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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)

2021 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 2021 (“Reporting Period”) as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Six Months Ended 30 June 2021

	Notes	(Unaudited)	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Revenue	4	1,831,743	839,590
Cost of services	5	(682,097)	(587,462)
Construction income under service concession upgrade services		16,889	56,354
Construction cost under service concession upgrade services		(16,889)	(56,354)
Other income, gains and losses - net	6	27,253	36,871
General and administrative expenses	5	(105,424)	(90,988)
Operating profit		1,071,475	198,011
Finance income	7	17,939	13,749
Finance costs	7	(382,154)	(406,228)
Share of result of a joint venture		38,087	5,184
Share of results of associates		101,966	(17,045)
Profit/(loss) before income tax		847,313	(206,329)
Income tax expense	8	(214,385)	(57,878)
Profit/(loss) for the period		632,928	(264,207)
Attributable to:			
Shareholders of the Company		467,699	(288,121)
Non-controlling interests		165,229	23,914
		632,928	(264,207)
Earnings/(loss) per share for profit/(loss) attributable to shareholders of the Company		RMB	RMB
Basic and diluted earnings/(loss) per share	9	0.2795	(0.1722)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2021

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period	632,928	(264,207)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	109	(162)
Cash flow hedges – movement in hedging reserve	<u>(1,515)</u>	<u>3,989</u>
Other comprehensive (loss)/income for the period	<u>(1,406)</u>	<u>3,827</u>
Total comprehensive income/(loss) for the period	<u>631,522</u>	<u>(260,380)</u>
Attributable to:		
Shareholders of the Company	466,293	(284,294)
Non-controlling interests	<u>165,229</u>	<u>23,914</u>
	<u>631,522</u>	<u>(260,380)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
	Note	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Intangible operating rights		31,194,380	31,712,956
Goodwill		632,619	632,619
Property, plant and equipment		41,615	53,099
Other intangible assets		8,047	—
Investment properties		36,886	37,144
Right-of-use assets		27,294	30,021
Investment in a joint venture		525,692	487,605
Investments in associates		1,583,606	1,536,113
		<u>34,050,139</u>	<u>34,489,557</u>
Current assets			
Trade receivables	11	205,916	204,361
Other receivables, deposits and prepayments	11	144,296	157,678
Cash and cash equivalents		1,910,253	1,516,004
		<u>2,260,465</u>	<u>1,878,043</u>
Total assets		<u>36,310,604</u>	<u>36,367,600</u>
EQUITY			
Equity attributable to the shareholders			
of the Company			
Share capital		147,322	147,322
Reserves		10,647,772	10,277,569
		<u>10,795,094</u>	10,424,891
Non-controlling interests		<u>3,042,210</u>	<u>3,228,854</u>
Total equity		<u>13,837,304</u>	<u>13,653,745</u>

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
	Note	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		9,261,514	12,321,643
Notes payable		3,491,734	2,492,974
Corporate bonds		2,583,590	—
Contract liabilities and deferred revenue		328,950	332,860
Deferred income tax liabilities		3,271,942	3,300,573
Lease liabilities		15,974	19,510
Derivative financial instruments		—	13,365
		<u>18,953,704</u>	<u>18,480,925</u>
Current liabilities			
Borrowings		1,427,848	977,300
Corporate bonds		963,404	1,909,152
Notes payable		68,739	—
Amount due to a non-controlling interests of a subsidiary		1,611	1,611
Amounts due to holding companies		2,632	153
Trade and other payables and accrued charges	12	872,892	1,219,362
Contract liabilities and deferred revenue		25,611	22,309
Lease liabilities		10,696	10,511
Derivative financial instruments		17,974	10,677
Current income tax liabilities		128,189	81,855
		<u>3,519,596</u>	<u>4,232,930</u>
Total liabilities		<u>22,473,300</u>	<u>22,713,855</u>
Total equity and liabilities		<u>36,310,604</u>	<u>36,367,600</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This Financial Information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “*Interim Financial Reporting*”. The Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 June 2021, the Group’s current liabilities exceeded its current assets by RMB1,259,131,000. The Group’s current liabilities primarily comprise of current portion of borrowings, current portion of corporate bonds and trade and other payables and accrued charges of RMB1,427,848,000, RMB963,404,000 and RMB872,892,000 respectively. The directors of the Company are confident that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the additional financing facilities available to the Group and the internally generated funds from operations. Accordingly, the Financial Information has been prepared on a going concern basis.

2 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2020, except for the adoption of following revised HKFRSs for the first time for the current period’s financial information.

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

The above new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2021 do not have a material impact on the Group.

The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted:

New standards, amendments, improvement and interpretation		Effective for accounting periods beginning on or after
Amendments to annual improvements project	<i>Annual improvements 2018-2020 cycle</i>	1 January 2022
HKAS 16 (Amendments)	<i>Property, Plant and Equipment: Proceeds before intended use</i>	1 January 2022
HKAS 37 (Amendments)	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
HKAS 1 (Amendments)	<i>Classification of Liabilities as Current or Non-current**</i>	1 January 2023
HKAS 1 (Amendments)	<i>Disclosure of Accounting Policies</i>	1 January 2023
HKFRS 3 (Amendments)	<i>Reference to the Conceptual Framework</i>	1 January 2022
HKAS 8 (Amendments)	<i>Definition of Accounting Estimates</i>	1 January 2023
HKAS 12 (Amendments)	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
HKFRS 17	<i>Insurance contracts*</i>	1 January 2023
HKFRS 17 (Amendments)	<i>Insurance contracts*</i>	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	<i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be announced

* As a consequence of the amendments to HKFRS 17 issued in October 2020, the effective date of HKFRS 17 was deferred to 1 January 2023, and HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

** As a consequence of the amendments to HKAS 1 issued in August 2020, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

Management considers that the adoption of the above mentioned new standards, amendments and interpretation at their respective effective dates are not expected to have a material impact on the Group in the current or future reporting periods.

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 2020.

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 (the "CODM") 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 CODM is measured in a manner consistent with that of the Financial Information.

Same as in the Group's annual financial statements for the year ended 31 December 2020, the presentation of reportable segments of the Group for the six months ended 30 June 2021 are revised as certain other income from the toll roads operations are reclassified from "Other income, gains and losses – net" to "Revenue" as the CODM believes the revised classification could provide better presentation to the user of the financial information to evaluate the Group's operating performance from toll roads operations. The comparative figures for the six months ended 30 June 2020 were not restated.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2021 and 2020 respectively.

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Six months ended 30 June 2021			
Revenue (from external customers)			
– Toll Revenue	1,803,384	—	1,803,384
– Other toll operating income	5,200	—	5,200
– Income from service area and gas station	23,159	—	23,159
	<u>1,831,743</u>	<u>—</u>	<u>1,831,743</u>
Amortisation of intangible operating rights	(532,121)	—	(532,121)
Depreciation of			—
– property, plant and equipment	(7,332)	(348)	(7,680)
– right-of-use assets	(4,832)	—	(4,832)
Government subsidy	6,462	—	6,462
	<u>1,072,415</u>	<u>(940)</u>	<u>1,071,475</u>
Operating profit/(loss)			
Finance income	17,939	—	17,939
Finance costs	(382,154)	—	(382,154)
Share of result of a joint venture	38,087	—	38,087
Share of results of associates	105,213	(3,247)	101,966
	<u>851,500</u>	<u>(4,187)</u>	<u>847,313</u>
Profit/(loss) before income tax			
Income tax expense	(214,385)	—	(214,385)
	<u>637,115</u>	<u>(4,187)</u>	<u>632,928</u>
Profit/(loss) for the period			

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Six months ended 30 June 2020			
Revenue (from external customers)	839,590	—	839,590
Amortisation of intangible operating rights	(470,083)	—	(470,083)
Depreciation of			
– property, plant and equipment	(8,127)	(401)	(8,528)
– right-of-use assets	(5,570)	—	(5,570)
Government subsidy	7,875	—	7,875
	<u>199,044</u>	<u>(1,033)</u>	<u>198,011</u>
Operating profit/(loss)	199,044	(1,033)	198,011
Finance income	13,749	—	13,749
Finance costs	(406,228)	—	(406,228)
Share of result of a joint venture	5,184	—	5,184
Share of results of associates	(17,045)	—	(17,045)
	<u>(205,296)</u>	<u>(1,033)</u>	<u>(206,329)</u>
Profit/(loss) before income tax	(205,296)	(1,033)	(206,329)
Income tax expense	(57,878)	—	(57,878)
	<u>(263,174)</u>	<u>(1,033)</u>	<u>(264,207)</u>
Profit/(loss) for the period	(263,174)	(1,033)	(264,207)

The following tables present assets and liabilities information regarding the Group's operating segments as at 30 June 2021 and 31 December 2020 respectively.

Assets and liabilities	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
As at 30 June 2021 and for the six months ended 30 June 2021			
Total segment assets	36,212,898	97,706	36,310,604
Addition to non-current assets	18,090	2,108	20,198
Total segment assets include:			
Investment in a joint venture	525,692	—	525,692
Investments in associates	1,513,168	70,438	1,583,606
Total segment liabilities	(22,472,569)	(731)	(22,473,300)
Total segment liabilities include:			
Amount due to holding companies	(2,632)	—	(2,632)

Assets and liabilities	Toll roads operations <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2020 and for the year ended 31 December 2020			
Total segment assets	36,259,700	107,900	36,367,600
Addition to non-current assets	311,847	—	311,847
Total segment assets include:			
Investment in a joint venture	487,605	—	487,605
Investments in associates	1,455,653	80,460	1,536,113
Total segment liabilities	(22,713,498)	(357)	(22,713,855)
Total segment liabilities include:			
Amount due to holding companies	<u>(153)</u>	<u>—</u>	<u>(153)</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.

Toll revenue and other toll operating income are recognised at point in time. Income from service area and gas station is recognised on a time proportion basis over the contract terms.

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Taxes and surcharges	9,213	4,042
Amortisation of intangible operating rights	532,121	470,083
Depreciation of		
– Property, plant and equipment	7,680	8,528
– Right-of-use assets	4,832	5,570
Toll highways and bridges maintenance expenses	33,151	13,024
Toll highways and bridges operating expenses	36,629	26,714
Staff costs (including directors' emoluments)		
– Wages and salaries	93,910	94,147
– Pension costs (defined contribution plan)	14,473	4,073
– Social security costs	18,769	12,944
– Staff welfare and other benefits	11,946	16,114
Auditor's remuneration	1,652	1,786
Legal and professional fee	9,684	7,516

6 OTHER INCOME, GAINS AND LOSSES – NET

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Compensation for expressways and bridges damages	17,236	8,510
Handling income from toll fee collection (note)	—	1,396
Management service income	871	813
Income from service areas and gas stations (note)	—	18,450
Government subsidy	6,462	7,875
Other rental income	349	213
Loss on disposal of property, plant and equipment	(120)	—
Others (note)	2,455	(386)
	<u>27,253</u>	<u>36,871</u>

Note: The income from service area and gas station and other toll operating income are reclassified to “Revenue” for the six months ended 30 June 2021 (note 4).

7 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	17,100	12,327
Interest income on other current receivables	839	1,422
	<u>17,939</u>	<u>13,749</u>
Finance income	<u><u>17,939</u></u>	<u><u>13,749</u></u>
Interest expenses:		
– Bank borrowings	(247,532)	(316,603)
– Other borrowing	(6,435)	(6,918)
– Bank facility fees	(1,668)	(2,226)
– Loans from a joint venture	(3,160)	(3,177)
– Loans from non-controlling interests of certain subsidiaries	(56)	—
– Notes payable	(62,121)	(35,149)
– Corporate bonds	(48,553)	(33,367)
– Lease liabilities	(594)	(488)
Net other exchange loss	(1,708)	(5,555)
Others	(10,327)	(2,745)
	<u>(10,327)</u>	<u>(2,745)</u>
Finance costs	<u><u>(382,154)</u></u>	<u><u>(406,228)</u></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 2020: Nil).
- (b) During the six months ended 30 June 2021, 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 2021 is 25% (30 June 2020: 25%). Guangzhou North Second Ring Transport Technology Company Limited ("GNSR"), a subsidiary of the Group, enjoyed preferential tax rate of 15% from 2018 to 2020 and applied tax rate of 25% for the six months ended 30 June 2021. Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy preferential tax treatment of income tax, at a preferential income tax rate of 15%, starting from 2013 to 2030.

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 2020: 5% or 10%).

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax	243,016	42,441
Deferred income tax	(28,631)	15,437
	214,385	57,878

9 EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

	Six months ended 30 June	
	2021	2020
Profit/(loss) attributable to shareholders of the Company (RMB'000)	<u>467,699</u>	<u>(288,121)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,162</u>	<u>1,673,162</u>
Basic and diluted earnings/(loss) per share (RMB)	<u>0.2795</u>	<u>(0.1722)</u>

The diluted earnings per share for the six months ended 30 June 2021 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the period (30 June 2020: same).

10 INTERIM DIVIDENDS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, proposed, of HK\$0.20 equivalent to approximately RMB0.1663 (30 June 2020: nil) per share	<u>278,320</u>	<u>—</u>

A dividend of RMB96,090,000 that relates to the year ended 31 December 2020 was paid on 29 June 2021 (30 June 2020: RMB314,484,000 that relates to the year ended 31 December 2019 was paid on 29 June 2020).

On 10 August 2021, the board of directors has resolved to declare an interim dividend of HK\$0.20 per share (30 June 2020: nil). This interim dividend, amounting to RMB278,320,000 (30 June 2020: nil), has not been recognised as a liability in this Financial Information. It will be recognised in shareholders' equity for the year ending 31 December 2021.

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	205,916	204,361
Other receivables, deposits and prepayments	144,296	157,678
	<u>350,212</u>	<u>362,039</u>

As at 30 June 2021, trade receivables were aged below 30 days (31 December 2020: 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.

12 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2021	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	88,269	73,232
Construction related accruals and payables	276,282	356,302
Other payables and accrued charges	508,341	789,828
	<u>872,892</u>	<u>1,219,362</u>

The ageing analysis of trade payables is as follows:

0 - 30 days	11,053	8,073
31 - 90 days	2	1,412
Over 90 days	77,214	63,747
	<u>88,269</u>	<u>73,232</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Remaining Operating Term (year)
Subsidiaries						
GNSR Expressway	42.5	6	6	Expressway	60.00	11
Cangyu Expressway	22.0	4	0	Expressway	100.00	9
Jinxiong Expressway	23.9	4	2	Expressway	60.00	9
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	15
Changzhu Expressway	46.5	4	5	Expressway	100.00	19
Weixu Expressway	64.3	4	2	Expressway	100.00	14
Suiyuanan Expressway	98.1	4	4	Expressway	70.00	19
Hancai Expressway	36.0	4/6 ⁽¹⁾	2	Expressway	67.00	17
Han'e Expressway	54.8	4	5	Expressway	100.00	21
Daguangnan Expressway	107.1	4	6	Expressway	90.00	21
Associates and Joint Venture						
GWSR Expressway	42.1	6	2	Expressway	35.00	9
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽²⁾	8
Northern Ring Road	22.0	6	8	Expressway	24.30	2
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	7
Qinglian Expressway	215.2	4	15	Expressway	23.63	13

Notes:

- (1) There are 6 lanes at the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes on the remaining expressway.
- (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 2021⁽¹⁾

	Average daily toll revenue		Average daily toll traffic
	First half of 2021 ⁽²⁾ (RMB/day)	Y-O-Y Change %	First half of 2021 (Vehicle/day)
Subsidiaries			
GNSR Expressway	2,966,627	18.1%	265,617
Cangyu Expressway	250,451	73.0%	16,074
Jinxiong Expressway	213,086	7.7%	33,778
Han-Xiao Expressway	602,967	34.5%	34,623
Changzhu Expressway	737,372	33.1%	73,977
Weixu Expressway	933,908	4.4%	24,232
Suiyuenan Expressway	1,715,090	13.2%	32,536
Hancai Expressway	681,686	32.5%	49,576
Han'e Expressway	577,056	51.1%	42,518
Daguangnan Expressway	1,285,203	30.0%	32,497
Associates and Joint Venture			
GWSR Expressway	1,336,916	21.4%	88,382
Humen Bridge	2,249,789	97.2%	84,914
Northern Ring Road	1,889,991	19.0%	349,647
Shantou Bay Bridge	506,555	38.9%	28,673
Qinglian Expressway	2,491,031	22.8%	53,601

Notes:

- (1) Since the cancellation of the provincial borders toll stations on January 1, 2020, due to the COVID-19 outbreak and the instability of the new system at the initial stage of operation, the supervisory authorities of the provinces (municipalities) where the projects are located were unable to provide accurate data of toll traffic volume for the first half of 2020, the Group cannot disclose the toll traffic volume and its year-on-year changes.

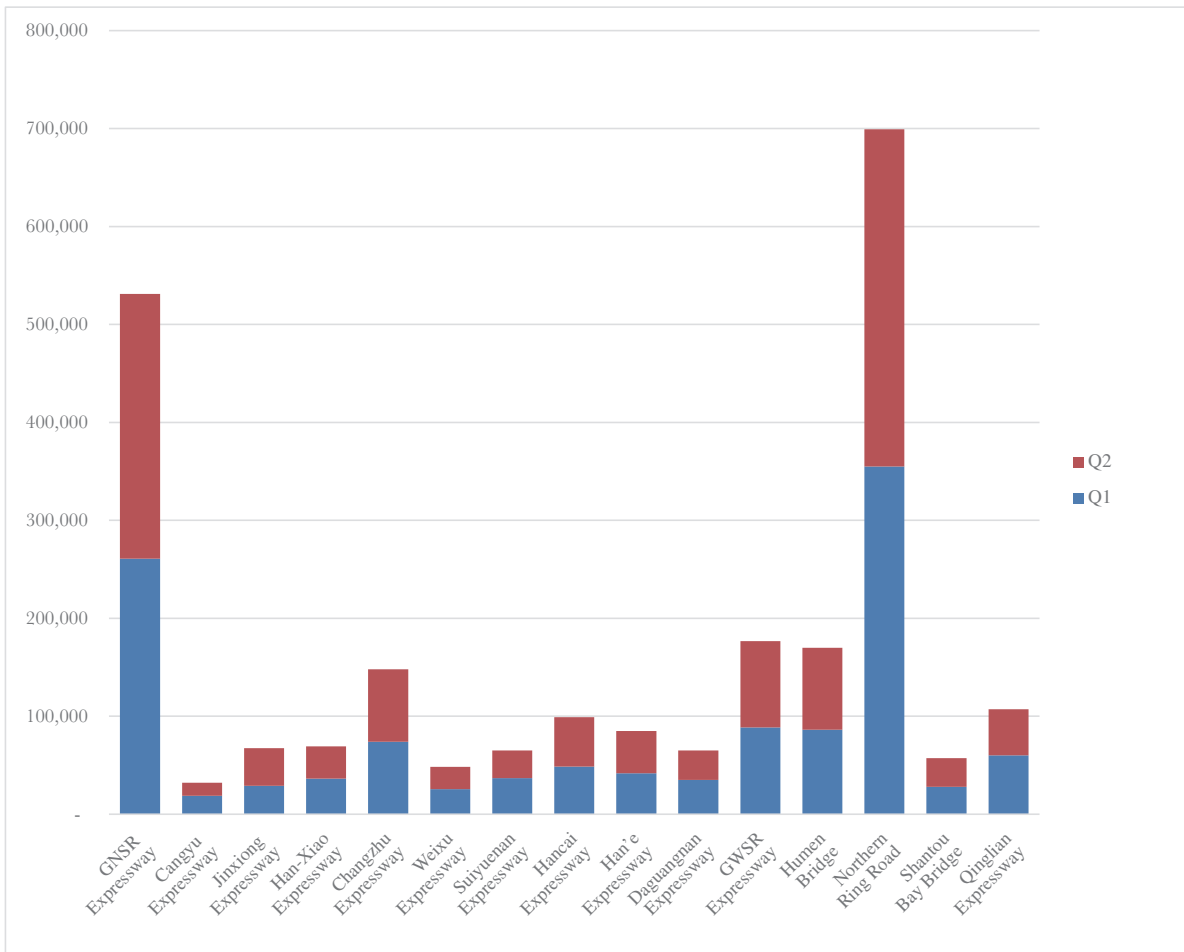
- (2) National toll fees of small passengers vehicles on toll roads were waived from 0:00 on 24 January 2020 to 24:00 on 8 February (extended by 9 days on the original basis) during the 2020 Spring Festival Holiday according to the “Notice of the Work Related to Exempting Toll Fee for Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於做好二〇二〇年春節假期免收小型客車通行費有關工作的通知), the “Notice of Extension for the Free Toll Period of Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於延長二〇二〇年春節假期小型客車免費通行時段的通知) and the “Notice of Extension for the Period of Exempting Toll Fee of Small Passengers Vehicles on Toll Roads during the Spring Festival Holiday” (關於延長春節假期收費公路免收小型客車通行費時段的通知). According to the “Notice on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia” (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), toll fee for all vehicles on toll roads nationwide was exempted from 0:00 on 17 February 2020 until the end of the disease prevention and control. According to the “Announcement on Resumption of Toll Collection for Toll Roads” (《關於恢復收費公路收費的公告》), toll collection for legally approved toll roads is resumed from 0:00 a.m. on 6 May 2020 (79 toll-free days in total). All projects of the Group have been resumed for normal toll collection. The average daily toll revenue of the Group for the first half of 2021 was calculated based on the calendar days of the first half of the year (181 days), and the average daily toll revenue of the Group for the first half of 2020 was calculated based on the number of calendar days in the first half of the year (182 days) less the number of the days exempting toll fees (79 days), which is equivalent to 103 days.

Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for 2021

	Average daily toll traffic volume of the First quarter in 2021 (Vehicle/day)	Average daily toll traffic volume of the Second quarter in 2021 (Vehicle/day)
Subsidiaries		
GNSR Expressway	260,996	270,187
Cangyu Expressway	18,858	13,320
Jinxiong Expressway	29,001	38,503
Han-Xiao Expressway	36,309	32,955
Changzhu Expressway	74,087	73,869
Weixu Expressway	25,636	22,845
Suiyuenan Expressway	36,895	28,225
Hancai Expressway	48,739	50,404
Han'e Expressway	41,686	43,342
Daguangnan Expressway	35,141	29,882
Associates and Joint Venture		
GWSR Expressway	88,614	88,153
Humen Bridge	86,308	83,535
Northern Ring Road	354,997	344,355
Shantou Bay Bridge	27,993	29,344
Qinglian Expressway	60,169	47,105

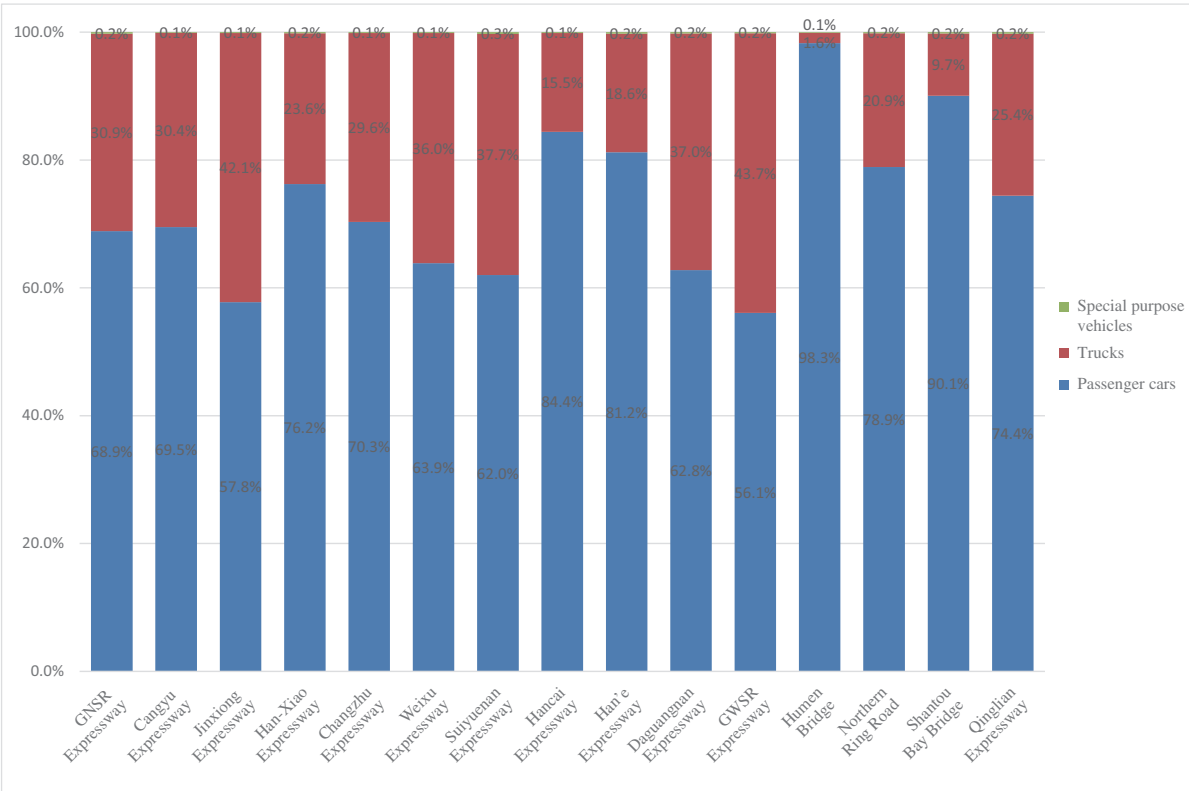
Quarterly analysis of average daily toll traffic volume for 2021



Vehicle type analysis (by traffic volume)

During the Reporting Period, the Group’s operating projects were primarily distributed in six provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Henan and Tianjin. In accordance with the industry standard of “Vehicle Classification of the Toll Highway” implemented on 1 January 2020, in the regions where the Group’s investment and operating projects are located, all vehicles are classified into three categories in a standardized way: passenger cars, trucks, and special purpose vehicles.

Vehicle type analysis for 2021 (by traffic volume)



Note: (1) Special purpose vehicle refers to the cars with the installation of special equipment or apparatus, in the design and manufacture of vehicles used in engineering special projects, health care and other operations.

SUMMARY OF OPERATING PERFORMANCE

MACROECONOMIC ENVIRONMENT

During the Reporting Period, amid the uncertainties from coronavirus pandemic and external environment, China's economy undergoes a steady recovery and positive growth. According to the information released by the National Bureau of Statistics, the gross domestic product (GDP) for the first half of 2021 amounted to RMB 53,216.7 billion, representing a year-on-year increase of 12.7%. By quarter, the GDP for the 1st quarter and for the 2nd quarter records a year-on-year increase of 18.3% and 7.9% respectively.

During the Reporting Period, main indexes of the sector showed an improving trend. For the first half of 2021, investment on fixed assets in highway construction amounted to RMB1,154.9 billion, representing a year-on-year increase of 13.8%. Highway passenger and cargo turnover decreased by 2.0% and increased by 29.4% year-on-year, respectively.

During the Reporting Period, domestic car ownership maintained a steady growth momentum. As at 30 June 2021, domestic car ownership reached 292 million vehicles, representing a year-on-year increase of 8.1%.

The projects invested and operated by the Group are distributed throughout Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The GDP of these regions for the first half of 2021 increased by 13.0%, 11.4%, 12.0%, 11.7%, 28.5% and 10.2% year-on-year, respectively.

(Unit: RMB100 million)

	Guangxi						
	Guangdong	Tianjin	Autonomous	Hunan	Hubei	Henan	
	National	Province	Municipality	Region	Province	Province	Province
GDP for the first half of 2021	532,167	57,226	7,309	11,787	21,667	22,778	28,928
GDP changes for the first half of 2021	12.7%	13.0%	11.4%	12.0%	11.7%	28.5%	10.2%
GDP changes for the first half of 2020	-1.6%	-2.5%	-3.9%	0.8%	1.3%	-19.3%	-0.3%

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

Regulatory Environment of the Sector

During the Reporting Period, the COVID-19 infection cases surged in some regions such as Hebei (in Jan and Feb) and Guangdong (in May and June). To prevent and cope with the pandemic, the local governments have adopted some measures of travel restriction, which would affect the Group's local and periphery projects. The Group is closely monitoring the current impact of the pandemic and the impact thereafter. In order to actively cooperate with the epidemic prevention and control work, all operating projects of the Group actively take various measures such as disinfection of the office space and toll station area, establishment of prevention and control isolation areas and body temperature detection points, priority access for the emergency relief vehicles and maintaining close communication with local hygiene and health authorities.

During the Reporting Period, according to the “Notice of Exempting Toll Fees on Toll Roads During the Period of Prevention and Control of Novel Coronavirus” (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), supporting policies will be issued separately to protect the interests of all parties. The safeguard policies have been launched in Guangdong and Guangxi among the provinces (cities) where the Group's projects operate, while those in other provinces were still under research and formulation. The Group continues to actively communicate with competent authorities of expressway industry and its counterparts to strive for favorable safeguard policies and ensure the benefits of the Company.

During the Reporting Period, highway toll for trucks in Henan, Hubei and Guangxi was adjusted, which would affect the short-term toll revenue of the Group's operating projects in Henan, Hubei and Guangxi to a certain extent.

During the Reporting Period, the Ministry of Transport, the National Development and Reform Commission and the Ministry of Finance jointly promulgated the “Implementation Plan of Full Implementation of Differentiation of Highway Tolls”, which further promotes the differentiation of standard highway toll rates for trucks, adheres to government guidance and encourages independent participation by operators, with the aim of improving road network efficiency, reducing logistics costs, and effectively protecting the legitimate rights of highway investors.

In order to further improve the legal and regulatory governance system and promote the sustainable development of toll roads, amendments to the Highway Law and the Regulations on the Administration of Toll Roads have been included in the annual legislative work plan of the Ministry of Transport.

BUSINESS IMPROVEMENTS AND INNOVATIONS

During the Reporting Period, the Group continued to improve the capability on ensuring smooth traffic flow and of operational management, and further enhanced its road traffic efficiency and service capacity that leads to an increase in traffic efficiency. We actively conducted adjustment and optimization of toll collection facilities and equipment, and ensured stable operation of the toll collection equipment and systems for various projects. The liquidation and utilization of assets were further promoted, so that substantial progresses of transformation and upgrade of service area were achieved. We strived to fully implement safe production and promoted the construction of safe production governance system and capability. Innovation systems were upgraded, investment in scientific research and innovation was increased, and construction of the Northern Second Ring Engineering and Technology Research Center was confirmed. We made great efforts to develop comprehensive maintenance and renovation as well as construction project management and control capabilities, and continued to carry out the application of new technologies, materials, processes and equipment. We actively promoted the adoption of information technologies, and effectively enhanced the information synergy capabilities. Our value-adding headquarters has been optimizing its function, through which we continue to improve our talent nurturing system, so as to provide a solid foundation for the Company's long-term development.

PROGRESS OF INVESTMENT

During the Reporting Period, the Group continued to seek for high-quality expressway projects of large and medium scales in order to strengthen its core business. With its base in Guangdong, Hong Kong and Macau Greater Bay Area, the Group actively looked for and acquired expressways with a balanced operating cash flow in central and western provinces with developed economy so as to expand its business scale, and would also seek for development opportunities of infrastructure projects with stable cash flows and projects in the upstream and downstream of expressway value chain. In addition, the Company is actively working on the spin-off of some of its toll road assets with stable income for listing in REITs in China.

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

Since the revenue for the first half of 2020 recorded a low base due to COVID-19 and related prevention and control measures (e.g. Spring Festival holiday was extended for 9 days apart from the original plan, expressway tolls were exempted for 79 days nationwide, etc.), the toll revenue of projects of the Group for the first year of 2021 generally represents a year-on-year increase.

Subsidiaries

GNSR Expressway

During the Reporting Period, the average daily toll revenue was RMB2,967,000, representing a year-on-year increase of 18.1%. During the Reporting Period, the average daily traffic volume was 265,617 vehicles.

During the Reporting Period, revenue from the Northern Second Ring Road was mainly affected by (1) the diversion of traffic from the Guangzhou and Foshan sections of the Guangzhou-Foshan-Zhaohao Expressway, which was completed and commenced operation on 28 December 2020, as well as (2) the temporary control measures in the relevant areas of Guangdong starting from the end of May 2021 due to epidemic prevention. Northern Second Ring is located in the Greater Bay Area of Guangdong, Hong Kong and Macau, it is believed that the recovery and growth of the economy in the region will contribute to the recovery of traffic volume and revenue of the Northern Second Ring Road.

Cangyu Expressway

During the Reporting Period, the average daily toll revenue was RMB250,000, representing a year-on-year increase of 73.0%. During the Reporting Period, the average daily traffic volume was 16,074 vehicles.

During the Reporting Period, the revenue of Cangyu was mainly boosted by the commencement of operation of the Huaiyang Expressway (connected to this section) at the end of 2020.

Jinxiong Expressway

During the Reporting Period, the average daily toll revenue was RMB213,000, representing a year-on-year increase of 7.7%. During the Reporting Period, the average daily traffic volume was 33,778 vehicles.

During the Reporting Period, the revenue of Jinxiong was mainly affected by the diversion of the Jinshi Expressway, which was completed and commenced operation on 22 December 2020. Based on the latest observation, the diversion impact has basically stabilized.

Han-Xiao Expressway

During the Reporting Period, the average daily toll revenue was RMB603,000, representing a year-on-year increase of 34.5%. During the Reporting Period, the average daily traffic volume was 34,623 vehicles.

During the Reporting Period, the revenue of Hanxiao was mainly boosted by the economic recovery in the region and the commencement of the entire Wuhan Sihuan Line on 30 April 2021.

Changzhu Expressway

During the Reporting Period, the average daily toll revenue was RMB737,000, representing a year-on-year increase of 33.1%. During the Reporting Period, the average daily traffic volume was 73,977 vehicles.

During the Reporting Period, the revenue of Changzhu was mainly boosted by the economic recovery in the region.

Weixu Expressway

During the Reporting Period, the average daily toll revenue was RMB934,000, representing a year-on-year increase of 4.4%. During the Reporting Period, the average daily traffic volume was 24,232 vehicles.

During the Reporting Period, the revenue of Weixu was mainly affected by the return of trucks to the surrounding local roads and the short-term diversion of traffic from the K156+450 middle bridge of the Zhumadian-Biyang section of the Xuguang Expressway (Guangzhou-Xuchang direction) from 6 May 2021 (the construction work is estimated to be completed on 15 August). The Group has been closely monitoring the situation.

Suiyuanan Expressway

During the Reporting Period, the average daily toll revenue was RMB1,715,000, representing a year-on-year increase of 13.2%. During the Reporting Period, the average daily traffic volume was 32,536 vehicles.

During the Reporting Period, the revenue of the Suiyuanan was mainly affected by the short-term diversion of the one-way (from Guangzhou to Xuchang) closure of the K156+450 medium bridge in Biyang Section of Zhumadian of the Xu-Guang Expressway for construction work since 6 May 2021, which is estimated to be completed on 15 August, as well as the ongoing impact of the opening of the Zaoqian Expressway and Shishou Bridge. The Group has been closely monitoring the situation.

Hancai Expressway

During the Reporting Period, the average daily toll revenue was RMB682,000, representing a year-on-year increase of 32.5%. During the Reporting Period, the average daily traffic volume was 49,576 vehicles.

During the Reporting Period, the revenue of Hancai was mainly boosted by the economic recovery in the region and the increase in traffic resulting from the commencement of operation of the Wuhan Sihuan Line on 30 April 2021.

Han'e Expressway

During the Reporting Period, the average daily toll revenue was RMB577,000, representing a year-on-year increase of 51.1%. During the Reporting Period, the average daily traffic volume was 42,518 vehicles.

During the Reporting Period, the revenue of Han'e was mainly boosted by the economic recovery in the region and the commencement of operation of the Wuhan Sihuan Line on 30 April 2021. The Ezhou Airport in the project area is expected to be in trial operation at the end of 2021, which may bring higher traffic volume and revenue to Han'e in the future.

Daguangnan Expressway

During the Reporting Period, the average daily toll revenue was RMB1,285,000, representing a year-on-year increase of 30.0%. During the Reporting Period, the average daily traffic volume was 32,497 vehicles.

During the Reporting Period, the revenue of Daguangnan was mainly boosted by the economic recovery in the region and the commencement of operation of the Wuhan Sihuan Line on 30 April 2021. The Ezhou Airport in the project area is expected to be in trial operation at the end of 2021, which may bring higher traffic volume and revenue to Daguangnan in the future.

Associates and Joint Venture

GWSR Expressway

During the Reporting Period, the average daily toll revenue was RMB1,337,000, representing a year-on-year increase of 21.4%. During the Reporting Period, the average daily traffic volume was 88,382 vehicles.

During the Reporting Period, the revenue of the West Second Ring Road was mainly affected by the diversion of traffic from the Guangzhou and Foshan sections of the Guangzhou-Foshan-Zhaohao Expressway, which was completed and opened on 28 December 2020, as well as the temporary control measures in the relevant areas of Guangdong starting from the end of May 2021 due to epidemic prevention. West Second Ring is located in the Greater Bay Area of Guangdong, Hong Kong and Macau. It is believed that the recovery and growth of the economy in the region will contribute to the recovery of traffic volume and revenue of the Western Second Ring.

Humen Bridge

During the Reporting Period, the average daily toll revenue was RMB2,250,000, representing a year-on-year increase of 97.2%. During the Reporting Period, the average daily traffic volume was 84,914 vehicles.

During the Reporting Period, the revenue of Humen Bridge recorded a year-on-year increase mainly because the impact of traffic control from 5 to 15 May 2020 due to the vortex phenomenon resulted in a lower revenue base. In addition, the Humen Bridge was also affected by the temporary control measures in the relevant areas of Guangdong due to epidemic prevention that started in late May 2021.

Northern Ring Road

During the Reporting Period, the average daily toll revenue was RMB1,890,000, representing a year-on-year increase of 19.0%. During the Reporting Period, the average daily traffic volume was 349,647 vehicles.

During the Reporting Period, the revenue of Northern Ring was mainly affected by the reduction in truck traffic due to the impact of certain heavy trucks restrictions, as well as the impact of temporary epidemic prevention and control measures in the relevant areas of Guangdong effective in late May 2021. Northern Ring is located in the Greater Bay Area of Guangdong, Hong Kong and Macau. It is believed that the recovery and growth of the economy in the region will contribute to the recovery of traffic volume and revenue of Northern Ring.

Shantou Bay Bridge

During the Reporting Period, the average daily toll revenue was RMB507,000, representing a year-on-year increase of 38.9%. During the Reporting Period, the average daily traffic volume was 28,673 vehicles.

During the Reporting Period, the revenue of the Shantou Bay Bridge was mainly boosted by the economic recovery of the region where it is located. In addition, the Shantou Bay Bridge was also affected by the diversion of traffic from the Chaoshan Ring Expressway, which was in full operation on 28 December 2020. The Group has been closely monitoring the situation.

Qinglian Expressway

During the Reporting Period, the average daily toll revenue was RMB2,491,000, representing a year-on-year increase of 22.8%. During the Reporting Period, the average daily traffic volume was 53,601 vehicles.

During the Reporting Period, the revenue of Qinglian was mainly affected by the temporary epidemic prevention and control measures effective at the end of May 2021 in the relevant areas of Guangdong.

FINANCIAL REVIEW

Key operating results figures

	Six months ended 30 June		
	2021	2020	Change
	RMB'000	RMB'000	%
Revenue	1,831,743	839,590	118.2
Gross profit	1,149,646	252,128	356.0
Operating profit	1,071,475	198,011	441.1
Earnings before interests, tax, depreciation and amortisation (“EBITDA”) ⁽¹⁾	1,766,644	677,761	160.7
Finance costs	(382,154)	(406,228)	-5.9
Share of result of a joint venture	38,087	5,184	634.7
Share of results of associates	101,966	(17,045)	turned profit
Profit/(loss) attributable to shareholders of the Company	467,699	(288,121)	turned profit
Basic and diluted earnings/(loss) per share	RMB0.2795	RMB(0.1722)	turned profit
Interim dividend	278,320	—	N/A

⁽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 revenue increased by 118.2 percent to RMB1,831.7 million, operating profit increased by 441.1 percent to RMB1,071.5 million and profit attributable to shareholders of the Company amounted to RMB467.7 million (same period in 2020: loss attributable to shareholders of the Company of RMB288.1 million) in the Reporting Period.

The increase in the Group's revenue and profit attributable to shareholders of the Company was mainly attributed to low overall base in the same period in 2020 resulting from temporary toll exemption measures (including free toll of small passengers vehicles during Spring Festival holiday extended for 9 days on original basis and exempted tolls collection for 79 days nationwide from 17 February 2020 to 5 May 2020).

The Board of Directors resolved to declare an interim dividend for 2021 of HK\$0.20 which is equivalent to approximately RMB0.1663 (2020: Nil) per share, representing an interim dividend payout ratio of 59.5 percent (2020: Nil).

II. Analysis of operating results

Revenue

The Group recorded total revenue of RMB1,831.7 million in the Reporting Period, which comprised total toll revenue of RMB1,803.4 million and other revenue related to normal toll roads operation of RMB28.3 million.

Toll revenue

The Group recorded total toll revenue of RMB1,803.4 million in the Reporting Period, representing an increase of 114.8 percent as compared with the same period in 2020. The relatively high increase was mainly due to low base number in the same period in 2020. The detailed review on the toll revenue of each expressway is stated in "Business Review – Performance of Expressways and Bridges".

Analysis of toll revenue by each controlled project

Controlled Projects	Reporting	Percentage	First half	Percentage	Change
	Period	of total toll	of 2020	of total	
	RMB'000	revenue	RMB'000	toll revenue	
		%		%	%
GNSR Expressway	536,960	29.8	258,709	30.8	107.6
Suiyuanan Expressway	310,431	17.2	155,996	18.6	99.0
Daguangnan Expressway	232,622	12.9	101,825	12.1	128.5
Weixu Expressway	169,037	9.4	92,170	11.0	83.4
Changzhu Expressway	133,464	7.4	57,080	6.8	133.8
Hancai Expressway	123,385	6.8	53,009	6.3	132.8
Han-Xiao Expressway	109,137	6.1	46,183	5.5	136.3
Han'e Expressway	104,447	5.8	39,329	4.7	165.6
Cangyu Expressway	45,332	2.5	14,912	1.8	204.0
Jinxiong Expressway	38,569	2.1	20,377	2.4	89.3
Total toll revenue	<u>1,803,384</u>	<u>100.0</u>	<u>839,590</u>	<u>100.0</u>	114.8

Other revenue

In the Reporting Period, other revenue related to normal toll roads operation of RMB28.3 million mainly includes the income from service area and gas station of RMB23.2 million (same period in 2020: RMB18.5 million).

Other revenue related to normal toll roads operations is included as part of “Revenue” in the Reporting Period while it was presented in “Other income, gains and losses – net” in interim results of prior years. The said change can facilitate the review of the Group’s revenue from and related to toll road operations. The comparative figures were not restated.

Cost of services

In the Reporting Period, the total cost of services of the Group amounted to RMB682.1 million (same period in 2020: RMB587.5 million), representing an increase of RMB94.6 million or 16.1 percent as compared with that of the same period in 2020. Cost ratio (cost of services/revenue) was 37.2 percent in the Reporting Period, and 32.8 percentage point lower than that of the same period in 2020. During the Reporting Period, the toll highways and bridges maintenance expense increased by 154.5% to RMB33.2 million mainly due to low base number in the same period in 2020 resulting from maintenance works postponed to be carried out. During the period of temporary toll exemption measures in the first half of 2020, even though no toll revenue was recognised, the amortisation of intangible operating rights was recorded in accordance with the unit-of-usage basis based on the traffic volume.

Analysis of cost of services by each controlled project

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2020 RMB'000	Percentage of total %	Change %
GNSR Expressway	148,388	21.8	134,229	22.9	10.5
Suiyuanan Expressway	95,745	14.0	82,649	14.1	15.8
Daguanganan Expressway	96,533	14.2	76,652	13.0	25.9
Weixu Expressway	67,786	9.9	61,840	10.5	9.6
Changzhu Expressway	58,474	8.6	51,884	8.8	12.7
Hancai Expressway	78,098	11.4	59,545	10.1	31.2
Han-Xiao Expressway	34,579	5.1	37,493	6.4	-7.8
Han'e Expressway	60,608	8.9	40,999	7.0	47.8
Cangyu Expressway	16,639	2.4	13,922	2.4	19.5
Jinxiong Expressway	25,247	3.7	28,249	4.8	-10.6
Total	<u>682,097</u>	<u>100.0</u>	<u>587,462</u>	<u>100.0</u>	16.1

Analysis of cost of services by nature

	Reporting Period RMB'000	Percentage of total %	First half of 2020 RMB'000	Percentage of total %	Change %
Amortisation of intangible operating rights	532,121	78.0	470,083	80.0	13.2
Staff costs	68,323	10.0	69,698	11.9	-2.0
Toll highways and bridges operating expenses	36,629	5.4	26,714	4.5	37.1
Toll highways and bridges maintenance expenses	33,151	4.9	13,024	2.2	154.5
Taxes and surcharges	9,213	1.3	4,042	0.7	127.9
Depreciation of other fixed assets	2,660	0.4	3,901	0.7	-31.8
Total	<u>682,097</u>	<u>100.0</u>	<u>587,462</u>	<u>100.0</u>	16.1

Gross profit

Gross profit in the Reporting Period was RMB1,149.6 million, which was RMB897.5 million higher than that of the same period in 2020. Gross profit margin in the Reporting Period was 62.8 percent, which was 32.8 percentage point higher than that of the same period in 2020.

Analysis of gross profit/(loss) by each controlled project

Controlled Projects	Reporting Period		First half of 2020	
	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit/(Loss)	Gross Profit/(Loss) Margin ⁽¹⁾
	RMB'000		RMB'000	
GNSR Expressway	392,962	72.6%	124,480	48.1%
Suiyuan Expressway	221,472	69.8%	73,347	47.0%
Daguangnan Expressway	142,418	59.6%	25,173	24.7%
Weixu Expressway	103,793	60.5%	30,330	32.9%
Changzhu Expressway	75,306	56.3%	5,196	9.1%
Hancai Expressway	46,403	37.3%	(6,536)	-12.3%
Han-Xiao Expressway	77,016	69.0%	8,690	18.8%
Han'e Expressway	47,458	43.9%	(1,670)	-4.2%
Cangyu Expressway	28,693	63.3%	990	6.6%
Jinxiong Expressway	14,125	35.9%	(7,872)	-38.6%
Total	<u>1,149,646</u>	62.8%	<u>252,128</u>	30.0%

⁽¹⁾ Gross profit/(loss) margin = Gross profit/(loss) ÷ revenue

General and administrative expenses

The Group's general and administrative expenses in the Reporting Period amounted to RMB105.4 million, representing an increase of 15.9 percent from RMB91.0 million in the same period in 2020, mainly due to the increase in staff cost of RMB13.2 million in the Reporting Period.

Other income, gains and losses – net

The Group's other income, gains and losses – net was RMB27.3 million in the Reporting Period (same period in 2020: RMB36.9 million), which was 26.1 percent lower than the same period in 2020. The decrease was mainly due to the reclassification of other revenue related to normal toll roads operations from “Other income, gains and losses – net” to “Revenue” during the Reporting Period while the comparative figures of RMB26.5 million was not restated.

Finance income/Finance costs

The Group's finance income in the Reporting Period amounted to RMB17.9 million (same period in 2020: RMB13.7 million), which was 30.5 percent higher than that of the same period in 2020. The increase in finance income was mainly due to the increase in average cash and cash equivalents during the Reporting Period.

The Group's finance costs in the Reporting Period decreased by 5.9 percent to RMB382.2 million as compared with RMB406.2 million in same period in 2020, mainly due to the Group's continuous effort in optimizing the overall debt structure in order to minimize the finance costs. The Group's overall weighted average interest rate in the Reporting Period was 4.01 percent (same period in 2020: 4.21 percent).

Share of results of associates and a joint venture

The Group's share of profit of associates and a joint venture was RMB140.1 million in the Reporting Period (same period in 2020: share of losses of RMB11.9 million). Total revenue of associates and a joint venture increased by 142.5 percent to RMB1,554.5 million in the Reporting Period. The detailed review on the toll revenue of each expressway and bridge is stated in “Business Review – Performance of Expressways and Bridges”.

Share of post-tax profit of Northern Ring Road in the Reporting Period increased by 5,006.5 percent to RMB31.4 million. Share of post-tax profit of Humen Bridge in the Reporting Period increased by 3,734.0 percent to RMB39.6 million. Share of post-tax profit of Shantou Bay Bridge in the Reporting Period increased by 588.6 percent to RMB14.6 million. Share of post-tax profit of Qinglian Expressway in the Reporting Period amounted to RMB19.6 million (same period in 2020: share of post-tax loss of RMB20.8 million). Share of post-tax loss of Pazhou Port in the Reporting Period was RMB3.2 million (same period in 2020: Nil). Pazhou Port was under construction during the Reporting Period and there was no revenue recognized in the Reporting Period. The share of post-tax loss mainly represented the general and administrative expense recorded during the Reporting Period. Share of post-tax profit of GWSR Expressway in the Reporting Period increased by 634.7 percent to RMB38.1 million.

Analysis of share of results of associates and a joint venture and the revenue of their respective entities

	Profit Sharing ratio %	Toll revenue		Share of results	
		Reporting Period RMB'000	YoY change %	Reporting Period RMB'000	YoY change %
Associates					
Northern Ring Road	24.3	347,124	112.3	31,405	5,006.5
Humen Bridge	18.446	416,846	254.7	39,644	3,734.0
Shantou Bay Bridge	30.0	92,017	145.0	14,564	588.6
Qinglian Expressway	23.63	453,775	117.1	19,600	turned profit
Pazhou Port	45.0	—	—	(3,247)	N/A
Sub-total		1,309,762	148.2	101,966	turned profit
Joint venture					
GWSR Expressway	35.0	244,710	115.7	38,087	634.7
Total		1,554,472	142.5	140,053	turned profit

Income tax expense

Total income tax expense of the Group in the Reporting Period increased by 270.4 percent to RMB214.4 million. The increase in income tax expense was attributed to the increase in revenue during the Reporting Period. In addition, GNSR Expressway was recognized as an eligible entity to enjoy three years' preferential tax treatment of income tax, at a preference income tax rate of 15%, started from 2018 – 2020. This preferential tax treatment was ended in December 2020.

Profit/(loss) attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB467.7 million in the Reporting Period, where the Company reported loss attributable to its shareholders of RMB288.1 million in the same period in 2020.

The management team continues to optimize the overall debt structure of the Group. During this process, inter-company loan interests were incurred at the controlled projects level and the holding companies level, and such interests would be eliminated ultimately at the consolidated level.

Analysis of the profit/(loss) attributable to shareholders of the Company after elimination of inter-company loan interests

	Reporting Period RMB'000	Percentage of total %	First half of 2020 RMB'000	Percentage of total %	Change %
Net profit/(loss) from controlled projects	631,144	81.8	(25,958)	68.6	turned profit
Net profit/(loss) from non-controlled projects ⁽¹⁾	140,053	18.2	(11,861)	31.4	turned profit
Net profit/(loss) from projects	771,197	100.0	(37,819)	100.0	turned profit
Withholding tax on PRC dividend/income	(10,496)		(5,045)		108.0
Corporate expenses	(66,306)		(57,353)		15.6
Corporate income/gains, net	1,575		5,721		-72.5
Corporate finance income	7,349		7,926		-7.3
Corporate finance costs	(235,620)		(201,551)		16.9
Profit/(loss) attributable to shareholders of the Company	467,699		(288,121)		turned profit

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

Analysis of net profit/(loss) by each controlled project after elimination of inter-company loan interests

Controlled Projects	Reporting Period RMB'000	First half of 2020 RMB'000	Change %
GNSR Expressway	176,639	69,342	154.7
Suiyuan Expressway	89,682	13,490	564.8
Daguangnan Expressway	86,224	(36,333)	turned profit
Weixu Expressway	80,339	19,168	319.1
Changzhu Expressway	60,654	(27,768)	turned profit
Han-Xiao Expressway	50,190	(2,552)	turned profit
Cangyu Expressway	40,382	(422)	turned profit
Hancai Expressway	28,512	(11,974)	turned profit
Han'e Expressway	13,204	(43,202)	turned profit
Jinxiong Expressway	5,318	(5,707)	turned profit
Total	<u>631,144</u>	<u>(25,958)</u>	turned profit

Analysis of net profit/(loss) by each controlled project before elimination of inter-company loan interests

Controlled Projects	Reporting Period RMB'000	First half of 2020 RMB'000	Change %
GNSR Expressway	176,639	69,342	154.7
Suiyuan Expressway	97,009	17,539	453.1
Daguangnan Expressway	21,474	(84,593)	turned profit
Weixu Expressway	82,133	20,641	297.9
Changzhu Expressway	35,690	(37,475)	turned profit
Han-Xiao Expressway	54,804	2,050	2,573.4
Cangyu Expressway	40,834	(422)	turned profit
Hancai Expressway	6,158	(31,421)	turned profit
Han'e Expressway	(7,873)	(61,027)	loss decreased
Jinxiong Expressway	5,473	(5,551)	turned profit
Total	<u>512,341</u>	<u>(110,917)</u>	turned profit

In the Reporting Period, net profit from non-controlled projects (analysis shown in the aforementioned table “Analysis of share of results of associates and a joint venture and the revenue of their respective entities”) was RMB140.1 million (same period in 2020: net loss from non-controlled projects of RMB11.9 million).

At the corporate level, the withholding tax on PRC dividend/income increased by RMB5.5 million, mainly because the increase in profit from PRC subsidiaries during the Reporting Period led to corresponding increase in withholding tax provided. The corporate expense increased by RMB9.0 million mainly due to increase in staff cost during the Reporting Period. In the Reporting Period, corporate bonds and notes payable were issued at the corporate level to partially refinance the loan at the controlled projects level, which resulted an increase in average external debt balance at the corporate level and an increase in the corporate finance cost of RMB34.1 million. The corporate income/gain decreased by RMB4.1 million mainly due to decrease in government subsidy received during the Reporting Period. The corporate finance income decreased by RMB0.6 million at corporate level during the Reporting Period.

Interim dividend

The Board of Directors resolved to declare an interim dividend for 2021 of HK\$0.20 which is equivalent to approximately RMB0.1663 (2020: Nil) per share payable on or about 29 November 2021 to shareholders whose names appear on the register of members of the Company on 11 November 2021. Interim dividend payout ratio is 59.5 percent (2020: Nil).

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 dividend.

III. Analysis of financial position

Key financial position figures

	(Unaudited)		
	30 June	31 December	
	2021	2020	Change
	RMB'000	RMB'000	%
Total assets	36,310,604	36,367,600	-0.2
Total liabilities	22,473,300	22,713,855	-1.1
Cash and cash equivalents	1,910,253	1,516,004	26.0
Total debts	17,685,974	17,731,090	-0.3
Of which: bank borrowings*	10,247,273	12,874,275	-20.4
Other borrowing*	200,000	200,000	—
Corporate bonds*	3,501,634	1,909,152	83.4
Notes payable*	3,491,734	2,492,974	40.1
Current ratio	0.6 times	0.4 times	
EBITDA interest coverage	4.8 times	3.1 times	
Equity attributable to the shareholders of the Company	10,795,094	10,424,891	3.6

* *excluding interest payable*

Assets, Liabilities and Equity

As at 30 June 2021, the Group's total assets amounted to RMB36.3 billion which was 0.2 percent lower than the balance as at 31 December 2020. The Group's total assets comprised mainly of intangible operating rights of RMB31.2 billion (31 December 2020: RMB31.7 billion); investments in a joint venture and associates of RMB2.1 billion (31 December 2020: RMB2.0 billion); and cash and cash equivalents of RMB1.9 billion (31 December 2020: RMB1.5 billion).

As at 30 June 2021, the Group's total liabilities amounted to RMB22.5 billion which was 1.1 percent lower than the balance as at 31 December 2020. The Group's total liabilities comprised mainly of bank borrowings of RMB10.2 billion (31 December 2020: RMB12.9 billion); other borrowing of RMB0.2 billion (31 December 2020: RMB0.2 billion); corporate bonds of RMB3.5 billion (31 December 2020: RMB1.9 billion); notes payable of RMB3.5 billion (31 December 2020: RMB2.5 billion); loans from non-controlling interests of RMB71.7 million (31 December 2020: RMB77.7 million); loan from a joint venture of RMB147.0 million (31 December 2020: RMB147.0 million); and deferred income tax liabilities of RMB3.3 billion (31 December 2020: RMB3.3 billion).

As at 30 June 2021, the Group's total equity increased by RMB183.6 million to RMB13.8 billion (31 December 2020: RMB13.7 billion), of which RMB10.8 billion was attributable to the shareholders of the Company (31 December 2020: RMB10.4 billion).

Analysis of major assets, liabilities and equity items

	(Unaudited)		
	30 June	31 December	
	2021	2020	Change
	RMB'000	RMB'000	%
Total assets	36,310,604	36,367,600	-0.2
Approximately 90.0 % of which:			
Intangible operating rights	31,194,380	31,712,956	-1.6
Investments in a joint venture and associates	2,109,298	2,023,718	4.2
Cash and cash equivalents	1,910,253	1,516,004	26.0
Total liabilities	22,473,300	22,713,855	-1.1
Approximately 90.0 % of which:			
Bank borrowings* – due within 1 year	1,107,665	878,482	26.1
– long-term portion	9,139,608	11,995,793	-23.8
Other borrowing* – due within 1 year	200,000	—	N/A
– long-term portion	—	200,000	-100.0
Corporate bonds* – due within 1 year	918,044	1,909,152	-51.9
– long-term portion	2,583,590	—	N/A
Notes payable* – long-term portion	3,491,734	2,492,974	40.1
Loans from non-controlling interests			
– due within 1 year	2,257	4,318	-47.7
– long-term portion	69,406	73,350	-5.4
Loan from a joint venture			
– due within 1 year	94,500	94,500	—
– long-term portion	52,500	52,500	—
Deferred income tax liabilities	3,271,942	3,300,573	-0.9
Total equity	13,837,304	13,653,745	1.3
Of which: Equity attributable to the shareholders of the Company	10,795,094	10,424,891	3.6

* *excluding interest payable*

Cash flows

It has been the primary objective of the Group to focus on management of risk and liquidity. The Group has maintained an appropriate level of cash and cash equivalents so as to prevent liquidity risk. As at the end of the Reporting Period, the Group's cash and cash equivalents amounted to RMB1,910.3 million which was 26.0 percent higher than the level at 31 December 2020. All of the Group's cash was deposited in commercial banks.

Analysis of cash flow movement

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	1,260,578	434,770
Net cash used in investing activities	(34,079)	(107,845)
Net cash used in financing activities	(823,247)	(607,173)
Increase/(decrease) in cash and cash equivalents	403,252	(280,248)
Cash and cash equivalents at 1 January	1,516,004	1,435,062
Effect of exchange rate changes on cash and cash equivalents	(9,003)	1,909
Cash and cash equivalents at 30 June	<u>1,910,253</u>	<u>1,156,723</u>

Net cash generated from operating activities during the Reporting Period amounted to RMB1,260.6 million (30 June 2020: RMB434.8 million), which was the sum of cash generated from operations of RMB1,457.3 million (30 June 2020: RMB521.9 million) less PRC enterprise income tax and withholding tax paid of RMB196.7 million (30 June 2020: RMB87.1 million).

Net cash used in investing activities during the Reporting Period amounted to RMB34.1 million (30 June 2020: RMB107.8 million). The outflow was mainly capital expenditures of RMB119.4 million (30 June 2020: RMB140.5 million). The inflow mainly consisted of dividend distributions from associates of RMB54.5 million (30 June 2020: RMB6.6 million); interest received of RMB17.1 million (30 June 2020: RMB12.3 million); proceeds from compensation arrangement of RMB13.6 million (30 June 2020: RMB13.8 million) and proceeds from disposal of property, plant and equipment of RMB0.1 million (30 June 2020: Nil).

Net cash used in financing activities during the Reporting Period amounted to RMB823.2 million (30 June 2020: RMB607.2 million). The outflow mainly included repayment of bank borrowings of RMB3,797.6 million (30 June 2020: RMB803.3 million); payment of finance costs and related fees of RMB326.2 million (30 June 2020: RMB377.2 million); dividend paid to the shareholders of the Company of RMB96.1 million (30 June 2020: RMB314.5 million); dividend paid to non-controlling interests of RMB351.9 million (30 June 2020: RMB72.1 million); repayments of loans from non-controlling interest of subsidiaries of RMB6.3 million (30 June 2020: Nil); repayment of corporate bonds of RMB903.0 million (30 June 2020: Nil); payment for lease liabilities (including interest) of RMB5.3 million (30 June 2020: RMB6.3 million) and no repayment of other borrowings (30 June 2020: RMB500.0 million). The inflow mainly included the drawdown of bank borrowings of RMB1,172.0 million (30 June 2020: RMB470.0 million); net proceed from corporate bond of RMB2,494.5 million (30 June 2020: Nil) and net proceed from notes payable of RMB996.7 million (30 June 2020: RMB996.2 million).

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2021 was 0.6 times (31 December 2020: 0.4 times). As at 30 June 2021, current assets balance was RMB2,260.5 million (31 December 2020: RMB1,878.0 million) and current liabilities balance was RMB3,519.6 million (31 December 2020: RMB4,232.9 million). Cash and cash equivalents were the major components of the Group's current assets and amounted to RMB1,910.3 million as at 30 June 2021 (31 December 2020: RMB1,516.0 million). The Group's current liabilities as at 30 June 2021 mainly included external debts with maturities within one year (excluding interest payable) of RMB2,225.7 million (31 December 2020: RMB2,787.6 million), which consisted of bank borrowings of RMB1,107.7 million, other borrowings of RMB200.0 million and corporate bonds of RMB918.0 million (31 December 2020: bank borrowings of RMB878.4 million and corporate bonds of RMB1,909.2 million). Management will continue to take a prudent approach to effectively match capital and debt commitments with the existing cash, future operating cash flow and cash return from investments to manage liquidity risk.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the year ended 30 June 2021 was 4.8 times (30 June 2020: 1.7 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 year ended 30 June 2021 was 10.1 percent (30 June 2020: 3.7 percent) which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings, other borrowing, corporate bonds and notes payable ("total external debts").

Profit before interest and income tax interest coverage for the year ended 30 June 2021 was 3.3 times (30 June 2020: 0.5 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 year ended 30 June 2021 was 5.5 times (30 June 2020: 2.4 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 RMB119.4 million (same period in 2020: RMB140.5 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 RMB111.4 million (same period in 2020: RMB53.1 million) and (2) purchase of property, plant and equipment of RMB8.0 million (same period in 2020: RMB11.4 million). During the Reporting Period, there was no capital injection in an associate, Guangzhou Pazhou Port Company Limited (same period in 2020: RMB76.0 million). Apart from the aforementioned, no material capital expenditure was incurred during the Reporting Period.

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 and to maintain financial leverage ratios at the safe levels on the other hand.

Analysis of capital structures

	(Unaudited)	
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Total external debts*		
Bank borrowings	10,247,273	12,874,275
Other borrowing	200,000	200,000
Corporate bonds ⁽¹⁾	3,501,634	1,909,152
Notes payable ⁽²⁾	3,491,734	2,492,974
Loans from non-controlling interests	71,663	77,668
Loan from a joint venture	147,000	147,000
Lease liabilities	26,670	30,021
	<u>17,685,974</u>	<u>17,731,090</u>
Total debts	17,685,974	17,731,090
Less: cash and cash equivalents	(1,910,253)	(1,516,004)
	<u>15,775,721</u>	<u>16,215,086</u>
Net debt	15,775,721	16,215,086
	<u>13,837,304</u>	<u>13,653,745</u>
Total Equity	13,837,304	13,653,745
Of which: Equity attributable to the shareholders of the Company	<u>10,795,094</u>	<u>10,424,891</u>
	<u>29,613,025</u>	<u>29,868,831</u>
Total capitalization (Net debt + Total equity)	29,613,025	29,868,831

* excluding interest payable

Financial ratios

Gearing ratio (net debt/total capitalization)	53.3%	54.3%
Debt to Equity ratio (net debt/total equity)	114.0%	118.8%
Total liabilities/Total assets ratio	61.9%	62.5%

⁽¹⁾ Corporate bonds issued in The Shanghai Stock Exchange:

	Drawdown date:	Principal:	Principal repayment date:	Coupon rate (per annum):	Upcoming interest payment date:
RMB700 million seven-year corporate bonds (2016 Phase 1)	22 March 2016	RMB87 million	21 March 2023	3.60%	21 March 2022
RMB200 million five-year corporate bonds (2016 Phase 2)	28 October 2016	RMB120 million	26 October 2021	3.60%	26 October 2021
RMB800 million seven-year corporate bonds (2016 Phase 2)	28 October 2016	RMB800 million	26 October 2023	3.18%	26 October 2021
RMB1,000 million five-year corporate bonds (2021 Phase 1)	25 January 2021	RMB1,000 million	25 January 2026	3.63%	25 January 2022
RMB1,000 million five-year corporate bonds (2021 Phase 2)	13 May 2021	RMB1,000 million	13 May 2026	3.48%	13 May 2022
RMB500 million seven-year corporate bonds (2021 Phase 2)	13 May 2021	RMB500 million	13 May 2028	3.84%	13 May 2022

(2) Notes payable issued in National Association of Financial Market Institutional Investors:

	Drawdown date:	Principal:	Principal repayment date:	Coupon rate (per annum):	Upcoming interest payment date:
RMB1,000 million three-year medium term notes (2019 Phase 1)	2 December 2019	RMB1,000 million	2 December 2022	3.58%	2 December 2021
RMB1,000 million three-year medium term notes (2020 Phase 1)	10 January 2020	RMB1,000 million	10 January 2023	3.47%	10 January 2022
RMB500 million three-year medium term notes (2020 Phase 2)	14 August 2020	RMB500 million	14 August 2023	3.54%	14 August 2021
RMB1,000 million five-year medium term notes (2021 Phase 1)	28 January 2021	RMB1,000 million	28 January 2026	3.78%	28 January 2022

Financing structures

To ensure that the Group is carrying out its financing activities at a safe leverage level, the Company closely monitors 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 bank borrowings, other borrowing, corporate bonds, notes payable, loans from non-controlling interests, loan from a joint venture and lease liabilities. Debt with foreign exchange risk exposure as at 30 June 2021 was approximately RMB249.1 million (31 December 2020: approximately RMB419.8 million), where such exposure was managed as a result of entering the forward contract dated 20 June 2019.

As at 30 June 2021, the Group's total external debts (excluding interest payable) in aggregate were RMB17.4 billion (31 December 2020: RMB17.5 billion) which consisted of bank borrowings of RMB10.2 billion (31 December 2020: RMB12.9 billion), other borrowing of RMB0.2 billion (31 December 2020: RMB0.2 billion), corporate bonds of RMB3.5 billion (31 December 2020: RMB1.9 billion) and notes payable of RMB3.5 billion (31 December 2020: RMB2.5 billion). Onshore and offshore debts ratio was 93.0 percent and 7.0 percent (31 December 2020: 92.7 percent and 7.3 percent). Secured external debt ratio was 30.3 percent (31 December 2020: 43.1 percent). The effective interest rate of total external debt at 30 June 2021 was 3.88 percent (31 December 2020: 4.00 percent). Of the bank borrowings, RMB9.1 billion was at floating rates and RMB1,190.4 million was at fixed rates with the overall effective interest rate of 3.93 percent at 30 June 2021 (31 December 2020: 4.08 percent). Other borrowing was at fixed rate with the effective interest rate of 6.4 percent at 30 June 2021 (31 December 2020: 6.4 percent). Corporate bonds (in six types) were at fixed rates with coupon rates of 3.60 percent, 3.60 percent, 3.18 percent, 3.63 percent, 3.48 percent and 3.84 percent respectively with overall effective interest rate at 3.65 percent as at 30 June 2021 (31 December 2020: 3.55 percent). Notes payable (in four tranches) was at fixed rates with coupon rate of 3.58 percent, 3.47 percent, 3.54 percent and 3.78 percent respectively with overall effective interest rate at 3.80 percent as at 30 June 2021 (31 December 2020: 3.73 percent).

Analysis of total external debts* (bank borrowings, other borrowing, corporate bonds and notes payable)

	(Unaudited)	
	30 June 2021	31 December 2020
	Percentage of total	Percentage of total
Source		
Onshore	93.0%	92.7%
Offshore	7.0%	7.3%
	<u>100.0%</u>	<u>100.0%</u>
Repayment term		
Within 1 year	12.8%	16.0%
1 to 2 year	25.0%	16.6%
More than 2 years and less than 5 years	45.8%	39.4%
Above 5 years	16.4%	28.0%
	<u>100.0%</u>	<u>100.0%</u>
Currency		
RMB	98.6%	97.6%
HKD	1.4%	2.4%
	<u>100.0%</u>	<u>100.0%</u>
Interest rate		
Fixed	48.1%	32.6%
Floating	51.9%	67.4%
	<u>100.0%</u>	<u>100.0%</u>
Terms of credit		
Secured	30.3%	43.1%
Unsecured	69.7%	56.9%
	<u>100.0%</u>	<u>100.0%</u>
Financing method		
Direct financing	40.1%	25.2%
Indirect financing	59.9%	74.8%
	<u>100.0%</u>	<u>100.0%</u>

* *excluding interest payable*

Loans from non-controlling interests of certain subsidiaries were unsecured, interest-free and denominated in RMB. The carrying amounts of these loans approximated their fair values, calculated based on cash flows discounted at a rate of 4.35 percent (31 December 2020: 4.35 percent) per annum.

Loans from non-controlling interests of certain subsidiaries are repayable between one and two years, except for loan of RMB2.3 million which is due within one year.

Loans from a joint venture was unsecured, interest bearing at an annual rate of People's Bank of China Benchmark Interest Rates minus 10%, denominated in RMB and repayable in 2021 and 2022.

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 98.6 percent (31 December 2020: 97.6 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 include external debt of HK\$299.4 million (equivalent to approximately RMB249.1 million). The Group had entered into forward contracts to hedge the foreign exchange risk. As the foreign exchange market is still volatile, the Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, optimize its debt structure and control its foreign currency exposure.

IV. Capital commitments and contingent liabilities

As at 30 June 2021, the Group had RMB63.9 million capital commitments, which were related to intangible operating rights and property, plant and equipment.

Except for the aforementioned, the Group had no material capital commitments as at 30 June 2021. There were no significant contingent liabilities as at 30 June 2021.

V. Employees

As at 30 June 2021, the Group had approximately 1,993 employees of whom about 1,645 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

During the Reporting Period, the global economy has shown signs of recovery with increasing rate of vaccination while the uncertainties led by new variant virus still exist. In the first half of the year, China recorded a GDP with year-on-year growth of 12.7%, reflecting a steady recovery. The industrial productivity increased stably, with year-on-year growth of 15.9% and average growth of 7.0% in 2 years. China's economic growth remained relatively high as compared to other major economies, while production as well as import and export also showed a growing trend. Amid the global impact of the pandemic, China's economy is also under pressure. The continuous economic growth of China in the first half of year laid the ground for the second half year.

The expressway network is vital to economy. According to "Outline of the National Comprehensive Three-dimensional Transportation Network Plan" launched in February this year, it is estimated that the annual growth rate of passenger traffic volume (including traffic volume of small vehicles) between 2021 and 2035 will be around 3.2%, while the annual growth rate of business volume of express delivery will be around 6.3%. Favorable factors such as rapid development in China's logistic market and large base on car ownership volume would provide support and protection to stable development of expressway industry.

The impact of the COVID-19 pandemic on China's economy is still uncertain. The Company will continue to implement epidemic control measures, and manage liquidity to ensure healthy and stable financial position.

DEVELOPMENT STRATEGIES AND INVESTMENT OPPORTUNITIES

During the 14th-Five-Year Period, the Group will continue to focus on the development of its major business of toll expressways and further deepen its development strategies of “based on Guangdong-Hong Kong-Macau Greater Bay Area and entering Central China”. The government announced “The Opinion on Promoting High-quality Development in the Central Region in the New Era” in the year, aiming at the revival of the development in the Central Region. The Group will actively explore investment opportunities of quality expressways in Central China and development opportunities of expressways upstream and downstream industrial chain projects given its population advantage and opportunities brought by industrial transfer.

On 19 December 2020, Guangzhou Yuexiu Holdings Limited (“Guangzhou Yuexiu Group” or “Parent Company”), through its wholly-owned subsidiary Henan Yuexiu Lanwei Expressway Company Limited (“Yuexiu Lanwei Company”), acquired the toll collection right of Henan Lanwei Expressway (“Lanwei Expressway”) in a judicial bidding at the consideration of RMB2.483 billion. Lanwei Expressway is a section of the Rizhao-Nanyang Expressway (“Rinan Expressway”), one of the 28 national planned core highways, and is also an important component of the “Five vertical roads, four horizontal roads and four corridors” expressway network planned by Henan Province.

Lanwei Expressway, which starts in Lankao County, Kaifeng City, Henan Province, passes through Tongxu County and ends at Weishi County, intersects with Lianhuo Expressway, Zhengmin Expressway and Daguang Expressway, and is directly connected to Henan Weixu Expressway, a project wholly-owned by the Group. Lanwei Expressway is an important corridor connecting Henan Province and Shandong Province. Lanwei Expressway has a total length of 61.03 kilometers. It was constructed in accordance with the construction standard of a two-way four-lane expressway with a designed speed of 120 kilometers per hour. According to the approval granted by the Henan Provincial Government, the operating period will be expired on 1 July 2034, and the remaining operation term is about 13 years. In recent years, the Group has actively pursued mergers and acquisitions of high-quality projects in the central core area. Given the geographic location of Lanwei Expressway, it is in line with the Group's regional development strategy and is expected to have a positive effect in strengthening the Group's major business of toll expressways.

As at the date of this announcement, the Group has started to move forward the potential acquisition of the Lanwei Expressway ("Potential Acquisition"), including commencement of due diligence, traffic volume assessment and valuation, etc. However, the results of the due diligence, traffic volume assessment and valuation are not yet available, and no terms have been agreed for the Potential Acquisition. Also, the Group has not entered into any formal agreement with respect to the Potential Acquisition. The Board of Directors will issue further announcements in accordance with the Listing Rules and applicable laws when appropriate. Since Guangzhou Yuexiu Group is a connected person of the Group, based on currently available information, if the Potential Acquisition is materialized, it may constitute a notifiable and connected transaction of the Company under the Listing Rules.

The Group values the maintenance of the investment grade credit rating and takes it as one of the key considerations in investment decision. During the Reporting Period, three international rating agencies, namely Standard & Poor's, Moody's and FitchRatings, have maintained the investment grade credit rating and adjusted the prospects to stable. Both domestic and foreign entities continue to maintain the highest 3A rating in the domestic market, fully utilizing the advantages of dual platforms and dual markets financial resources which would have a positive impact in strengthening the ability of low cost financing.

The Group will continue to closely monitor the market and actively engage in the spin-off of some of its toll road assets with stable income for listing in REITs in China. By exploring it as the starting point, especially forming good interaction among two platforms, the Group establishes capital circulation channel, achieves innovation of business models, and promotes the development of our core business towards high-quality sustainable development phase through relying on high-quality operative toll roads in the regions with high degree of economic development/high growth potential as the core business, so as to create continuous and stable returns for our shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2021, 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 2021 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 2021. 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, 9 November 2021 to Thursday, 11 November 2021, 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, 8 November 2021.

By Order of the Board

Yuexiu Transport Infrastructure Limited

LI Feng

Chairman

Hong Kong, 10 August 2021

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

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

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