each controlled project after elimination of inter-company loan interests

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2017 RMB'000	Percentage of total %	Change %
GNSR Expressway	193,543	28.1	193,839	32.3	-0.2
Weixu Expressway	108,584	15.7	65,352	10.9	66.2
Suiyuanan Expressway	85,761	12.5	53,184	8.9	61.3
Changzhu Expressway	40,544	5.9	36,456	6.1	11.2
Han-Xiao Expressway	21,119	3.1	36,119	6.0	-41.5
Cangyu Expressway	19,280	2.8	21,663	3.6	-11.0
Jinbao Expressway	6,411	0.9	6,146	1.0	4.3
Xian Expressway	(574)	-0.1	(6,724)	-1.1	-91.5
Total	474,668	68.9	406,035	67.7	16.9

Analysis of net profit by each controlled project before elimination of inter-company loan interests

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2017 RMB'000	Percentage of total %	Change %
GNSR Expressway	193,543	27.8	193,839	34.3	-0.2
Weixu Expressway	108,584	15.6	65,352	11.5	66.2
Suiyuanan Expressway	91,670	13.2	44,029	7.8	108.2
Changzhu Expressway	34,409	5.0	20,401	3.6	68.7
Han-Xiao Expressway	28,855	4.1	28,318	5.0	1.9
Cangyu Expressway	19,267	2.8	20,823	3.7	-7.5
Jinbao Expressway	6,411	0.9	6,146	1.1	4.3
Xian Expressway	(574)	-0.1	(6,724)	-1.2	-91.5
Total	482,165	69.3	372,184	65.8	29.6

In the Reporting Period, net profit from non-controlled projects (which were all toll projects with analysis shown in the aforementioned table “Analysis of share of results of associates and a joint venture and respective income from operations”) has increased 10.4 percent to RMB214.0 million as compared with same period in 2017. Profits attributable to shareholders of the Company from Humen Bridge, Northern Ring Road, Shantou Bay Bridge, Qinglian Expressway and GWSR Expressway accounted for 14.2 percent (same period in 2017: 15.3 percent), 6.5 percent (same period in 2017: 7.3 percent), 2.4 percent (same period in 2017: 3.3 percent), 1.9 percent (same period in 2017: 2.1 percent) and 6.1 percent (same period in 2017: 4.3 percent) of the net profit from non-controlled projects respectively.

At the corporate level, apart from the accrual of the withholding tax of RMB70.0 million due to the direct reinvestment with its PRC subsidiary’s distributed profit made by the Company, there were no material corporate level transactions which had significant impacts to the overall profit attributable to shareholders of the Company during the Reporting Period. The profit attributable to shareholders of the Company increased by 21.7%.

Interim dividend

The Board of Directors resolved to declare an interim dividend for 2018 of HK\$0.15 which is equivalent to approximately RMB0.1305345 (2017: HK\$0.13 which was equivalent to approximately RMB0.1116586) per share payable on or about 19 November 2018 to shareholders whose names appear on the register of members of the Company on 24 October 2018. Interim dividend payout ratio is 47.2 percent (2017: 49.2 percent).

Dividend payable to shareholders will be paid in Hong Kong dollars (“HK\$”). The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK\$ to RMB, as announced by the People’s Bank of China, for the five business days preceding the date of declaration of dividends.

III. Analysis of financial position

Key financial position figures

	(Unaudited)		
	30 June	31 December	Change
	2018	2017	
	RMB'000	RMB'000	%
Total assets	23,436,861	23,918,489	-2.0
Total liabilities	11,453,365	12,101,085	-5.4
Short-term bank deposits, cash and cash equivalents	2,778,933	2,958,818	-6.1
Total debts	8,697,935	9,496,449	-8.4
Of which: bank borrowings	6,509,695	5,750,163	13.2
Corporate bonds	1,994,423	1,993,263	0.1
Notes payable	—	1,557,953	N/A
Current ratio	2.1 times	1.3 times	
EBITDA interest coverage	8.1 times	8.4 times	
Equity attributable to shareholders of the Company	9,697,473	9,544,848	1.6

Assets, Liabilities and Equity

As at 30 June 2018, the Group's total assets amounted to RMB23.4 billion which was 2.0 percent lower than the balance as at 31 December 2017. The Group's total assets comprised mainly of intangible operating rights of RMB17.7 billion (31 December 2017: RMB17.9 billion); investments in a joint venture and associates of RMB2.02 billion (31 December 2017: RMB1.98 billion); and short-term bank deposits, cash and cash equivalents of RMB2,778.9 million (31 December 2017: RMB2,958.8 million).

As at 30 June 2018, the Group's total liabilities amounted to RMB11.5 billion which was 5.4 percent lower than the balance as at 31 December 2017. The Group's total liabilities comprised mainly of bank borrowings of RMB6.51 billion (31 December 2017: RMB5.75 billion); corporate bonds of RMB2.0 billion (31 December 2017: RMB2.0 billion); loans from non-controlling interests of RMB101.8 million (31 December 2017:

RMB103.0 million) and deferred income tax liabilities of RMB2.09 billion (31 December 2017: RMB1.99 billion). The Group had fully repaid the notes payable of Euro 200 million in May 2018.

As at 30 June 2018, the Group's total equity increased by RMB166.1 million to RMB11.98 billion (31 December 2017: RMB11.82 billion), of which RMB9.70 billion was attributable to shareholders of the Company.

Analysis of major assets, liabilities and equity items

Items	(Unaudited)		Change %
	30 June 2018 RMB'000	31 December 2017 RMB'000	
Total assets	23,436,861	23,918,489	-2.0
Approximately 90.0% of which:			
Intangible operating rights	17,650,940	17,915,044	-1.5
Investments in a joint venture and associates	2,015,915	1,983,851	1.6
Short-term bank deposits, cash and cash equivalents	2,778,933	2,958,818	-6.1
Of which: cash and cash equivalents	2,778,933	2,842,452	-2.2
Total liabilities	11,453,365	12,101,085	-5.4
Approximately 90.0% of which:			
Bank borrowings – due within 1 year	463,619	319,724	45.0
– long-term portion	6,046,076	5,430,439	11.3
Corporate bonds – due within 1 year	299,601	—	N/A
– long-term portion	1,694,822	1,993,263	-15.0
Notes payable	—	1,557,953	N/A
Loans from non-controlling interests	101,767	103,020	-1.2
Deferred income tax liabilities	2,093,783	1,988,483	5.3
Total equity	11,983,496	11,817,404	1.4
Of which: Attributable to shareholders			
of the Company	9,697,473	9,544,848	1.6

Cash flows

It has been the primary objective of the Group to focus on preventing risk and managing liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Period, the Group's cash and cash equivalents amounted to RMB2,778.9 million which was 2.2 percent lower than the level at 31 December 2017. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

Analysis of cash flow movement

	(Unaudited)	
	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Net cash generated from operating activities	967,042	797,493
Net cash generated from investing activities	278,329	153,792
Net cash used in financing activities	(1,330,338)	(872,527)
(Decrease)/increase in cash and cash equivalents	(84,967)	78,758
Cash and cash equivalents at 1 January	2,842,452	1,045,922
Effect of exchange rate changes on cash and cash equivalents	21,448	5,638
Cash and cash equivalents at 30 June	<u>2,778,933</u>	<u>1,130,318</u>

Net cash generated from operating activities during the Reporting Period amounted to RMB967.0 million (30 June 2017: RMB797.5 million) which was arrived from cash generated from operations of RMB1,143.3 million (30 June 2017: RMB955.9 million) less China enterprise income tax and withholding tax paid of RMB176.3 million (30 June 2017: RMB158.4 million).

Net cash generated from investing activities during the Reporting Period amounted to RMB278.3 million (30 June 2017: RMB153.8 million). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB174.1 million (30 June 2017: RMB189.1 million); cash proceed of RMB115.7 million (30 June 2017: Nil) originally placed to bank for fixed deposits with original maturity over 3 months; interest received in aggregate of RMB24.3 million (30 June 2017: RMB8.3 million); proceeds from compensation arrangement of RMB11.8 million (30 June 2017: RMB10.9 million) and proceeds from disposal of fixed assets of RMB0.1 million (30 June 2017: RMB0.8 million). The outflow was mainly capital expenditures amounted to RMB47.7 million (30 June 2017: RMB55.2 million).

Net cash used in financing activities during the Reporting Period amounted to RMB1,330.3 million (30 June 2017: RMB872.5 million). The outflow mainly included repayment of notes payable amounted to RMB1,523.0 million (30 June 2017: Nil); repayment of bank borrowings amounted to RMB105.7 million (30 June 2017: RMB1,311.0 million); payment of finance costs and related fees of RMB223.3 million (30 June 2017: RMB200.4 million); repayments of loans from non-controlling interest of subsidiaries in the Reporting Period of RMB1.8 million (30 June 2017: RMB1.8 million); dividends paid to shareholders of the Company of RMB310.0 million (30 June 2017: RMB296.4 million) and nil dividends paid to non-controlling interests (30 June 2017: RMB122.9 million). The inflow mainly included the drawdown of bank borrowings amounted to RMB833.5 million (30 June 2017: RMB1,060.0 million).

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2018 was 2.1 times (31 December 2017: 1.3 times). The current assets balance as at 30 June 2018 was RMB2,961.9 million (31 December 2017: RMB3,197.4 million) and current liabilities balance was RMB1,431.4 million (31 December 2017: RMB2,498.8 million). Cash and cash equivalents were the major component of the Group's current assets with a balance as at 30 June 2018 of RMB2,778.9 million (31 December 2017: RMB2,842.4 million). Included in the Group's current liabilities as at 30 June 2018 were short-term borrowings (i.e. maturities within one year) of approximately RMB763.2 million (31 December 2017: RMB1,877.7 million), including bank borrowings of RMB463.6 million and corporate bonds of RMB299.6 million. Management will continue to take a prudent approach to effectively utilize the existing cash and cash equivalents and future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the period ended 30 June 2018 was 8.1 times (30 June 2017: 7.6 times) which was measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the period ended 30 June 2018 was 17.1 percent (30 June 2017: 15.0 percent) which was measured as the ratio of EBITDA to the aggregate of bank borrowings, notes payable and corporate bonds ("total external debts").

Profit before interest and income tax interest coverage for the period ended 30 June 2018 was 6.5 times (30 June 2017: 6.0 times) which was measured as the ratio of profit before interest and tax to interest expenses (profit and loss impact).

Cash interest coverage for the period ended 30 June 2018 was 6.9 times (30 June 2017: 6.5 times) which was measured as the ratio of net cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Period, total capital expenditures amounted to RMB47.7 million (same period in 2017: RMB55.2 million). Capital expenditures related to intangible operating rights and fixed assets included: (1) payments of construction costs of toll highways and bridges upgrade services of RMB40.7 million (same period in 2017: RMB47.5 million) and (2) purchase of property, plant and equipment of RMB7.0 million (same period in 2017: RMB5.4 million). There was no capital injection in an associate (same period in 2017: RMB2.3 million) in the Reporting Period. Apart from the aforementioned, no material capital expenditure was incurred during the Reporting Period. Going forward, the management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

Capital structures

It is also one of the Group's financing policies to maintain a rational capital structure which aims to enhance profitability on one hand while ensuring financial leverage ratios to remain at safe levels on the other hand.

Analysis of capital structures

	(Unaudited)	
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
Total external debts		
Bank borrowings	6,509,695	5,750,163
Corporate bonds ⁽¹⁾	1,994,423	1,993,263
Notes payable	—	1,557,953
Loans from non-controlling interests	101,767	103,020
Amount due to a joint venture	92,050	92,050
Total debts	8,697,935	9,496,449
Less: cash and cash equivalents	(2,778,933)	(2,842,452)
Net debt	5,919,002	6,653,997
Total Equity	11,983,496	11,817,404
Of which: Equity attributable to shareholders of the Company	9,697,473	9,544,848
Total capitalization (Net debt + Total equity)	17,902,498	18,471,401
Financial ratios		
Gearing ratio (net debt/total capitalization)	33.1%	36.0%
Debt to Equity ratio (net debt/total equity)	49.4%	56.3%
Total liabilities/Total assets ratio	48.9%	50.6%

Note:

(1) Basic summary information of corporate bonds:

	RMB300 million five-year corporate bonds (Phase 1)	RMB700 million seven-year corporate bonds (Phase 1)	RMB200 million five-year corporate bonds (Phase 2)	RMB800 million seven-year corporate bonds (Phase 2)
Drawdown date:	22 March 2016	22 March 2016	28 October 2016	28 October 2016
Principal:	RMB300 million	RMB700 million	RMB200 million	RMB800 million
Principal repayment date:	21 March 2021	21 March 2023	26 October 2021	26 October 2023
Coupon rate (per annum):	2.85%	3.38%	2.90%	3.18%
Upcoming interest payment date:	21 March 2019	21 March 2019	26 October 2018	26 October 2018
Stock Exchange:	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange

Financing structures

In a way to ensure the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively maintain a cost-efficient funding to its overall funding needs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by and to take advantage of the cost differentials not only of these two markets but also of international markets; and on the other hand, strike a balance between the interest rate savings and exchange risk exposure. As at the end of the Reporting Period, the Group's total debts comprised of bank borrowings, corporate bonds and loans from non-controlling interests of certain subsidiaries. Debt with foreign exchange risk exposure as at 30 June 2018 was approximately RMB835.2 million (31 December 2017: approximately RMB1.56 billion).

As at 30 June 2018, the Group's total external debt in aggregate was approximately RMB8.5 billion (31 December 2017: RMB9.3 billion) composed of bank borrowings amounted to RMB6.51 billion (31 December 2017: RMB5.75 billion), and corporate bonds of RMB2.0 billion (31 December 2017: RMB2.0 billion). The Group had fully repaid the notes payable of Euro 200 million in May 2018. Onshore and offshore debt ratio was 90.2 percent and 9.8 percent (31 December 2017: 83.3 percent and 16.7 percent). Secured external debt ratio was 63.2 percent (31 December 2017: 58.6 percent). The effective interest rate of total external debt at 30 June 2018 was 4.08 percent (31 December 2017: 3.83 percent). There were RMB6.0 billion of the bank borrowings are at floating rates and RMB547.5 million at fixed rates with an overall effective interest rate of 4.30 percent at 30 June 2018 (31 December 2017: 4.46 percent). Corporate bonds (in four tranches) are at fixed rates with coupon rates of 2.85 percent, 3.38 percent, 2.90 percent and 3.18 percent respectively with overall effective interest rate at 3.36 percent where notes payable and corporate bonds (in four tranches) with overall effective interest rate of 2.81 percent as at 31 December 2017.

Analysis of total external debt (bank borrowings, notes payable and corporate bonds)

	(Unaudited)	
	30 June	31 December
	2018	2017
	Percentage	Percentage
	of total	of total
Source		
Onshore	90.2%	83.3%
Offshore	9.8%	16.7%
	100.0%	100.0%
Repayment term		
Within 1 year	9.0%	20.2%
1 to 2 year	10.1%	11.9%
More than 2 years and less than 5 years	37.4%	26.6%
Above 5 years	43.5%	41.3%
	100.0%	100.0%
Currency		
RMB	90.2%	83.3%
HKD	9.8%	—
EURO	—	16.7%
	100.0%	100.0%
Interest rate		
Fixed	29.9%	44.1%
Floating	70.1%	55.9%
	100.0%	100.0%
Terms of credit		
Secured	63.2%	58.6%
Unsecured	36.8%	41.4%
	100.0%	100.0%

Loans from non-controlling interests of certain subsidiaries are unsecured, interest-free and long-term. The carrying amounts of these loans approximate their fair values which are calculated based on cash flows discounted at a rate of 4.35 percent (31 December 2017: 4.35 percent) per annum.

Amounts due to a joint venture are unsecured, interest-free, repayable on demand and denominated in RMB.

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and approximately 90.2 percent (31 December 2017: 83.3 percent) of its external debts are denominated in RMB. As at the end of the Reporting Period, the Group's foreign-currency denominated assets and liabilities mainly included cash and cash equivalent of HK\$713.4 million (equivalent to approximately RMB601.4 million), Euro 9,000 (equivalent to approximately RMB69,000) and US\$14,000 (equivalent to approximately RMB94,000); and has an external debt of HK\$990.7 million (equivalent to approximately RMB835.2 million). Given this foreign currency exposure position, the impact to the Group's profit and loss will be approximately RMB2.3 million for every 1.0 percent of exchange rate change against RMB (with all other variables held constant) as at 30 June 2018. As the foreign exchange market is still volatile, the Group will continue to review and assess closely its currency risk.

IV. Capital commitments and contingent liabilities

As at 30 June 2018, the Group had capital commitments related to intangible operating rights and property, plant and equipment, of which approximately RMB11.1 million being contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 30 June 2018. There were no significant contingent liabilities as at 30 June 2018.

V. Employees

As at 30 June 2018, the Group had approximately 1,467 employees of whom about 1,222 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

FUTURE PROSPECTS

Outlook of macro-economy and regulatory environment of the sector

Since the outbreak of the financial crisis, central banks have implemented monetary easing policies, along with other measures to boost the domestic economies. As the growth rate stabilizes, the labour market continues to improve while inflation rises, the global economy has achieved a certain degree of recovery and continued a steady growth. Major central banks have also started or are planning to remove the monetary easing policies, but the recent escalating trade conflicts and political uncertainty caused by populism have brought significant risks to the global economic growth prospects. At the same time, the marginal utility of traditional monetary stimulation policies to boost the economy is weakening, highlighting the necessity and urgency of measures such as technological change and structural reform for further economic growth.

Despite the challenging and uncertain economic outlook, the Central Government still adheres to the general tone of steady progress. According to the spirit of the report of the 19th National Congress, the government is striving to develop the real economy, especially to continuously strengthen industrial modernization, enhance the standard of manufacturing industry, and accelerate and promote the strategy of building a strong manufacturing nation, combined with supply-side structural reforms and measures to continuously expand domestic demand, thus further advance the Chinese economy towards the phase of high-quality development.

Under the “new normal”, China’s economy continues to develop steadily. As an important part of the modern transportation network, the highway plays a pivotal role in economic development. With the gradual upgrading of household consumptions, the booming tourism industry and rapid development of express delivery businesses, and the continuous increase of domestic car ownership, strong support is provided for the continuous growth of highway transportation volume. In addition, the regulatory environment of the toll road industry has remained stable. Regulators have tightened the restrictions on overloaded and over-limit trucks as previously implemented, which in the long run will help reduce the construction and maintenance cost of operators. The operators are currently promoting non-cash payment methods such as electronic toll collection (ETC) system and non-inductive payment, and the removal of highway toll stations in provincial boundaries to further improve road traffic efficiency, which would have a positive impact on improving the road operation performance.

Development Strategy Outlook

Since our listing in 1997, the Group has been deeply rooted in our core business of highway operation, and has established extensive operational and management background in the sector. The continuously improving highway operation management capability and the investment and financing management skills provide strong support for the Group’s sustainable development in the future. After years of preparation and planning, the highway and bridge projects invested and operated by the Group are no longer limited to our local areas, and have achieved a diversified regional layout of “Based in Guangdong and Entering the Central Region”. The upcoming “Guangdong-Hong Kong-Macao Bay Area” development plan, as well as the “New Ten Years (2016-2025) Rise of Central China Plan” current in force will benefit the Group’s investment and operation projects in said regions.

Looking forward, the central provinces act as the key area of domestic industrial layout, and play a pivotal role in leading a new round of manufacturing industry upgrading and cultivating the world's leading manufacturing clusters, especially in the core Central China region such as Wuhan and the Changzhutan city cluster, which has been approved as the "Made in China 2025" demonstration center, are facing a new round of major development opportunities. Meanwhile, the principle of the "Guangdong-Hong Kong-Macao Bay Area" development plan manifests China's strategy of expanding the new region for economic development based in city clusters, which will become the new driving force of China's economic growth and the new stepping stone to the global economy. Therefore, the Group will actively grasp the investment opportunities in the above-mentioned regions, adhere to the established strategies, and seek opportunities to acquire high-quality highway assets, strengthen and expand our core highway operation, and further enhance our asset scale and profitability.

The Group was simultaneously granted credit ratings of investment grades (Moody's Baa2/ Standard & Poor's BBB-/Fitch BBB-) by the three major international rating agencies, Moody's, Standard & Poor's and Fitch. The management fully recognizes the positive promotional impact of the investment grade credit ratings on the Group's financing activities, attaches great importance to the maintenance of such ratings, and considers such ratings as one of the important factors in our investment activity decision-making process. It is equally important for the Group to maintain financial stability and continuously improve on our business scale.

In order to further open up the financing channel for the domestic bond market, the Group submitted application documentation to the National Association of Financial Market Institutional Investors during the fourth quarter of 2017, and obtained the RMB2 billion Interbank Notes Market Medium-Term Notes Registration Notice on 23 March 2018, which effectively expanded the financing channels. Due to the recent depreciation pressure on the RMB against the US dollar, as well as the adjustment of intensity and methods of "structural de-leverage" across the nation, the market maintains a reasonable abundant liquidity, and the interest rate is on a staged decline. The Group shall optimize its debt structure and reduce the financial costs based on its own development needs, and avoid the risks associated with debt maturity mismatch.

The Group upholds and will constantly strengthen the concept of “asset management” and persists with value creation as an important guidance for business development. The Group will continue to promote merger and acquisition of high-quality assets, and will continue to review existing project portfolios to dispose of projects that continue to underperform, so as to retrieve resources to support high-quality asset acquisitions or debt reduction plans, to solidify our sustainable development capabilities, and establish us as an “hundred-year-old store” to create long-term, sustainable, steady and reasonable return for our shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2018, the Company has complied with the code provisions as set out in the Corporate Governance Code, with the exception of code provision A.4.1.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Bye-laws. All the non-executive directors of the Company had retired by rotation and have been re-elected during the past three years.

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee and by the Company’s auditor in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

The Company has not redeemed any of its shares during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

