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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)**

### 2019 INTERIM RESULTS ANNOUNCEMENT

#### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30 June 2019

		(Unaudited)	
		Six months ended 30 June	
	Note	2019 RMB'000	2018 RMB'000
Revenue	4	<b>1,380,910</b>	1,371,008
Cost of services	5	<b>(404,469)</b>	(373,266)
Construction income under service concession upgrade services		<b>36,612</b>	36,864
Construction cost under service concession upgrade services		<b>(36,612)</b>	(36,864)
Other income, gains and losses - net	6	<b>26,533</b>	28,215
General and administrative expenses	5	<b>(98,474)</b>	(110,656)
Operating profit		<b>904,500</b>	915,301
Finance income	7	<b>14,896</b>	64,306
Finance costs	7	<b>(160,708)</b>	(268,911)
Share of result of a joint venture		<b>45,272</b>	42,236
Share of results of associates		<b>170,764</b>	171,784
Profit before income tax		<b>974,724</b>	924,716
Income tax expense	8	<b>(99,047)</b>	(291,030)
Profit for the period		<b>875,677</b>	633,686

<b>(Unaudited)</b>		
<b>Six months ended 30 June</b>		
Note	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Profit attributable to:		
Shareholders of the Company	<b>635,070</b>	462,423
Non-controlling interests	<b>240,607</b>	171,263
	<b><u>875,677</u></b>	<u>633,686</u>
Earnings per share for profit attributable to shareholders of the Company		
	<b>RMB</b>	RMB
Basic and diluted earnings per share	<b>9 <u>0.3796</u></b>	<u>0.2764</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the Six Months Ended 30 June 2019

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	<u>875,677</u>	<u>633,686</u>
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	106	224
Cash flow hedges – movement in hedging reserve	<u>(649)</u>	<u>—</u>
Other comprehensive (loss)/income for the period	<u>(543)</u>	<u>224</u>
Total comprehensive income for the period	<u><b>875,134</b></u>	<u><b>633,910</b></u>
Total comprehensive income attributable to:		
Shareholders of the Company	634,527	462,647
Non-controlling interests	<u>240,607</u>	<u>171,263</u>
	<u><b>875,134</b></u>	<u><b>633,910</b></u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
	Note	2019	2018
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible operating rights		17,121,388	17,419,156
Goodwill		632,619	632,619
Property, plant and equipment		81,141	83,297
Investment properties		38,633	38,538
Right-of-use assets		16,099	—
Investment in a joint venture		427,588	454,272
Investments in associates		1,485,347	1,474,846
Other non-current receivables	11	34,777	45,883
		<u>19,837,592</u>	<u>20,148,611</u>
<b>Current assets</b>			
Trade receivables	12	129,196	122,211
Other receivables, deposits and prepayments		71,069	70,998
Amount due from an associate		—	4,708
Amount due from a joint venture		11,848	—
Short-term bank deposits, cash and cash equivalents		2,186,843	2,393,222
		<u>2,398,956</u>	<u>2,591,139</u>
<b>Total assets</b>		<u><b>22,236,548</b></u>	<u><b>22,739,750</b></u>
<b>EQUITY</b>			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves		10,212,853	9,924,549
		<u>10,360,175</u>	<u>10,071,871</u>
Non-controlling interests		2,432,301	2,335,708
<b>Total equity</b>		<u><b>12,792,476</b></u>	<u><b>12,407,579</b></u>

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
	Note	2019	2018
		RMB'000	RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		4,718,953	5,080,996
Corporate bonds		1,788,342	1,497,554
Contract liabilities		78,680	83,030
Deferred income tax liabilities		2,100,102	2,086,455
Derivative financial instruments		2,935	—
Lease liabilities		5,791	—
		<u>8,694,803</u>	<u>8,748,035</u>
<b>Current liabilities</b>			
Borrowings		113,480	511,249
Corporate bonds		198,322	498,068
Amounts due to non-controlling interests of a subsidiary		1,611	1,611
Amounts due to holding companies		11	679
Amount due to a joint venture		—	25,195
Trade and other payables and accrued charges	13	337,041	452,331
Contract liabilities		8,886	8,886
Lease liabilities		10,488	—
Current income tax liabilities		79,430	86,117
		<u>749,269</u>	<u>1,584,136</u>
<b>Total liabilities</b>		<u>9,444,072</u>	<u>10,332,171</u>
<b>Total equity and liabilities</b>		<u>22,236,548</u>	<u>22,739,750</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 Basis of preparation

This Financial Information for the six months ended 30 June 2019 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 2018, 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 2018, 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 2019.

New standards, amendments, improvement and interpretation

HKAS 19 (Amendment)	Employee benefits
HKAS 28 (Amendment)	Investments in associates and joint ventures
HKFRSs	Annual improvement 2015 – 2017 reporting cycle
HKFRS 9 (Amendment)	Prepayment features with negative compensation and modification of financial liabilities
HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over income tax treatments

The above new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2019 do not have a material impact on the Group, except for HKFRS 16 “Leases” as set out below.

## HKFRS 16 “Leases” – Impact of adoption

The Group has adopted HKFRS 16 from 1 January 2019, resulting in changes in accounting policies and adjustments to the amounts recognised in the Financial Information. In accordance with the transition provisions in HKFRS 16, the Group has adopted the simplified approach. The reclassification and the adjustments arising from the new rules are therefore not reflected in the consolidated balance sheet as at 31 December 2018, but are recognised in the opening consolidated balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.35%.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the properties.

The adjustments on the consolidated balance sheet as at 1 January 2019 are summarised below:

	31 December 2018 As originally presented RMB’000	Effect of adoption of HKFRS 16 RMB’000	1 January 2019 restated RMB’000
<b>Non-current assets</b>			
Right-of-use assets	—	21,669	21,669
<b>Non-current liabilities</b>			
Lease liabilities	—	11,356	11,356
<b>Current liabilities</b>			
Lease liabilities	—	10,313	10,313
	—	21,669	21,669

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group leases various properties in PRC and Hong Kong. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.



The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK (IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease“.

The adoption of HKFRS 16 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 2019 and have not been early adopted:

<b>New standards, amendment, improvement and interpretation</b>		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKFRS 3 (Amendment)	Definition of a business	1 January 2020
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.

### **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 2018.

#### 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 2019 and 2018 respectively.

Business segment	<b>Toll roads operations RMB'000</b>	<b>All other segments RMB'000</b>	<b>Total RMB'000</b>
<b>Six months ended 30 June 2019</b>			
Revenue (from external customers)	<b>1,380,910</b>	—	<b>1,380,910</b>
Amortisation of intangible operating rights	<b>(302,923)</b>	—	<b>(302,923)</b>
Depreciation of			
– property, plant and equipment	<b>(7,260)</b>	<b>(383)</b>	<b>(7,643)</b>
– right-of-use assets	<b>(5,570)</b>	—	<b>(5,570)</b>
	<b>905,318</b>	<b>(818)</b>	<b>904,500</b>
Operating profit/(loss)			
Finance income	<b>14,896</b>	—	<b>14,896</b>
Finance costs	<b>(160,708)</b>	—	<b>(160,708)</b>
Share of result of a joint venture	<b>45,272</b>	—	<b>45,272</b>
Share of results of associates	<b>170,764</b>	—	<b>170,764</b>
Profit/(loss) before income tax	<b>975,542</b>	<b>(818)</b>	<b>974,724</b>
Income tax expense	<b>(99,047)</b>	—	<b>(99,047)</b>
Profit/(loss) for the period	<b>876,495</b>	<b>(818)</b>	<b>875,677</b>

Business segment	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
<b>Six months ended 30 June 2018</b>			
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	<u>(7,252)</u>	<u>(365)</u>	<u>(7,617)</u>
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	<u>171,784</u>	<u>—</u>	<u>171,784</u>
Profit/(loss) before income tax	925,582	(866)	924,716
Income tax expense	<u>(291,030)</u>	<u>—</u>	<u>(291,030)</u>
Profit/(loss) for the period	<u><u>634,552</u></u>	<u><u>(866)</u></u>	<u><u>633,686</u></u>

The following tables present assets and liabilities information regarding the Group's operating segments as at 30 June 2019 and 31 December 2018 respectively.

Assets and liabilities	<b>Toll roads operations RMB'000</b>	<b>All other segments RMB'000</b>	<b>Total RMB'000</b>
<b>As at 30 June 2019 and for the six months ended 30 June 2019</b>			
Total segment assets	<b>22,202,774</b>	<b>33,774</b>	<b>22,236,548</b>
Addition to non-current assets	<b>10,640</b>	<b>—</b>	<b>10,640</b>
Total segment assets include:			
Investment in a joint venture	<b>427,588</b>	<b>—</b>	<b>427,588</b>
Investments in associates	<b>1,480,847</b>	<b>4,500</b>	<b>1,485,347</b>
Amount due from a joint venture	<b>11,848</b>	<b>—</b>	<b>11,848</b>
Total segment liabilities	<u><u><b>(9,444,060)</b></u></u>	<u><u><b>(12)</b></u></u>	<u><u><b>(9,444,072)</b></u></u>

Assets and liabilities	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>As at 31 December 2018 and for the year ended</b>			
<b>31 December 2018</b>			
Total segment assets	22,705,730	34,020	22,739,750
Addition to non-current assets	73,225	—	73,225
Total segment assets include:			
Investment in a joint venture	454,272	—	454,272
Investments in associates	1,470,346	4,500	1,474,846
Total segment liabilities	(10,331,988)	(183)	(10,332,171)
Total segment liabilities include:			
Amount due to a joint venture	<u>(25,195)</u>	<u>—</u>	<u>(25,195)</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.

Revenue relating to toll roads operation is recognised at point in time.

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	
	2019	2018
	RMB'000	RMB'000
Taxes and surcharges	5,190	5,718
Amortisation of intangible operating rights	302,923	276,930
Depreciation of		
– Property, plant and equipment	7,643	7,617
– Right-of-use assets	5,570	—
Toll highways and bridges maintenance expenses	16,661	19,275
Toll highways and bridges operating expenses	17,665	18,831
Staff costs (including directors' emoluments)		
– Wages and salaries	96,075	92,936
– Pension costs (defined contribution plan)	8,578	7,522
– Social security costs	6,065	6,335
– Staff welfare and other benefits	15,918	21,579
Auditor's remuneration	1,634	1,234
Rental expenses	—	5,350
Legal and professional fee	5,092	7,260

## 6 Other income, gains and losses – net

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Exchange gain – net	—	17,020
Loss on disposal of property, plant and equipment	—	(103)
Compensation for expressways and bridges damages	9,721	3,177
Handling income from toll fee collection	542	526
Management service income	369	876
Income from service areas and gas stations	10,776	6,475
Others	5,125	244

## 7 Finance income/costs

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Bank interest income	12,852	24,262
Interest income on other non-current receivables	2,044	2,571
Exchange gain on notes payables	—	37,473
	<u>14,896</u>	<u>64,306</u>
Finance income	<u><b>14,896</b></u>	<u>64,306</u>
Interest expenses:		
– Bank borrowings	(109,908)	(134,438)
– Bank facility fees	(1,904)	(530)
– Loans from a joint venture	(2,031)	—
– Loans from non-controlling interests of certain subsidiaries	(71)	(54)
– Loan from an ultimate holding company	—	(66)
– Notes payable	—	(11,299)
– Corporate bonds	(33,439)	(32,624)
– Lease liabilities	(488)	—
Fair value loss on derivative financial instruments	—	(50,666)
Exchange loss on bank borrowings	(1,760)	(39,234)
Net fair value change on derivative financial instruments		
reclassified from hedging reserve	(136)	—
Net other exchange loss	(10,971)	—
	<u>(160,708)</u>	<u>(268,911)</u>
Finance costs	<u><b>(160,708)</b></u>	<u>(268,911)</u>

## 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 2018: Nil).
- (b) During the six months ended 30 June 2019, 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 2019 is 25% (30 June 2018: 25%). Guangzhou North Second Ring Transport Technology Company Limited, a subsidiary of the Group, has been recognised as an eligible entity in 2019 to enjoy three years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, starting from 2018 (note c). Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy eight years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, starting from 2013.

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 for 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 2018: 5% or 10%).

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Current income tax		
PRC enterprise income tax	<b>164,723</b>	185,729
Tax concession (note b)	<b>(95,916)</b>	—
Deferred income tax		
Withholding tax on dividend distributed for reinvestment	—	70,000
Withholding tax on undistributed profits of subsidiaries and associates	<b>30,240</b>	35,301
	<b>99,047</b>	291,030

## 9 Earnings per share for profit attributable to share-holders 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	
	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	<u>635,070</u>	<u>462,423</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>0.3796</u>	<u>0.2764</u>

The diluted earnings per share for the six months ended 30 June 2019 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the period (30 June 2018: same).

## 10 Interim dividends

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interim, proposed, of HK\$0.18 equivalent to approximately RMB0.16 (30 June 2018: HK\$0.15 equivalent to approximately RMB0.13) per share	<u>271,042</u>	<u>218,405</u>

A dividend of RMB346,223,000 that relates to the period to 31 December 2018 was paid on 28 June 2019 (30 June 2018: RMB310,022,000 that relates to the period to 31 December 2017 was paid on 28 June 2018).

On 28 August 2019, the board of directors has resolved to declare an interim dividend of HK\$0.18 per share (30 June 2018: HK\$0.15). This interim dividend, amounting to RMB271,042,000 (30 June 2018: RMB218,405,000), has not been recognised as a liability in this Financial Information. It will be recognised in shareholders' equity for the year ending 31 December 2019.



## **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 2019, the total remaining balance of the consideration receivable (including current and non-current portions) is RMB60.6 million (31 December 2018: RMB71.3 million) which will be settled by 5 half yearly installments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB34.8 million (31 December 2018: RMB45.8 million) will be received after 30 June 2020 (31 December 2018: 31 December 2019) according to the repayment schedule.

The fair value of the consideration receivable (including current and non-current portions) of approximately RMB63.1 million (31 December 2018: RMB74.1 million) is estimated by discounting remaining balance of RMB67.3 million (31 December 2018: RMB80.0 million) at the applicable current interest rate of 4.67% (31 December 2018: 4.70%) and is categorised as level 2 under the fair value hierarchy.

## **12 Trade receivables**

As at 30 June 2019, trade receivables were aged below 30 days (31 December 2018: 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 2019 RMB'000	31 December 2018 RMB'000
Trade payables	39,728	49,571
Other payables and accrued charges	<u>297,313</u>	<u>402,760</u>
	<u><b>337,041</b></u>	<u><b>452,331</b></u>

The ageing analysis of trade payables is as follows:

0 - 30 days	2,949	12,777
Over 90 days	<u>36,779</u>	<u>36,794</u>
	<u><b>39,728</b></u>	<u><b>49,571</b></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)
<b>Subsidiaries</b>						
GNSR Expressway	42.5	6	5	Expressway	60.00	13
Cangyu Expressway	23.3	4	1	Expressway	100.00	11
Jinxiong Expressway <sup>(1)</sup>	23.9	4	3	Expressway	60.00 <sup>(2)</sup>	11
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	17
Changzhu Expressway	46.5	4	5	Expressway	100.00	21
Weixu Expressway	64.3	6	2	Expressway	100.00	16
Suiyuan Expressway	98.1	4	4	Expressway	70.00	21
<b>Associates and Joint Venture</b>						
GWSR Expressway	42.1	6	4	Expressway	35.00	11
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 <sup>(3)</sup>	10
Northern Ring Road	22.0	6	8	Expressway	24.30	4
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	9
Qinglian Expressway	215.2	4	16	Expressway	23.63	15

(1) According to the overall development plan (2018-2035) approved by the State Council for Hebei Xiong'an New Area (Letter No. 159 2018 of the State Council) 《國務院關於河北雄安新區總體規劃 (2018-2035年)的批覆》 (國函2018 159號) and Notice of Tianjin Expressway Management Office on Adjusting the Name and Number of Route of Jinxiong Expressway (Jin Gao Su Chu Gui Hua 2019 No. 7) (《天津市高速公路管理處關於調整津雄高速公路路線命名和編號的通知》 (津高速處規劃2019 7號)), the name of Jinbao Expressway was adjusted as Jinxiong Expressway, and the number (S7) remained unchanged.

(2) 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.

(3) The profit sharing ratio was 18.446% from 2010 onwards.

## Toll Summary of Toll Roads and Bridges

For the six months ended 30 June 2019

	Average daily toll traffic volume		Average daily toll revenue	
	First half of 2019 (vehicles/day)	Y-O-Y Change %	First half of 2019 (RMB/day)	Y-O-Y Change %
<b>Subsidiaries</b>				
GNSR Expressway	231,453	0.7%	3,164,108	3.1%
Cangyu Expressway	9,724	-18.8%	185,357	-17.9%
Jinxiong Expressway	35,954 <sup>(1)</sup>	-3.5%	248,952	-5.6%
Han-Xiao Expressway	28,225	4.2%	469,270	-0.6%
Changzhu Expressway	59,028 <sup>(1)</sup>	-1.0%	643,665	-4.9%
Weixu Expressway	31,301	6.1%	1,108,869	-5.4%
Suiyuan Expressway	26,135	13.0%	1,809,117	6.7%
<b>Associates and Joint Venture</b>				
GWSR Expressway	78,558	4.0%	1,517,521	2.2%
Humen Bridge	103,767	-14.0%	3,640,485	-19.1%
Northern Ring Road	347,728	1.6%	2,068,710	-2.0%
Shantou Bay Bridge	26,157	4.6%	540,396	-4.8%
Qinglian Expressway	47,734	9.8%	2,331,526	9.0%

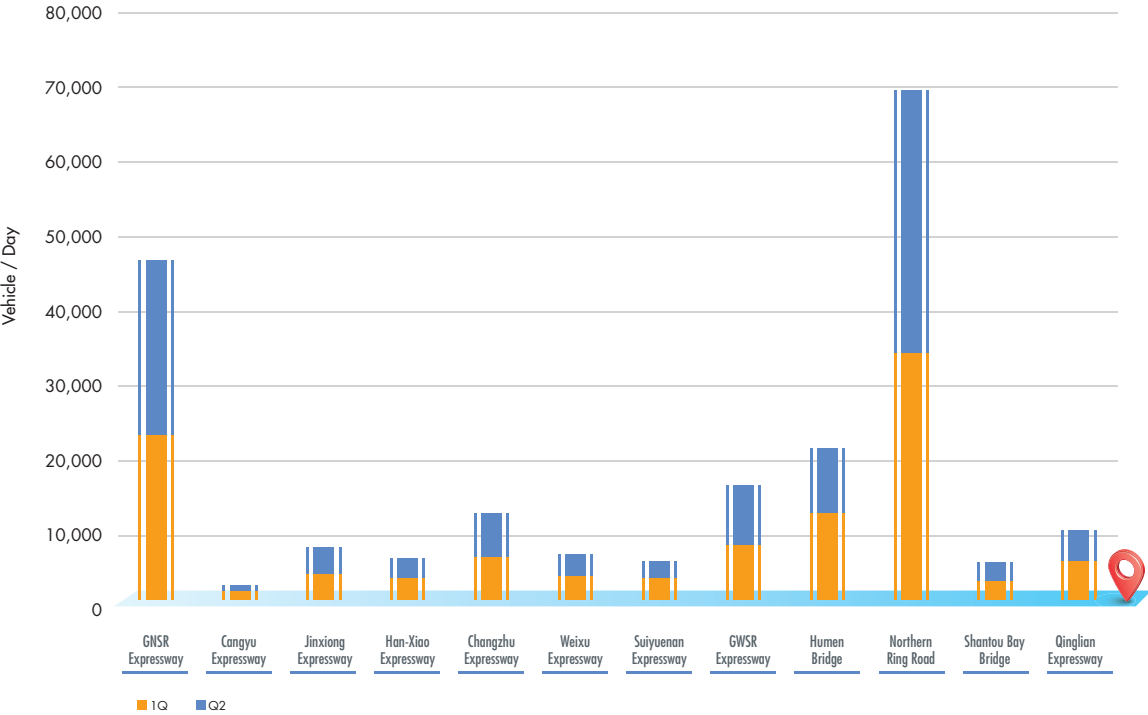
- (1) According to the upgrade of traffic data collection technology and related work arrangements of the local network centers in Hunan Province and Tianjin City, the statistical calibers for the toll traffic volumes of Changzhu Expressway and Jinxiong Expressway have been adjusted from May 2018. The 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 Jinxiong 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 Jinxiong 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)). By now 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 2019

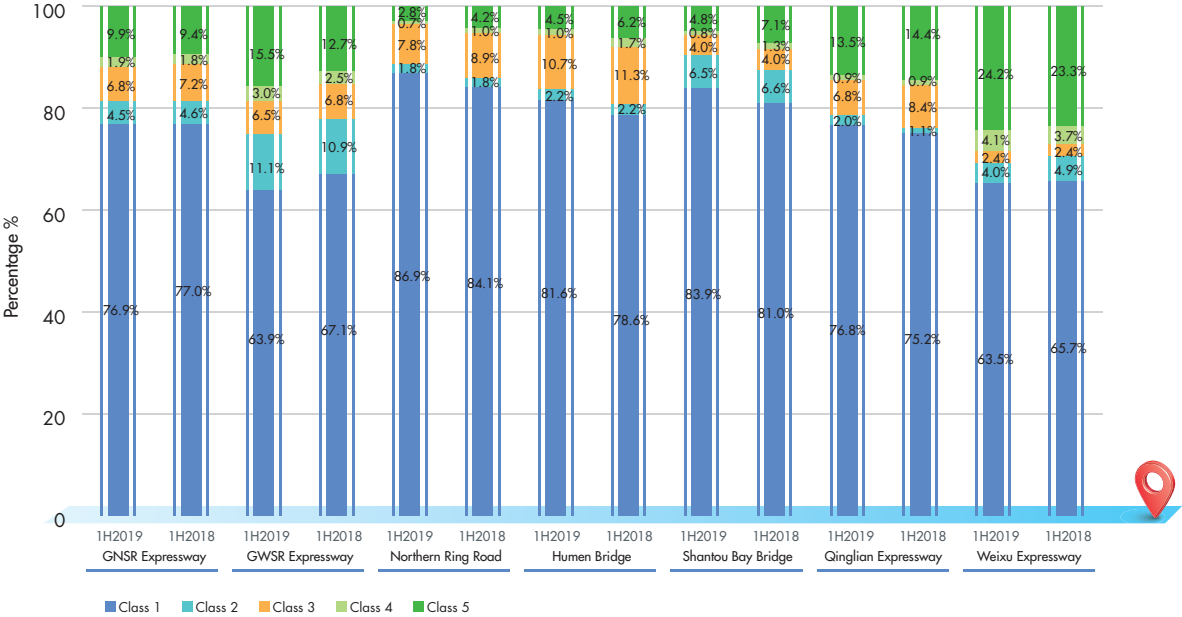
	<b>Average daily toll traffic volume for the first quarter (vehicles/day)</b>	<b>Average daily toll traffic volume for the second quarter (vehicles/day)</b>
<b>Subsidiaries</b>		
GNSR Expressway	225,401	237,439
Cangyu Expressway	11,505	7,964
Jinxiong Expressway	35,520	36,382
Han-Xiao Expressway	30,348	26,126
Changzhu Expressway	59,013	59,043
Weixu Expressway	33,135	29,487
Suiyuanan Expressway	30,064	22,250
<b>Associates and Joint Venture</b>		
GWSR Expressway	74,400	82,670
Humen Bridge	118,007	89,683
Northern Ring Road	337,070	358,270
Shantou Bay Bridge	26,150	26,164
Qinglian Expressway	52,972	42,553

**Analysis of average daily toll traffic volume for the first and second quarters of 2019**

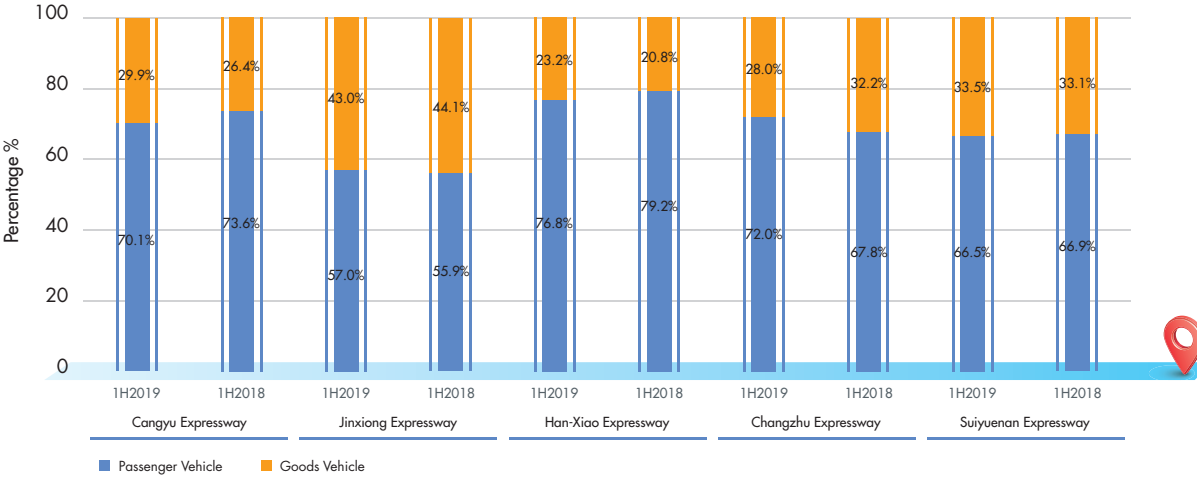


During the Reporting Period, the Group’s operating projects were primarily distributed in six provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Henan and Tianjin. Based on the location of the Group invested in and operated its projects, the vehicle types in the provinces of Guangdong 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 2019 (based on statistics of traffic volume)



### Vehicle type analysis on projects operated in other regions for the first half of 2019 (based on statistics of traffic volume)



## SUMMARY OF OPERATING PERFORMANCE

### Macroeconomic environment

During the Reporting Period, global economic growth remains subdued. Economic activities were weaker than expected. The International Monetary Fund (IMF) lowered its forecast for world economic growth this year by 0.1 percentage points to 3.2% in its “World Economic Outlook”. Meanwhile, global trade and technology issues and geopolitical tensions have created protracted uncertainties.

During the Reporting Period, the PRC economy maintained an overall stable performance and recorded a steady growth. As indicated by data from the National Bureau of Statistics, GDP for the first half of 2019 amounted to RMB45.0933 trillion, representing a year-on-year increase of 6.3%. The economy continues to operate within a reasonable range, with continuing optimization and adjustment of economic structure.

During the Reporting Period, the performance of domestic transportation sector remained generally stable. Investment on fixed assets in highway construction amounted to RMB950 billion, representing a year-on-year increase of 4.8%. Highway passenger turnover decreased by 4.7% and cargo turnover increased by 5.5% year-on-year, respectively.

During the Reporting Period, domestic car ownership maintained a steady growth momentum. As at 30 June 2019, domestic car ownership reached 250 million vehicles, representing a year-on-year increase of 9.2%.

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 2019 increased by 6.5%, 4.6%, 5.9%, 7.2%, 8.0 % and 7.7%, respectively.



(unit: RMB100 million)

	Guangxi						
	Guangdong	Tianjin	Autonomous	Hunan	Hubei	Henan	
	National	Province	Municipality	Region	Province	Province	Province
GDP for the first half of 2019	450,933	50,501	10,371	8,907	17,785	19,896	24,204
GDP Growth for the first half of 2019	6.3%	6.5%	4.6%	5.9%	7.2%	8.0%	7.7%
GDP Growth for the first half of 2018	6.8%	7.1%	3.4%	6.2%	7.8%	7.8%	7.8%

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

## Industry Regulations

During the Reporting Period, the transportation sector is set to further deepen the reform of the toll road system. According to the “notice on the deepened reform of the toll road system and implementation plan of removing provincial toll stations on expressways” issued by the General Office of the State Council of the PRC, nationwide highway toll stations on provincial boundaries will be removed earlier than scheduled to implement no-stop fast tolling and thus further improve road traffic efficiency. All highway toll stations on provincial boundaries across the country will be removed by the end of 2019 in order to accelerate the application of electronic no-stop charging system. Classification standard for vehicle tolls on toll roads will be revised and the calculation formula for truck tolls will also be adjusted. The Group is responding actively to the impact of the reform of the toll road system.

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 government requirements. The enforcement of this policy led to a decrease in the toll income of the Group by approximately RMB119.78 million (first half of 2018: approximately RMB150.94 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 government requirements. There were a total of 14 days of major holidays during the first half of the year that satisfies the requirements. Based on preliminary estimation, the implementation of this policy resulted in a decrease in the toll income of the Group by approximately RMB61.19 million<sup>(1)</sup> (first half of 2018: approximately RMB51.95 million<sup>(1)</sup>).

### **Business Improvements and Innovations**

During the Reporting Period, the Group continued to enhance the capability on ensuring smooth traffic flow, operational management and management of safety standardization. We strived to improve our traffic services capability, built up innovative systems, pushed for accreditation of high-tech enterprises and set up a high-level platform for innovation and development cooperation. 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. Improvements were made on the road condition and performance. Overall road maintenance management level was enhanced. We actively promote the adoption of information technologies, thus effectively enhance the information synergy capabilities. Efforts were made on promoting the application of intelligent monitoring scenarios to improve the efficiency of comprehensive management. Moreover, we shall continue to enhance our staff development system, implement the professional managers and key talent management system, and provide a solid foundation for the Company’s long-term development.

*Note:*

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

## **PERFORMANCE OF EXPRESSWAYS AND BRIDGES**

### **Subsidiaries**

#### **GNSR Expressway**

During the Reporting Period, the average daily toll traffic volume was 231,453 vehicles and the average daily toll revenue was RMB3,164,000, representing an increase of 0.7% and 3.1%, respectively, when compared with the first half of 2018.

The average daily toll traffic volume and toll revenue recorded a year-on-year growth, mainly attributable to the measures of restricting passage of certain heavy trucks on the Huanan Expressway Phase I (section between Cencun Interchange and Tuhua Interchange) since September 2018.

#### **Cangyu Expressway**

During the Reporting Period, the average daily toll traffic volume was 9,724 vehicles and the average daily toll revenue was RMB185,000, representing a decrease of 18.8% and 17.9%, respectively, when compared with the first half of 2018.

The year-on-year decrease of average daily toll traffic volume and average daily toll was mainly due to the impact of diversion of trucks upon completion and commencement of operation of all sections of Wuzhou Ring Expressway since December 2018 and diversion of traffic since the completion of upgrading and transformation of the X184 County Road in July 2018.

### **Jinxiong Expressway**

During the Reporting Period, the average daily toll traffic volume was 35,954 vehicles and the average daily toll revenue was RMB249,000, representing a decrease of 3.5% and 5.6%, respectively, when compared with the first half of 2018.

The year-on-year decrease of average daily toll traffic volume and average daily toll was mainly due to the decrease in truck traffic volume as well as the temporary closure of the entrance of Yangfenggang toll station due to construction works in April 2019. (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 28,225 vehicles and the average daily toll revenue was RMB469,000, representing an increase of 4.2% and a decrease of 0.6%, respectively, when compared with the first half of 2018.

The year-on-year increase of average daily toll traffic volume and decrease of toll revenue was mainly due to the temporary closure of certain lanes of neighboring Fuhe Bridge since September 2018 and the diversion effect of the closure for construction of a route of Wuhan Tianhe International Airport since December 2018.

### **Changzhu Expressway**

During the Reporting Period, the average daily toll traffic volume was 59,028 vehicles and the average daily toll revenue was RMB644,000, representing a decrease of 1.0% and 4.9%, respectively, when compared with the first half of 2018.

The year-on-year decrease of average daily toll traffic volume and average daily toll was mainly due to the implementation of differentiated toll road charges in nearby highways such as Wuhan-Shenzhen Expressway since February 2019 (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 31,301 vehicles and the average daily toll revenue was RMB1,109,000, representing an increase of 6.1% and a decrease of 5.4%, respectively, when compared with the first half of 2018.

The year-on-year increase of average daily toll traffic volume was mainly attributable to the growth of car ownership. The year-on-year decrease of toll revenue results from relaxation of controls on the oversized and overloaded transport on local roads, with some of the trucks using local roads.

### **Suiyuanan Expressway**

During the Reporting Period, the average daily toll traffic volume was 26,135 vehicles and the average daily toll revenue was RMB1,809,000, representing an increase of 13.0% and 6.7%, respectively, when compared with the first half of 2018.

Both the toll traffic volume and the toll revenue recorded a year-on-year increase mainly due to the network integration effect brought by commencement of operations in all sections of Xuguang Expressway in September 2018.

## **Associates and Joint Venture**

### **GWSR Expressway**

During the Reporting Period, the average daily toll traffic volume was 78,558 vehicles and the average daily toll revenue was RMB1,518,000, representing an increase of 4.0% and 2.2%, respectively, when compared with the first half of 2018.

Both the toll traffic volume and the toll revenue recorded a year-on-year increase mainly due to the implementation of measures restricting passage of certain heavy trucks on Northern Ring Road starting from August 2018.

### **Humen Bridge**

During the Reporting Period, the average daily toll traffic volume was 103,767 vehicles and the average daily toll revenue was RMB3,640,000, representing a decrease of 14.0% and 19.1%, respectively, when compared with the first half of 2018.

Both the toll traffic volume and the toll revenue recorded a year-on-year decrease mainly due to diversion upon commencement of operation of Nansha Bridge since April 2019 and truck restrictions on Humen Bridge in certain time slots since March 2019.

### **Northern Ring Road**

During the Reporting Period, the average daily toll traffic volume was 347,728 vehicles and the average daily toll revenue was RMB2,069,000, representing an increase of 1.6% and a decrease of 2.0%, respectively, when compared with the first half of 2018.

The average daily toll traffic volume recorded a year-on-year increase mainly due to the growth of car ownership, while the year-on-year drop in average daily toll revenue was mainly due to truck restrictions on Northern Ring Road since August 2018.

## **Shantou Bay Bridge**

During the Reporting Period, the average daily toll traffic volume was 26,157 vehicles and the average daily toll revenue was RMB540,000, representing an increase of 4.6% and a decrease 4.8% respectively, when compared with the first half of 2018.

The average daily toll traffic volume recorded a year-on-year increase mainly due to the growth of car ownership, while the year-on-year drop in average daily toll revenue was mainly due to the diversion of trucks after the commencement of operation of Jiehui Expressway (Phase II) since October 2018.

## **Qinglian Expressway**

During the Reporting Period, the average daily toll traffic volume was 47,734 vehicles and the average daily toll revenue was RMB2,332,000, representing an increase of 9.8% and 9.0%, respectively, when compared with the first half of 2018.

Both the toll traffic volume and toll revenue recorded a year-on-year increase mainly due to the network integration effect brought by the commencement of operation of Qingxi Bridge and its connection roads in September 2018.

## FINANCIAL REVIEW

### Key operating results figures

	Six months ended 30 June		Change %
	2019 RMB'000	2018 RMB'000	
Revenue	<b>1,380,910</b>	1,371,008	0.7
Gross profit	<b>976,441</b>	997,742	-2.1
Operating profit	<b>904,500</b>	915,301	-1.2
Earnings before interests, tax, depreciation and amortisation (“EBITDA”) <sup>(1)</sup>	<b>1,448,240</b>	1,456,773	-0.6
Finance costs	<b>(160,708)</b>	(268,911)	-40.2
Share of result of a joint venture	<b>45,272</b>	42,236	7.2
Share of results of associates	<b>170,764</b>	171,784	-0.6
Profit attributable to shareholders of the Company	<b>635,070</b>	462,423	37.3
Basic and diluted earnings per share	<b>RMB0.3796</b>	RMB0.2764	37.3
Interim dividend	<b>271,042</b>	218,405	

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

### I. Overview of operating results

The Group's revenue increased by 0.7 percent to RMB1,380.9 million, operating profit decreased by 1.2 percent to RMB904.5 million and profit attributable to shareholders of the Company increased by 37.3 percent to RMB635.1 million in the Reporting Period. The Board of Directors resolved to declare an interim dividend for 2019 of HK\$0.18 which is equivalent to approximately RMB0.1619939 (2018: HK\$0.15 which was equivalent to approximately RMB0.1305345) per share, represented an interim dividend payout ratio of 42.7 percent (2018: 47.2 percent).



## II. Analysis of operating results

### *Revenue*

The Group recorded total revenue of RMB1,380.9 million in the Reporting Period, representing an increase of 0.7 percent as compared with same period in 2018.

### **Analysis of revenue by each controlled project**

<b>Controlled Projects</b>	<b>Reporting Period RMB'000</b>	<b>Percentage of total %</b>	<b>First half of 2018 RMB'000</b>	<b>Percentage of total %</b>	<b>Change %</b>
GNSR Expressway	572,703	41.5	555,332	40.5	3.1
Suiyuanan Expressway	327,450	23.7	307,003	22.4	6.7
Weixu Expressway	200,705	14.5	212,125	15.5	-5.4
Changzhu Expressway	116,503	8.4	122,492	8.9	-4.9
Han-Xiao Expressway	84,939	6.2	85,472	6.2	-0.6
Jinxiong Expressway	45,060	3.3	47,743	3.5	-5.6
Cangyu Expressway	33,550	2.4	40,841	3.0	-17.9
Total	<u>1,380,910</u>	<u>100.0</u>	<u>1,371,008</u>	<u>100.0</u>	0.7

GNSR Expressway accounted for 41.5 percent (same period in 2018: 40.5 percent) of the toll revenue of the Group's controlled projects in the Reporting Period. Toll revenue of GNSR Expressway increased by 3.1 percent to RMB572.7 million in the Reporting Period. The revenue increment was mainly due to the implementation of the measure restricting the passage of certain heavy trucks on Huanan Expressway Phase I (section between Cencun Interchange and Tuhua Interchange) since September 2018.

Suiyuenan Expressway, ranked second in terms of toll revenue, which accounted for 23.7 percent (same period in 2018: 22.4 percent) among controlled projects. Toll revenue of Suiyuenan Expressway grew by 6.7 percent to RMB327.5 million mainly because of the network integration effect brought by commencement of operations in all sections of Xuguang Expressway in September 2018.

Weixu Expressway, ranked third in terms of toll revenue, which accounted for 14.5 percent (same period in 2018: 15.5 percent) among controlled projects. Toll revenue of Weixu Expressway decreased by 5.4 percent to RMB200.7 million in the Reporting Period because of the decrease in the intensity of regulating oversize and overload transport on local roads, which caused certain trucks to be diverted to local roads.

Changzhu Expressway, ranked fourth in terms of toll revenue, which accounted for 8.4 percent (same period in 2018: 8.9 percent) among controlled projects. Toll revenue of Changzhu Expressway decreased 4.9 percent to RMB116.5 million in the Reporting Period mainly due to the implementation of differentiated toll road charges in surrounding sections of the project such as Wuhan-Shenzhen Expressway since February 2019.

Han-Xiao Expressway, ranked fifth in terms of toll revenue, which accounted for 6.2 percent (same period in 2018: 6.2 percent) among controlled projects. Toll revenue of Han-Xiao Expressway decreased 0.6 percent to RMB84.9 million in the Reporting Period.

Jinxiong Expressway, ranked sixth in terms of toll revenue, which accounted for 3.3 percent (same period in 2018: 3.5 percent) among controlled projects. Toll revenue of Jinxiong Expressway decreased 5.6 percent to RMB45.1 million in the Reporting Period mainly due to diversion of some trucks and the temporary closure of the entrance of Yangfenggang toll station due to construction works in April 2019.

Cangyu Expressway, ranked seventh in terms of toll revenue, which accounted for 2.4 percent (same period in 2018: 3.0 percent) among controlled projects. Toll revenue of Cangyu Expressway dropped 17.9 percent to RMB33.6 million in the Reporting Period mainly due to the impact of diversion of trucks upon completion and commencement of operation of all sections of Wuzhou Ring Expressway since December 2018 and diversion of traffic since completion of upgrading and transformation of the X184 County Road since July 2018.

### ***Cost of services***

In the Reporting Period, the total cost of services of the Group amounted to RMB404.5 million (same period in 2018: RMB373.3 million), representing an increase of RMB31.2 million or 8.4 percent as compared with same period in 2018. Cost ratio (cost of services/revenue) was 29.3 percent in the Reporting Period being 2.1 percentage point higher than same period in 2018.

### **Analysis of cost of services by each controlled project**

<b>Controlled Projects</b>	<b>Reporting Period RMB'000</b>	<b>Percentage of total %</b>	<b>First half of 2018 RMB'000</b>	<b>Percentage of total %</b>	<b>Change %</b>
GNSR Expressway	134,693	33.3	123,233	33.0	9.3
Suiyuanan Expressway	72,398	17.9	71,450	19.1	1.3
Weixu Expressway	57,543	14.2	53,151	14.3	8.3
Changzhu Expressway	56,371	13.9	45,373	12.2	24.2
Han-Xiao Expressway	34,836	8.6	31,324	8.4	11.2
Jinxiong Expressway	30,144	7.5	31,786	8.5	-5.2
Cangyu Expressway	18,484	4.6	16,949	4.5	9.1
Total	<u>404,469</u>	<u>100.0</u>	<u>373,266</u>	<u>100.0</u>	8.4

## Analysis of cost of services by nature

	Reporting Period RMB'000	Percentage of total %	First half of 2018 RMB'000	Percentage of total %	Change %
Amortisation of intangible operating rights	302,923	74.9	276,930	74.2	9.4
Staff costs	57,490	14.2	48,092	12.9	19.5
Toll highways and bridges operating expenses	17,665	4.4	18,831	5.0	-6.2
Toll highways and bridges maintenance expenses	16,661	4.1	19,275	5.2	-13.6
Taxes and surcharges	5,190	1.3	5,718	1.5	-9.2
Depreciation of other fixed assets	4,540	1.1	4,420	1.2	2.7
Total	<u>404,469</u>	<u>100.0</u>	<u>373,266</u>	<u>100.0</u>	8.4

## *Gross profit*

Gross profit in the Reporting Period decreased by 2.1 percent to RMB976.4 million. Gross profit margin in the Reporting Period was 70.7 percent being 2.1 percentage point lower than same period in 2018.

## Analysis of gross profit by each controlled project

Controlled Projects	Reporting Period		First half of 2018	
	Gross Profit		Gross Profit	
	Gross Profit RMB'000	Margin <sup>(1)</sup>	Gross Profit RMB'000	Margin <sup>(1)</sup>
GNSR Expressway	438,010	76.5%	432,099	77.8%
Suiyuan Expressway	255,052	77.9%	235,553	76.7%
Weixu Expressway	143,162	71.3%	158,974	74.9%
Changzhu Expressway	60,132	51.6%	77,119	63.0%
Han-Xiao Expressway	50,103	59.0%	54,148	63.4%
Cangyu Expressway	15,066	44.9%	23,892	58.5%
Jinxiong Expressway	14,916	33.1%	15,957	33.4%
Total	<u>976,441</u>	<u>70.7%</u>	<u>997,742</u>	<u>72.8%</u>

<sup>(1)</sup> Gross profit margin = Gross profit/revenue

### ***General and administrative expenses***

The Group's general and administrative expenses in the Reporting Period amounted to RMB98.5 million representing a decrease of 11.0 percent from RMB110.7 million for the same period in 2018 mainly due to the decrease in administrative staff cost of RMB11.1 million.

### ***Other income, gains and losses — net***

The Group's other income, gains and losses — net was a gain of RMB26.5 million in the Reporting Period, which represented a decrease of RMB1.7 million over the same period in 2018.

### ***Finance income/Finance costs***

The Group's finance income in the Reporting Period amounted to RMB14.9 million (same period in 2018: RMB64.3 million) which was 76.8 percent lower than same period in 2018. The decrease was mainly due to (i) the decrease in exchange gain on notes payable of RMB37.5 million and (ii) the decrease in bank interest income of RMB11.4 million in the Reporting Period as compared with the same period in 2018.

The Group's finance costs in the Reporting Period decreased by 40.2 percent to RMB160.7 million as compared with same period in 2018 of RMB268.9 million, mainly due to (i) decrease in fair value loss on derivative financial instruments of RMB50.7 million, (ii) decrease in exchange loss on bank borrowings of RMB37.5 million, and (iii) the decrease in interest expense of RMB31.0 million mainly resulting from the decrease in average bank borrowings during the Reporting Period. The Group's overall weighted average interest rate in the Reporting Period was 4.11 percent, which remained at the same level as compared with that if interest rate for notes payable was excluded for the same period in 2018.

### ***Share of results of associates and a joint venture***

The Group's share of results of associates and a joint venture has increased by 0.9 percent in the Reporting Period to RMB216.0 million.

Share of post-tax profit of Humen Bridge in the Reporting Period decreased by 22.8 percent to RMB75.6 million. Toll revenue at the project company level has decreased by 19.1 percent to RMB658.9 million in the Reporting Period mainly due to the diversion upon commencement of operation of Nansha Bridge since April 2019 and the truck restrictions on Humen Bridge in certain timeslots since March 2019.

Share of post-tax profit of Northern Ring Road in the Reporting Period increased by 38.3 percent to RMB61.4 million. Toll revenue at the project company level dropped by 2.0 percent to RMB374.4 million in the Reporting Period mainly due to the implementation of the measure restricting the passage of certain heavy trucks since August 2018. For the increase in share of post-tax profit of RMB17.0 million, it is mainly because Northern Ring Road was granted with a 3-year tax relief during the Reporting Period and as a result the share of post-tax profit (attributable to the Group) recorded an increase of RMB20.0 million where RMB13.8 million was attributed to last financial year and RMB6.2 million was attributed to the Reporting Period.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Period decreased by 4.0 percent to RMB15.8 million. Toll revenue at the project company level decreased by 4.8 percent to RMB97.8 million mainly due to the diversion effect of certain trucks as a result of the commencement of operation of Jiehui Expressway (Phase II) since October 2018.

Share of post-tax profit of Qinglian Expressway in the Reporting Period increased by 37.8 percent to RMB18.0 million. Toll revenue at the project company level grew 9.0 percent to RMB422.0 million benefiting from the network integration effect brought by the commencement of operation of Qingxi Bridge and its connection roads since September 2018.

Share of post-tax profit of GWSR Expressway in the Reporting Period increased by 7.2 percent to RMB45.3 million. Toll revenue at the project company level grew 2.2 percent to RMB274.7 million mainly due to the implementation of the measure restricting the passage of certain heavy trucks on Northern Ring Road from August 2018 and as a result some trucks were diverted to the GWSR Expressway.

**Analysis of share of results of associates and a joint venture and respective toll revenue**

		Toll revenue		Share of results	
	Profit	Reporting	YoY	Reporting	YoY
	Sharing ratio	Period	change	Period	change
	%	RMB'000	%	RMB'000	%
<b>Associates</b>					
Humen Bridge	18.446	<b>658,928</b>	-19.1	<b>75,605</b>	-22.8
Northern Ring Road	24.3	<b>374,437</b>	-2.0	<b>61,397</b>	38.3
Shantou Bay Bridge	30.0	<b>97,812</b>	-4.8	<b>15,773</b>	-4.0
Qinglian Expressway	23.63	<b>422,006</b>	9.0	<b>17,989</b>	37.8
<b>Sub-total</b>		<b>1,553,183</b>	-7.9	<b>170,764</b>	-0.6
<b>Joint venture</b>					
GWSR Expressway	35.0	<b>274,671</b>	2.2	<b>45,272</b>	7.2
<b>Total</b>		<b>1,827,854</b>	-6.5	<b>216,036</b>	0.9

***Income tax expense***

Total income tax expense of the Group in the Reporting Period recorded a period-to-period decrease of 66.0 percent mainly because (i) no one-off provision was made during the Reporting Period whereas a one-off provision was made in the first half of 2018 for the direct reinvestment by the Company with its PRC subsidiary's distributed profit and (ii) GNSR Expressway was granted with a 3-year tax relief during the Reporting Period and as a result the income tax expenses recorded a decrease of RMB144.0 million where RMB95.9 million was attributed to last financial year and RMB48.1 million was attributed to the Reporting Period.



### ***Profit attributable to shareholders of the Company***

The Company reported profit attributable to its shareholders of RMB635.1 million in the Reporting Period, an increase of 37.3 percent as compared with same period in 2018. The increase was mainly due to (i) the drop in net finance cost, (ii) the 3-year tax relief was granted to GNSR Expressway, and (iii) no one-off provision was made for the direct reinvestment by the Company with its PRC subsidiary's distributed profit during the Reporting Period.

Given management team's continuous effort in optimizing the overall debt structure of the Group and as part of this process, there were inter-company loan interests incurred 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**

	<b>Reporting Period RMB'000</b>	<b>Percentage of total %</b>	<b>First half of 2018 RMB'000</b>	<b>Percentage of total %</b>	<b>Change %</b>
Net profit from controlled projects	<b>566,983</b>	<b>72.4</b>	474,668	68.9	19.4
Net profit from non-controlled projects <sup>(1)</sup>	<b>216,036</b>	<b>27.6</b>	214,020	31.1	0.9
Net profit from projects	<b>783,019</b>	<b>100.0</b>	688,688	100.0	13.7
Withholding tax on					
PRC dividends/income	<b>(30,240)</b>		(87,444)		-65.4
Corporate expenses	<b>(69,050)</b>		(55,278)		24.9
Corporate income/gains, net	<b>2,679</b>		1,299		106.2
Corporate finance income	<b>10,406</b>		61,296		-83.0
Corporate finance costs	<b>(61,744)</b>		(146,138)		-57.7
Profit attributable to shareholders of the Company	<b>635,070</b>		462,423		37.3

<sup>(1)</sup> Representing share of results of associates and a joint venture

Net profit derived from controlled projects amounted to RMB567.0 million in the Reporting Period, accounted for 72.4 percent (same period in 2018: 68.9 percent). The net profit from non-controlled projects amounted to RMB216.0 million in the Reporting Period, accounted for 27.6 percent (same period in 2018: 31.1 percent).

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

Controlled Projects	Reporting	Percentage	First half	Percentage	Change
	Period	of total	of 2018	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	287,761	36.7	193,543	28.1	48.7
Weixu Expressway	102,320	13.1	108,584	15.7	-5.8
Suiyuanan Expressway	102,003	13.0	85,761	12.5	18.9
Changzhu Expressway	28,551	3.6	40,544	5.9	-29.6
Han-Xiao Expressway	26,442	3.4	21,119	3.1	25.2
Cangyu Expressway	14,164	1.8	19,280	2.8	-26.5
Jinxiong Expressway	5,961	0.8	6,411	0.9	-7.0
Xian Expressway	(219)	-0.0	(574)	-0.1	-61.8
Total	<u>566,983</u>	<u>72.4</u>	<u>474,668</u>	<u>68.9</u>	19.4

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

Controlled Projects	Reporting	Percentage	First half	Percentage	Change
	Period	of total	of 2018	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	287,761	36.7	193,543	27.8	48.7
Weixu Expressway	102,320	13.0	108,584	15.6	-5.8
Suiyuan Expressway	107,695	13.7	91,670	13.2	17.5
Changzhu Expressway	20,953	2.7	34,409	5.0	-39.1
Han-Xiao Expressway	30,099	3.8	28,855	4.1	4.3
Cangyu Expressway	14,164	1.8	19,267	2.8	-26.5
Jinxiong Expressway	5,961	0.8	6,411	0.9	-7.0
Xian Expressway	(219)	-0.0	(574)	-0.1	-61.8
Total	<u>568,734</u>	<u>72.5</u>	<u>482,165</u>	<u>69.3</u>	18.0

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 toll revenue”) has increased 0.9 percent to RMB216.0 million as compared with same period in 2018.

Profits attributable to the shareholders of the Company from Humen Bridge, Northern Ring Road, Shantou Bay Bridge, Qinglian Expressway and GWSR Expressway accounted for 9.7 percent (same period in 2018: 14.2 percent), 7.8 percent (same period in 2018: 6.5 percent), 2.0 percent (same period in 2018: 2.4 percent), 2.3 percent (same period in 2018: 1.9 percent) and 5.8 percent (same period in 2018: 6.1 percent) of the net profit from projects respectively.

At the corporate level, the withholding tax on PRC dividends/income decreased by RMB57.2 million mainly because the one-off provision of RMB70.0 million withholding tax in 2018 when the Company made direct reinvestment with its PRC subsidiary's distributed profit. The decrease in corporate finance income of RMB50.9 million was mainly due to the decrease in exchange gain on notes payable of RMB37.5 million. In addition, the corporate finance cost dropped by RMB84.4 million mainly due to decrease in fair value loss on derivative financial instruments of RMB50.7 million and decrease in exchange loss of RMB26.5 million. The corporate income/gains, net and the corporate expense remained at a similar level as the same period in 2018.

### ***Interim dividend***

The Board of Directors resolved to declare an interim dividend for 2019 of HK\$0.18 which is equivalent to approximately RMB0.1619939 (2018: HK\$0.15 which was equivalent to approximately RMB0.1305345) per share payable on or about 29 November 2019 to shareholders whose names appear on the register of members of the Company on 14 November 2019. Interim dividend payout ratio of 42.7 percent (2018: 47.2 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
	2019	2018	
	RMB'000	RMB'000	%
Total assets	<b>22,236,548</b>	22,739,750	-2.2
Total liabilities	<b>9,444,072</b>	10,332,171	-8.6
Short-term bank deposits, cash and cash equivalents	<b>2,186,843</b>	2,393,222	-8.6
Total debts	<b>6,819,097</b>	7,613,062	-10.4
Of which: bank borrowings	<b>4,641,102</b>	5,399,276	-14.0
Corporate bonds	<b>1,986,664</b>	1,995,622	-0.4
Current ratio	<b>3.2 times</b>	1.6 times	
EBITDA interest coverage	<b>9.8 times</b>	8.2 times	
Equity attributable to the shareholders of the Company	<b>10,360,175</b>	10,071,871	2.9

#### *Assets, Liabilities and Equity*

As at 30 June 2019, the Group's total assets amounted to RMB22.2 billion which was 2.2 percent lower than that balance as at 31 December 2018. The Group's total assets comprised mainly of intangible operating rights of RMB17.1 billion (31 December 2018: RMB17.4 billion); investments in a joint venture and associates of RMB1.91 billion (31 December 2018: RMB1.93 billion); and short-term bank deposits, cash and cash equivalents of RMB2.2 billion (31 December 2018: RMB2.4 billion).

As at 30 June 2019, the Group's total liabilities amounted to RMB9.4 billion which was 8.6 percent lower than the balance as at 31 December 2018. The Group's total liabilities comprised mainly of bank borrowings of RMB4.6 billion (31 December 2018: RMB5.4 billion); corporate bonds in aggregate of RMB2.0 billion (31 December 2018: RMB2.0 billion); loans from non-controlling interests of RMB96.8 million (31 December 2018: RMB98.5 million); loan from a joint venture of RMB94.5 million (31 December 2018: RMB94.5 million) and deferred income tax liabilities of RMB2.10 billion (31 December 2018: RMB2.09 billion).

As at 30 June 2019, the Group's total equity increased by RMB384.9 million to RMB12.8 billion (31 December 2018: RMB12.4 billion), of which RMB10.4 billion was attributable to the shareholders of the Company (31 December 2018: RMB10.1 billion).

### Analysis of major assets, liabilities and equity items

Items	(Unaudited)		Change %
	30 June 2019 RMB'000	31 December 2018 RMB'000	
<b>Total assets</b>	<b>22,236,548</b>	22,739,750	-2.2
Approximately 90.0% of which:			
Intangible operating rights	<b>17,121,388</b>	17,419,156	-1.7
Investments in a joint venture and associates	<b>1,912,935</b>	1,929,118	-0.8
Short-term bank deposits, cash and cash equivalents	<b>2,186,843</b>	2,393,222	-8.6
Of which: cash and cash equivalents	<b>2,186,843</b>	2,393,222	-8.6
<b>Total liabilities</b>	<b>9,444,072</b>	10,332,171	-8.6
Approximately 90.0% of which:			
Bank borrowings – due within 1 year	<b>113,480</b>	511,249	-77.8
– long-term portion	<b>4,527,622</b>	4,888,027	-7.4
Corporate bonds – due within 1 year	<b>198,322</b>	498,068	-60.2
– long-term portion	<b>1,788,342</b>	1,497,554	19.4
Loans from non-controlling interests	<b>96,831</b>	98,469	-1.7
Loan from a joint venture	<b>94,500</b>	94,500	—
Deferred income tax liabilities	<b>2,100,102</b>	2,086,455	0.7
<b>Total equity</b>	<b>12,792,476</b>	12,407,579	3.1
Of which: Attributable to the shareholders			
of the Company	<b>10,360,175</b>	10,071,871	2.9

## ***Cash flows***

It has been the primary objective of the Group to focus on preventing risk and improving 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 RMB2,186.8 million which was 8.6 percent lower than the level at 31 December 2018. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

### **Analysis of cash flow movement**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash generated from operating activities	<b>1,023,375</b>	967,042
Net cash generated from investing activities	<b>188,420</b>	278,329
Net cash used in financing activities	<b>(1,416,137)</b>	(1,330,338)
Decrease in cash and cash equivalents	<b>(204,342)</b>	(84,967)
Cash and cash equivalents at 1 January	<b>2,393,222</b>	2,842,452
Effect of exchange rate changes on cash and cash equivalents	<b>(2,037)</b>	21,448
Cash and cash equivalents at 30 June	<b><u>2,186,843</u></b>	<b><u>2,778,933</u></b>

Net cash generated from operating activities during the Reporting Period amounted to RMB1,023.4 million (30 June 2018: RMB967.0 million) which cash generated from operations of RMB1,109.9 million (30 June 2018: RMB1,143.3 million) less China enterprise income tax and withholding tax paid of RMB86.5 million (30 June 2018: RMB176.3 million).

Net cash generated from investing activities during the Reporting Period amounted to RMB188.4 million (30 June 2018: RMB278.3 million). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB196.3 million (30 June 2018: RMB174.1 million); interest received in aggregate of RMB12.8 million (30 June 2018: RMB24.3 million) and proceeds from compensation arrangement of RMB12.7 million (30 June 2018: RMB11.8 million). There were no proceeds from disposal of fixed assets (30 June 2018: RMB0.1 million) and no cash proceed originally placed to bank for fixed deposits with original maturity over 3 months (30 June 2018: RMB115.7 million). The outflow was mainly capital expenditures of RMB33.4 million (30 June 2018: RMB47.7 million).

Net cash used in financing activities during the Reporting Period amounted to RMB1,416.1 million (30 June 2018: RMB1,330.3 million). The outflow mainly included repayment of bank borrowings amounted to RMB761.4 million (30 June 2018: RMB105.7 million); payment of finance costs and related fees of RMB146.5 million (30 June 2018: RMB223.3 million); dividends paid to the shareholders of the Company of RMB346.2 million (30 June 2018: RMB310.0 million); dividend paid to non-controlling interests of RMB144.0 million (30 June 2018: Nil); repayment of corporate bonds of RMB10.0 million (30 June 2018: Nil); repayments of loans from non-controlling interest of subsidiaries of RMB2.1 million (30 June 2018: RMB1.8 million) and payment for lease liabilities (including interest) of RMB5.9 million (30 June 2018: Nil). There were no repayment of notes payable (30 June 2018: RMB1,523.0 million) in the Reporting Period. There was no inflow for financing activities (30 June 2018: drawdown of bank borrowings of RMB833.5 million) in the Reporting Period.



### ***Current ratio***

The current ratio (current assets over current liabilities) as at 30 June 2019 was 3.2 times (31 December 2018: 1.6 times). The current assets balance as at 30 June 2019 was RMB2,399.0 million (31 December 2018: RMB2,591.1 million) and current liabilities balance was RMB749.3 million (31 December 2018: RMB1,584.1 million). Cash and cash equivalents were the major components of the Group's current assets with a balance as at 30 June 2019 of RMB2,186.8 million (31 December 2018: RMB2,393.2 million). Included in the Group's current liabilities as at 30 June 2019 were short-term borrowings (i.e. maturities within one year) of RMB311.8 million (31 December 2018: RMB1,009.3 million), including bank borrowings of RMB113.5 million and corporate bonds of RMB198.3 million. Management will continue to take a prudent approach to effectively match the existing cash, 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 2019 was 9.8 times (30 June 2018: 8.1 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 2019 was 21.9 percent (30 June 2018: 17.1 percent) which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings and corporate bonds ("total external debts").

Profit before interest and income tax interest coverage for the period ended 30 June 2019 was 7.7 times (30 June 2018: 6.5 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 2019 was 8.6 times (30 June 2018: 6.9 times) which was measured as the ratio of 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 RMB33.4 million (same period in 2018: RMB47.7 million). Capital expenditures related to intangible operating rights and fixed assets are: (1) payments of construction costs of toll highways and bridges upgrade services of RMB31.1 million (same period in 2018: RMB40.7 million) and (2) purchase of property, plant and equipment of RMB2.3 million (same period in 2018: RMB7.0 million). Apart from the aforementioned, no material capital expenditures 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 financial 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 2019 RMB'000	31 December 2018 RMB'000
Total external debts		
Bank borrowings	4,641,102	5,399,276
Corporate bonds <sup>1</sup>	1,986,664	1,995,622
Loans from non-controlling interests	96,831	98,469
Loan from a joint venture	94,500	94,500
Amount due to a joint venture	—	25,195
Total debts	<u>6,819,097</u>	<u>7,613,062</u>
Less: cash and cash equivalents	<u>(2,186,843)</u>	<u>(2,393,222)</u>
Net debt	<u>4,632,254</u>	<u>5,219,840</u>
Total Equity	12,792,476	12,407,579
Of which: Equity attributable to the shareholders of the Company	<u>10,360,175</u>	<u>10,071,871</u>
Total capitalization (Net debt + Total equity)	<u>17,424,730</u>	<u>17,627,419</u>
<b>Financial ratios</b>		
Gearing ratio (net debt/total capitalization)	26.6%	29.6%
Debt to Equity ratio (net debt/total equity)	36.2%	42.1%
Total liabilities/Total assets ratio	42.5%	45.4%

<sup>1</sup> 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:	RMB290 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):	4.10%	3.38%	2.90%	3.18%
Upcoming interest payment date:	21 March 2020	21 March 2020	26 October 2019	26 October 2019
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 lowering the interest rate and mitigating exchange risk exposure. As at the end of the Reporting Period, the Group's total debts comprised of bank borrowings, corporate bonds, loans from non-controlling interests, loan from a joint venture and amount due to a joint venture. Debt with foreign exchange risk exposure as at 30 June 2019 was approximately RMB434.6 million (31 December 2018: approximately RMB431.3 million), the hedging cost was locked by forward contract.

As at 30 June 2019, the Group's total external debts in aggregate was RMB6.6 billion (31 December 2018: RMB7.4 billion) composed of bank borrowings amounted to RMB4.6 billion (31 December 2018: RMB5.4 billion) and corporate bonds of RMB2.0 billion (31 December 2018: RMB2.0 billion). Onshore and offshore debts ratio was 93.4 percent and 6.6 percent (31 December 2018: 94.2 percent and 5.8 percent). Secured external debt ratio was 63.5 percent (31 December 2018: 63.1 percent). The effective interest rate of total external debt at 30 June 2019 was 4.12 percent (31 December 2018: 4.09 percent). Bank borrowings of RMB4.4 billion was at floating rates and RMB242.5 million was at fixed rates with the overall effective interest rate of 4.39 percent at 30 June 2019 (31 December 2018: 4.37 percent). Corporate bonds (in four tranches) were at fixed rates with coupon rates of 4.10 percent, 3.38 percent, 2.90 percent and 3.18 percent respectively with overall effective interest rate at 3.50 percent as at 30 June 2019 (31 December 2018: 3.36 percent).

## Analysis of total external debt (bank borrowings and corporate bonds)

	(Unaudited)	
	30 June 2019	31 December 2018
	Percentage of total	Percentage of total
Source		
Onshore	93.4%	94.2%
Offshore	6.6%	5.8%
	<u>100.0%</u>	<u>100.0%</u>
Repayment term		
Within 1 year	4.7%	13.6%
1 to 2 year	19.9%	3.1%
More than 2 years and less than 5 years	28.2%	38.9%
Above 5 years	47.2%	44.4%
	<u>100.0%</u>	<u>100.0%</u>
Currency		
RMB	93.4%	94.2%
HKD	6.6%	5.8%
	<u>100.0%</u>	<u>100.0%</u>
Interest rate		
Fixed	33.6%	34.4%
Floating	66.4%	65.6%
	<u>100.0%</u>	<u>100.0%</u>
Terms of credit		
Secured	63.5%	63.1%
Unsecured	36.5%	36.9%
	<u>100.0%</u>	<u>100.0%</u>

Loans from non-controlling interests of certain subsidiaries were unsecured, interest-free, long-term and denominated in RMB. The carrying amounts of these loans approximate their fair values which were calculated based on cash flows discounted at a rate of 4.35 percent (31 December 2018: 4.35 percent) per annum.

Loan from a joint venture was unsecured, long-term and denominated in RMB which carried interest at 4.275%.

Amount due to a joint venture was 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 93.4 percent (31 December 2018: 94.2 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 includes cash and cash equivalent of HK\$33.9 million (equivalent to approximately RMB29.8 million); and has an external debt of HK\$494.0 million (equivalent to approximately RMB434.6 million). The Group had entered into forward contracts to hedge the foreign exchange risk in the Reporting Period. 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 2019, the Group had capital commitments related to intangible operating rights and property, plant and equipment, of which approximately RMB25.8 million being contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 30 June 2019. There were no significant contingent liabilities as at 30 June 2019.

## **V. Employees**

As at 30 June 2019, the Group had approximately 1,493 employees of whom about 1,312 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 future regulatory environment of the sector**

The growth of global economic activities was significantly affected and slowed down in 2019 due to a complex of reasons, for instance, the intensified trade dispute between major economies such as the US and China, rising populism and uncertainties brought by Brexit. In addition, many central banks, including the Federal Reserve System of the US, have cut interest rates successively in 2019, leading to signs of easing monetary policy globally.

In the face of a complicated international economic environment, the Central Government adheres to the general tone of stable and steady progress, and has adopted a series of policies assuring economic growth. With a combination of prudent monetary policies and proactive fiscal policies as well as a more comprehensive implementation of tax cut and fees reduction policies, the Central Government aims at maintaining the trend of a good progress in an overall stability of the economy. Looking forward, the Central Government will continue to promote high quality development in domestic economy, driven by a focus on the reform of supply side together with stable macro-policies and flexible micro-policies.

Highways play an important role in the modern transportation system which contributes to economic development. With the solid growth of China's economy, consumer expenditure is rising steadily, tourism and logistics sectors are prospering. All these have provided strong support for the growth of highway industry. In the first half of the year, policies regarding toll road industry have remained stable. The removal of highway toll stations on provincial boundaries and speeding up of promotion and application of ETC will improve efficiency of the expressway network. This could lower the operating costs of the industry and facilitate the sustainable development of the sector in the medium and long term.

### **Development Strategy and Investment Opportunities**

Since its establishment, the Group has been adhering to an proactive and steady development strategy. Given the national strategy of "the Rise of Central China" and the policy of "Promoting the Rise of Central China (2016-2025)" promulgated by the National Development and Reform Commission, the Group seeks to expand its investments in highway projects in central provinces with a higher level of industrialization and urbanization, such as Hubei, Hunan and Henan, and has developed the strategy of "Presence in the Guangdong-Hong Kong-Macau Greater Bay Area and to advance in Central China". While proactively exploring investment opportunities, the Group values its investment grade credit ratings and the maintenance of such ratings is one of the major considerations in its investment decision making. The management understands that by maintaining credit ratings of investment grade by the three major international rating agencies, namely Moody, Standard & Poor and Fitch, the Group would be in a better position to secure debt financing at lower cost.

In furtherance of the Group's development strategy of "Presence in the Guangdong-Hong Kong-Macau Greater Bay Area and to advance in Central China", the Group has been proactively seeking for investment opportunities in quality roads in Central China that have surroundings with relatively strong growth potential. The Group has entered into negotiation with a subsidiary of its controlling shareholder in relation to a proposed acquisition of interests in companies operating three expressways in Hubei Province. The proposed acquisition, if materialised, is expected to constitute a major and connected transaction of the Group under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No legally binding agreement has been entered into by the Group as at the date of this announcement, and therefore shareholders and potential investors of the Group should



exercise caution when dealing in the securities of the Group. The Group will issue further announcement(s) as and when appropriate. The information in this section is disclosed by the Group pursuant to the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 June 2019, 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 2019 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 2019. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 12 November 2019 to Thursday, 14 November 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Monday, 11 November 2019.

By Order of the Board  
**Yuexiu Transport Infrastructure Limited**  
**LI Feng**  
*Chairman*

Hong Kong, 28 August 2019

As at the date of this announcement, the Board comprises:

Executive Directors: LI Feng (Chairman), HE Baiqing and CHEN Jing

Independent Non-executive Directors: FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu