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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)

2016 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 2016 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	(Unaudited)	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
Revenue		1,217,850	858,073
Other toll operating income		16,038	73,950
Income from operations	5	1,233,888	932,023
Cost of services	6	(389,502)	(313,317)
Construction income under service concession upgrade services		43,383	15,356
Construction cost under service concession upgrade services		(43,383)	(15,356)
Other income, gains and losses - net	7	15,583	(149)
General and administrative expenses	6	(104,174)	(102,102)
Operating profit		755,795	516,455
Finance income	8	12,165	30,157
Finance costs	8	(288,941)	(131,197)
Share of result of a joint venture		18,069	8,543
Share of results of associates		142,608	119,248
Profit before income tax		639,696	543,206
Income tax expense	9	(173,032)	(135,889)
Profit for the period		<u>466,664</u>	<u>407,317</u>
Profit attributable to:			
Shareholders of the Company		349,619	320,933
Non-controlling interests		117,045	86,384
		<u>466,664</u>	<u>407,317</u>
Earnings per share for profit attributable to shareholders of the Company			
		RMB	RMB
Basic and diluted earnings per share	10	<u>0.2090</u>	<u>0.1918</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	(Unaudited)	
	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	466,664	407,317
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<u>505</u>	<u>(6)</u>
Total comprehensive income for the period	<u>467,169</u>	<u>407,311</u>
Total comprehensive income attributable to:		
Shareholders of the Company	350,124	320,927
Non-controlling interests	<u>117,045</u>	<u>86,384</u>
	<u>467,169</u>	<u>407,311</u>

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016**

		(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights		18,736,246	18,952,996
Goodwill		632,619	632,619
Property, plant and equipment		85,720	93,923
Investment properties		33,496	33,363
Investment in a joint venture		406,073	388,004
Investments in associates		1,513,260	1,457,435
Available-for-sale financial asset		812	812
Other receivables	13	<u>89,087</u>	<u>95,945</u>
Total non-current assets		<u>21,497,313</u>	<u>21,655,097</u>
Current assets			
Trade receivables	12	84,185	102,589
Other receivables, deposits and prepayments		101,945	118,042
Amount due from a non-controlling interest of a subsidiary		72,829	67,688
Short term bank deposits		—	10,000
Cash and cash equivalents		<u>1,083,402</u>	<u>866,665</u>
		1,342,361	1,164,984
Assets of disposal group classified as held for sale		<u>587,044</u>	<u>599,192</u>
Total current assets		<u>1,929,405</u>	<u>1,764,176</u>
Total assets		<u>23,426,718</u>	<u>23,419,273</u>

	<i>Note</i>	(Unaudited) As at 30 June 2016 RMB'000	(Audited) As at 31 December 2015 RMB'000
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves		<u>8,550,483</u>	<u>8,424,424</u>
Non-controlling interests		8,697,805 <u>2,264,035</u>	8,571,746 <u>2,257,347</u>
Total equity		<u>10,961,840</u>	<u>10,829,093</u>
LIABILITIES			
Non-current liabilities			
Borrowings		6,529,074	7,216,847
Deferred income		81,161	82,960
Deferred income tax liabilities		1,962,328	1,932,015
Notes payable		1,462,582	1,403,973
Corporate bonds		<u>994,990</u>	<u>—</u>
Total non-current liabilities		<u>11,030,135</u>	<u>10,635,795</u>
Current liabilities			
Borrowings		212,713	675,268
Amount due to a non-controlling interest of a subsidiary		175,729	175,729
Amounts due to holding companies		161	158
Amount due to a joint venture		57,050	57,050
Trade and other payables and accrued charges	14	496,388	572,031
Deferred income		3,660	3,660
Current income tax liabilities		<u>71,905</u>	<u>52,740</u>
Liabilities of disposal group classified as held for sale		1,017,606 <u>417,137</u>	1,536,636 <u>417,749</u>
Total current liabilities		<u>1,434,743</u>	<u>1,954,385</u>
Total liabilities		<u>12,464,878</u>	<u>12,590,180</u>
Total equity and liabilities		<u>23,426,718</u>	<u>23,419,273</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2. Accounting policies

The accounting policies applied are consistent with those of the Group’s annual financial statements for the year ended 31 December 2015.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendments and improvements relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2016 for the Group.

HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation
HKASs and HKFRSs	Annual improvements 2011 - 2013 cycle
HKAS 27 (amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (amendments)	Investment entities: applying the consolidation exception
HKAS 1 (amendments)	Disclosure initiative
HKASs and HKFRSs	Annual improvements 2012 - 2014 cycle
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operation
HKFRS 14	Regulatory deferral accounts

The following new standards and amendments to existing standards relevant to its operations have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 12 (amendments)	Income taxes	1 January 2017
HKAS 7 (amendments)	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
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 the standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. Significant accounting estimates and assumptions

The preparation of interim 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 condensed consolidated interim 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 2015.

4. Segment information

The Group is principally engaged in the operation and management of toll highways, bridges and port in the People's Republic of China ("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 port operation, 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 statements.

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2016 and 2015 respectively.

Business segment	Toll roads operations <i>RMB'000</i>	Port and all other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2016			
Revenue (from external customers)	1,212,290	5,560	1,217,850
Other toll operating income	<u>16,038</u>	<u>—</u>	<u>16,038</u>
Income from operations	1,228,328	5,560	1,233,888
Amortisation of intangible operating rights	(254,954)	—	(254,954)
Depreciation of property, plant and equipment	<u>(8,447)</u>	<u>(358)</u>	<u>(8,805)</u>
Operating profit/(loss)	758,620	(2,825)	755,795
Finance income	12,153	12	12,165
Finance costs	(277,115)	(11,826)	(288,941)
Share of result of a joint venture	18,069	—	18,069
Share of results of associates	<u>142,608</u>	<u>—</u>	<u>142,608</u>
Profit/(loss) before income tax	654,335	(14,639)	639,696
Income tax expense	<u>(173,032)</u>	<u>—</u>	<u>(173,032)</u>
Profit/(loss) for the period	<u><u>481,303</u></u>	<u><u>(14,639)</u></u>	<u><u>466,664</u></u>

Business segment	Toll roads operations <i>RMB'000</i>	Port and all other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2015			
Revenue (from external customers)	853,076	4,997	858,073
Other toll operating income	<u>73,950</u>	<u>—</u>	<u>73,950</u>
Income from operations	927,026	4,997	932,023
Amortisation of intangible operating rights	(185,365)	—	(185,365)
Depreciation of property, plant and equipment	<u>(9,012)</u>	<u>(9,003)</u>	<u>(18,015)</u>
Operating profit/(loss)	526,753	(10,298)	516,455
Finance income	30,152	5	30,157
Finance costs	(118,887)	(12,310)	(131,197)
Share of result of a joint venture	8,543	—	8,543
Share of results of associates	<u>119,248</u>	<u>—</u>	<u>119,248</u>
Profit/(loss) before income tax	565,809	(22,603)	543,206
Income tax expense	<u>(135,889)</u>	<u>—</u>	<u>(135,889)</u>
Profit/(loss) for the period	<u>429,920</u>	<u>(22,603)</u>	<u>407,317</u>

The following table presents assets and liabilities information regarding the Group's operating segments as at 30 June 2016 and 31 December 2015 respectively.

Assets and liabilities	Toll roads operations <i>RMB'000</i>	Port and all other segments <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2016			
Total segment assets	22,813,783	612,935	23,426,718
Addition to non-current assets	42,135	7	42,142
Total segment assets include:			
Investment in a joint venture	406,073	—	406,073
Investments in associates	1,513,260	—	1,513,260
Assets of disposal group classified as held for sale	—	587,044	587,044
Total segment liabilities	(11,934,280)	(530,598)	(12,464,878)
Total segment liabilities include:			
Amount due to a joint venture	(57,050)	—	(57,050)
Liabilities of disposal group classified as held for sale	<u>—</u>	<u>(417,137)</u>	<u>(417,137)</u>

Assets and liabilities	Toll roads operations	Port and all other segments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2015			
Total segment assets	22,794,528	624,745	23,419,273
Addition to non-current assets	6,680,112	690	6,680,802
Total segment assets include:			
Investment in a joint venture	388,004	—	388,004
Investments in associates	1,457,435	—	1,457,435
Assets of disposal group classified as held for sale	—	599,192	599,192
Total segment liabilities	(12,062,043)	(528,137)	(12,590,180)
Total segment liabilities include:			
Amount due to a joint venture	(57,050)	—	(57,050)
Liabilities of disposal group classified as held for sale	<u>—</u>	<u>(417,749)</u>	<u>(417,749)</u>

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

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

5. Income from operations

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,217,850	858,073
Other toll operating income	<u>16,038</u>	<u>73,950</u>
	<u>1,233,888</u>	<u>932,023</u>

Note:

Other toll operating income primarily represents the income for the decline of toll traffic volumes of Xian to Lintong Expressway in Shaanxi Province (“Xian Expressway”) due to the traffic control measures implemented in connection with the renovation and expansion project of Xian Expressway and the income was received from the parties involved in such project.

6. Expenses by nature

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Business tax	29,366	31,375
Amortisation of intangible operating rights	254,954	185,365
Depreciation of property, plant and equipment	8,805	18,015
Toll highways and bridges maintenance expenses	20,437	13,712
Toll highways and bridges operating expenses	28,926	22,351
Staff costs (including Directors' emoluments)		
- Wages and salaries	90,505	84,842
- Pension costs (defined contribution plan)	8,070	7,903
- Social security costs	5,797	7,382
- Staff welfare and other benefits	20,329	18,035
Auditor's remuneration	<u>1,254</u>	<u>1,331</u>

7. Other income, gains and losses - net

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange losses - net	(871)	(19,411)
Loss on disposal of property, plant and equipment	(87)	(113)
Compensation for expressways and bridges damages	2,615	8,643
Handling income from toll fee collection	4,652	4,717
Management service income	2,087	2,710
Rental income from investment properties, service areas and gas stations	7,286	3,013
Others	<u>(99)</u>	<u>292</u>
	<u>15,583</u>	<u>(149)</u>

8. Finance income/costs

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Bank interest income	5,634	9,665
Interest income on other non-current receivables	3,385	3,718
Interest income on financial assets at amortised cost	—	2,404
Interest income on amount due from a non-controlling interest of a subsidiary	3,146	—
Exchange gain on notes payable	<u>—</u>	<u>14,370</u>
Finance income	<u>12,165</u>	<u>30,157</u>
Interest expenses:		
- Bank borrowings	(184,763)	(117,415)
- Bank facility fees	(6,399)	(7,056)
- Loans from non-controlling interests of certain subsidiaries	(41)	(802)
- Loan from an ultimate holding company	(7,824)	—
- Other loan of disposal group classified as held for sale	(399)	(489)
- Notes payable	(14,848)	(4,196)
- Corporate bonds	(9,270)	—
Exchange loss on bank borrowings	(9,971)	(1,239)
Exchange loss on notes payable	<u>(55,426)</u>	<u>—</u>
Finance costs incurred	<u>(288,941)</u>	<u>(131,197)</u>

9. Income tax expenses

- (a) No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial information as the Group had no assessable income subject to Hong Kong profits tax during the period (30 June 2015: Nil).
- (b) During the six months ended 30 June 2016, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and a 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 2016 is 25% (30 June 2015: 25%). Certain subsidiaries of the Group enjoy six years' preferential tax treatment of income tax, at a preferential income tax rate of 15%.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%. During the period, withholding income tax was provided for undistributed profits of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (30 June 2015: 5% or 10%).

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

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax	142,719	128,565
Deferred income tax	<u>30,313</u>	<u>7,324</u>
	<u><u>173,032</u></u>	<u><u>135,889</u></u>

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

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

	Six months ended 30 June	
	2016	2015
Profit attributable to shareholders of the Company (RMB'000)	<u>349,619</u>	<u>320,933</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>0.2090</u>	<u>0.1918</u>

The diluted earnings per share for the six months ended 30 June 2016 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the period.

11. Interim dividends

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interim, proposed, of HK\$0.13 equivalent to approximately RMB0.11 (2015: HK\$0.12 equivalent to approximately RMB0.10) per share	<u>186,241</u>	<u>160,094</u>

A dividend of RMB224,065,000 that relates to the period to 31 December 2015 was paid on 28 June 2016 (2015: RMB225,683,000 that relates to the period to 31 December 2014 was paid on 26 June 2015).

On 17 August 2016, the board of directors has resolved to declare an interim dividend of HK\$0.13 (2015: HK\$0.12) per share. This interim dividend, amounting to RMB186,241,000 (2015: RMB160,094,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2016.

12. Trade receivables

As at 30 June 2016, trade receivables were aged below 30 days (31 December 2015: 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 certain operating entities due to the implementation of unified toll collection policy on expressways in Guangdong Province. The settlement period is normally within a month.

13. Other non-current receivables

Non-current receivable represents 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 completed in 2009.

As at 30 June 2016, the total remaining balance of the consideration receivable is RMB110.2 million (31 December 2015: RMB116.3 million) which will be settled by 11 half-yearly installments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB89.1 million (31 December 2015: RMB95.9 million) will be received after 30 June 2017 (31 December 2015: 31 December 2016) according to the repayment schedule.

The fair value of the consideration receivable is estimated by discounting at the applicable current interest rate and is approximately RMB118 million (31 December 2015: RMB125 million) and categorised as level 2 under the fair value hierarchy.

14. Trade and other payables and accrued charges

	As at	
	30 June 2016	31 December 2015
	RMB'000	RMB'000
Trade payables	64,078	79,082
Other payables and accrued charges	<u>432,310</u>	<u>492,949</u>
	<u>496,388</u>	<u>572,031</u>

The ageing analysis of trade payables is as follows:

0 - 30 days	15,957	25,150
31 - 90 days	2,998	1,018
Over 90 days	<u>45,123</u>	<u>52,914</u>
	<u>64,078</u>	<u>79,082</u>

15. Events occurring after the balance sheet date

(a) Completion on disposal of equity interest of Wuzhou Company

On 1 August 2016, the Group completed the disposal of 51% equity interest in Wuzhou Company. The assets and liabilities of Wuzhou Company would be de-consolidated from the financial statements of the Group and the Group would not own any equity interest in Wuzhou Company upon completion of the disposal.

(b) Approval for the public issue of corporate bonds in the PRC

The Company received the Approval Document, Zheng Jian Xu Ke No. 2016 1530, from the China Securities Regulatory Commission ("CSRC") on 8 July 2016 approving the application of the Company for a public issue of corporate bonds in an aggregated principal amount of up to RMB2,000,000,000 to qualified investors in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage	Width (Lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Remaining Operating Term (years)
Subsidiaries						
GNSR Expressway	42.5	6	5	Expressway	60.00	16
Xian Expressway	20.1	4	3	Expressway	100.00	1/4 ⁽¹⁾
Cangyu Expressway	23.3	4	1	Expressway	100.00	14
Jinbao Expressway	23.9	4	3	Expressway	60.00 ⁽²⁾	14
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	20
Changzhu Expressway	46.5	4	5	Expressway	100.00	24
Weixu Expressway	64.3	6	2	Expressway	100.00	19
Suiyuan Expressway	98.1	4	4	Expressway	70.00	24
Associates and Joint Venture						
GWSR Expressway	42.1	6	4	Expressway	35.00	14
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽³⁾	13
Northern Ring Road	22.0	6	8	Expressway	24.30	7
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	12
Qinglian Expressway	215.2	4	16	Expressway	23.63	18

(1) The concession will expire on 30 September 2016.

(2) The Group holds 60% interests; profit sharing ratio: 90% up to 2012, 40% from 2013 to 2015, and 60% from 2016 onwards.

(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 2016

	Average daily toll traffic volume		Average daily toll income	
	1H 2016 (Vehicle/ day)	Change (%)	1H 2016 (RMB/ day)	Change (%)
Subsidiaries				
GNSR Expressway	183,561	16.5%	2,725,317	14.7%
Xian Expressway	41,564	N/A ⁽¹⁾	701,948	1.8% ⁽²⁾
Cangyu Expressway	11,319	58.0%	226,517	26.8%
Jinbao Expressway	27,139	8.9%	280,943	15.5%
Han-Xiao Expressway	23,186	24.4%	422,482	13.0%
Changzhu Expressway	19,452	11.3%	620,947	23.3%
Weixu Expressway	16,135	-1.0%	727,018	-3.9%
Suiyuenan Expressway	16,538	-0.4%	1,043,890	-17.0%
Associates and Joint Venture				
GWSR Expressway	54,266	19.5%	1,009,625	14.7%
Humen Bridge	103,260	6.8%	3,944,289	8.1%
Northern Ring Road	292,088	11.5%	1,974,103	5.8%
Shantou Bay Bridge	22,292	10.7%	667,579	4.6%
Qinglian Expressway	36,320	7.9%	1,888,206	4.5%

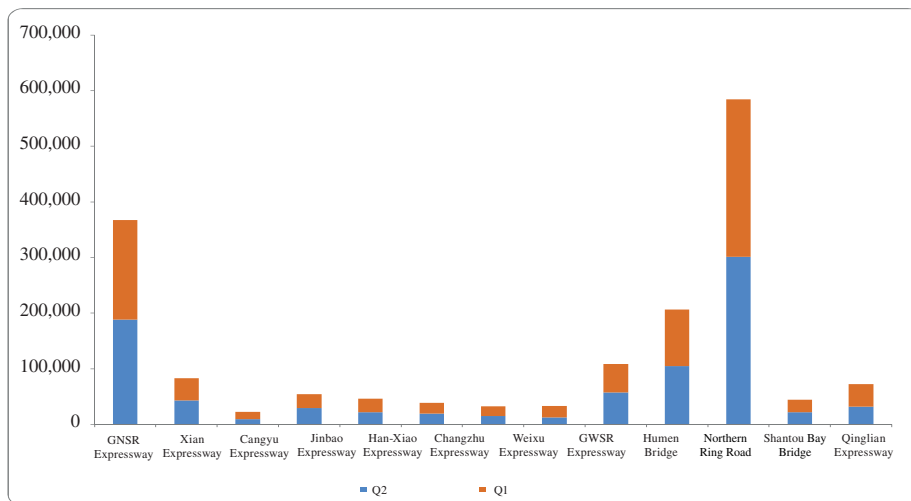
- (1) Xian Expressway was under a “four lanes to eight lanes” expansion between August 2014 and November 2015, which resulted in the traffic restriction policy during the period. As such, the year-on-year change in the average daily toll traffic volume is not applicable.
- (2) Pursuant to the agreement of the “four lanes-to-eight lanes” expansion, the toll revenue for 2016 will record a growth of 3.5% as calculated based on the actual revenue received by the Group for 2015. The replacement of business tax with value-added tax is the primary reason for an annual average below 3.5%. Toll revenue in 2016 represents the revenue net of value-added tax. For this reason, the year-on-year growth rate has slightly decreased.
- (3) Income from operations of May and June 2016 were recorded excluding value added taxes in the books. Income from operations of the first half of 2015 included business taxes.

Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for 1H 2016

	Average daily toll traffic volume for Q1 (Vehicle/day)	Average daily toll traffic volume for Q2 (Vehicle/day)
Subsidiaries		
GNSR Expressway	178,709	188,414
Xian Expressway	39,747	43,380
Cangyu Expressway	12,985	9,653
Jinbao Expressway	24,928	29,349
Han-Xiao Expressway	24,540	21,831
Changzhu Expressway	19,588	19,317
Weixu Expressway	16,923	15,348
Suiyuanan Expressway	20,414	12,662
Associates and Joint Venture		
GWSR Expressway	51,363	57,170
Humen Bridge	101,942	104,579
Northern Ring Road	283,077	301,098
Shantou Bay Bridge	22,640	21,944
Qinglian Expressway	40,513	32,127

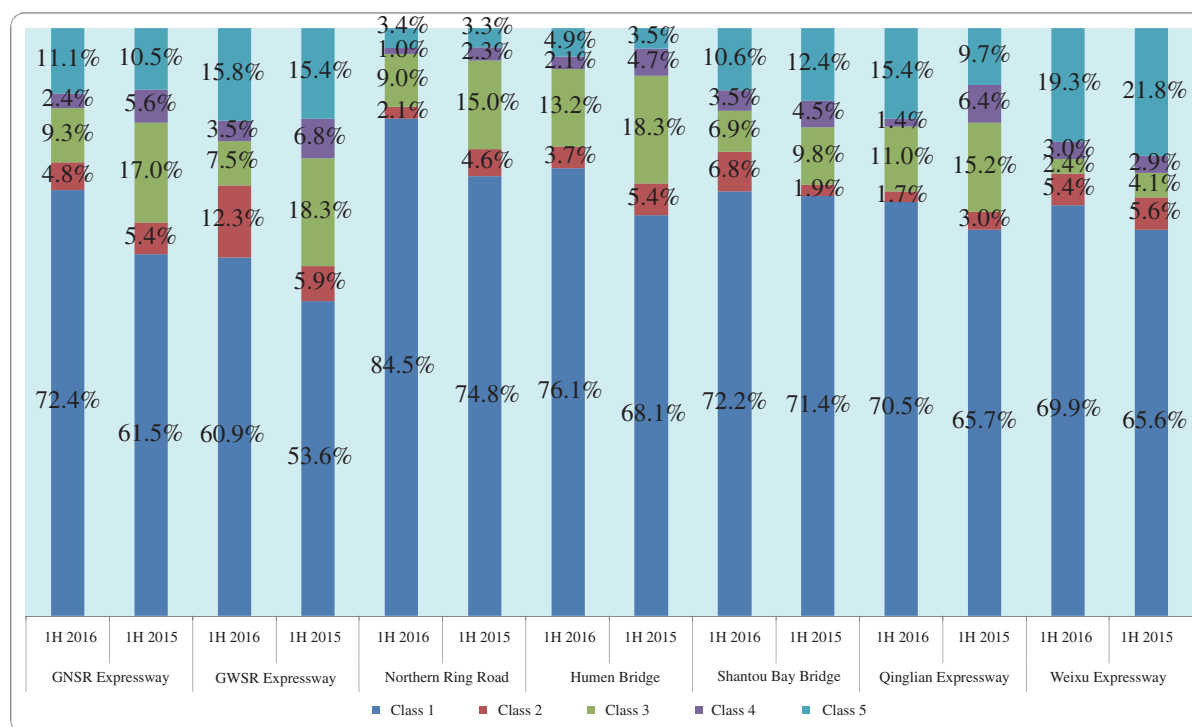
Analysis of average daily toll traffic volume for Q1 and Q2 of 2016



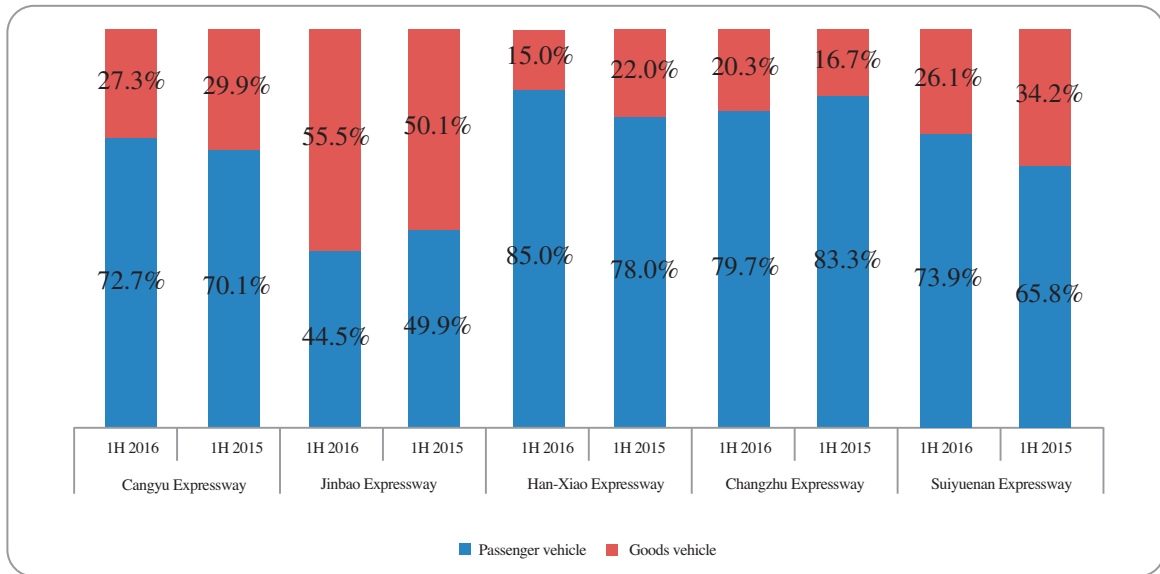
Vehicle type analysis (by traffic volume)

For the period ended 30 June 2016 (“Reporting Period”), the Group’s operating projects are distributed in seven provinces/municipality including Guangdong, Guangxi, Hunan, Hubei, Shaanxi, Henan and Tianjin. According to the vehicle type classification, which was based on the location where the Group invested and operated its projects, the vehicle types of projects operated in the provinces of Guangdong and Henan were classified as Class 1 to Class 5, for projects operated in other areas, the vehicle types were classified into passenger (vehicle) and goods (vehicle). From August 2014 to November 2015, Xian Expressway was under the four lanes-to-eight lanes expansion and thus traffic control was imposed during the period, which caused great fluctuations in the toll traffic volume and the vehicle type mix. Besides, toll revenue will register a growth of 3.5% as calculated based on the actual amount for 2015 received. The traffic mix did not match the toll income. Therefore, an analysis of traffic mix was no longer made.

Traffic mix analysis on projects operated in the provinces of Guangdong and Henan for 1H 2016 (based on statistics of traffic volume)



**Traffic mix analysis on projects operated in other regions for 1H 2016
(based on statistics of traffic volume)**



Summary of operating performance

Macroeconomic environment

In the first half of 2016, the recovery of global economy fell below expectation. The trading position continued to be sluggish. The performance of the major economies was seriously fragmented. There were drastic turbulences in the global financial markets and the geopolitical risks still remained. Meanwhile, the world’s political, economic and financial prospects become increasingly uncertain as a result of “Brexit Referendum”.

Despite of a complicated and rigorous global economic landscape, China’s economy in the first half of 2016 was operated within reasonable range and registered a stable growth due to the combined effect of the advancing supply side structural reform and policies which were continuously taking effects to stabilize economic growth. According to the preliminary estimation by the National Bureau of Statistics, the GDP for the first half of 2016 amounted to RMB 34.06 trillion, representing a year-on-year growth of 6.7%.

Projects invested and operated by the Group are distributed over Guangdong, Shaanxi, Tianjin, Guangxi, Hunan, Hubei and Henan. The total output value of these regions increased by 7.4%, 7.2%, 9.2%, 7.2%, 7.6%, 8.2% and 8.0% year on year, respectively, in the first half of 2016, all higher than the national average for the same period.

(RMB100 million)

	National	Guangdong	Shaanxi	Tianjin	Guangxi	Hunan	Hubei	Henan
		Province	Province	City	Autonomous Region	Province	Province	Province
GDP in 1H 2016	340,637	37,358	8,208	8,501	7,312	13,614	14,114	17,955
Growth rate in 1H 2016	6.7%	7.4%	7.2%	9.2%	7.2%	7.6%	8.2%	8.0%
Growth rate in 1H 2015	7.0%	7.7%	7.3%	9.4%	8.0%	8.5%	8.7%	7.8%

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

Regulatory Environment of the Sector

During the Reporting Period, policies for the toll road sector remained stable. The National Ministry of Transport has stated that the policy of toll fee collection should be insisted going forward, and the adoption of franchise mechanism to non-government invested toll roads is clarified. The legitimate interests of road users and investors will also be comprehensively protected as officially specified.

During the Reporting Period, the Ministry of Finance and the NDRC (National Development and Reform Commission) jointly issued the ‘Notice of Further Jointly and Effectively Conducting the work concerning Public-Private Partnerships’. Pursuant to the notice, when promoting the PPP model in toll road sector, synergy effect among relevant official authorities should be strengthened. While a reasonable reward mechanism should be established, the efficiency of fund-raising to support the PPP projects should also be enhanced. Governmental fulfillment of terms of contracts should be under stricter supervisions, so as to compensate the involved private capital with reasonable returns. Further, enhanced transparency of information could realize maximization of public interests.

During the Reporting Period, the Ministry of Finance and the State Administration of Taxation jointly issued the “Notice on Expanding the Pilot Program of Replacing Business Tax with Value-Added Tax to All Industries”. Since 1 May 2016, the pilot program of replacing business tax with value-added tax (VAT) shall be implemented across the country. The tax rate of road traffic services is 11%, but for expressways the construction of which commenced before 30 April 2016, the tax rate on toll

revenue imposed on the road operators will be reduced to 3% by adopting the applicable simplified tax calculation method. For reference, currently payable VAT amount declared by project companies of the Group shall be calculated according to the following formula: Tax amount declared = Amount specified on toll invoice of expressway \div (1+3% (or 5%)) x3%.

During the Reporting Period, in order to promote the structural reform of the supply side, downward adjustment was made to the toll of expressways in provinces such as Hubei, Shanxi, Guizhou and Anhui. Among them, the “Overall Reduction and Preferential Treatment (一降兩惠)” policy has been implemented in Hubei Province since 1 June 2016. The “Over Reduction” means the overall toll fees of connected expressways in Hubei province shall be reduced by 10% on the basis of prevailing toll fees and the “Preferential Treatment” means the original 5% discount remains applicable to owners of passenger vehicles holding ETC Cards and the 10% discount on toll is applicable to truck owners in Hubei province holding prepaid cards in respect of normal and legal portion of loading.

During the Reporting Period, the “Green Passage Toll Free Policy” was enforced on the expressways and bridges of the Group in compliance with the relevant national requirements. The enforcement of this policy led to a decrease in the toll income of the Group by approximately RMB 120.80 million (the first half of 2015: approximately RMB 53.05 million ⁽¹⁾).

During the Reporting Period, the “Toll Free Policy for Passenger Cars with Seven Seats or Less during Major Holidays” was implemented on the expressways and bridges of the Group in compliance with the relevant national requirements. There were a total of 13 days of major holidays which satisfied the requirements. As calculated, the implementation of this policy led to a decrease in the toll income of the Group by approximately RMB50.94 million ⁽²⁾ (the first half of 2015: approximately RMB37.66 million ^{(1) (2)}).

Business Improvements and Innovations

During the Reporting Period, with continuous innovations and breakthroughs made to improve its business model, the Group completed the first public offering of Panda Bonds which were listed in Shanghai Stock Exchange. The issuance of Panda Bonds by the Group brought about a further diversification of funding channels, effectively lowered its financing costs and enhanced the bargaining power of fund raising. By actively planning the leapfrog development for the existing projects, the Group made steady progress on the feasibility study of lanes expansion projects. We continuously solidified our operation foundation with a standardized core system of

electro-mechanics, rights and assets of roads and fee-based business. We also continuously refined and upgraded our management system. Meanwhile, to improve overall profitability, we promoted and followed the principle of “Asset Management”.

Notes:

- (1) Suiyuenan Expressway has not been included in the figures for the first half of 2015.
- (2) The estimation result is based on the simulated calculation based on data available to subsidiaries and historical data for reference purpose.

Progress of Investment

During the Reporting Period, the Group made great effort to submit and gain approval for the transfer of the 51% equity interest of a terminal project located in the Chishuixu operation area of the Wuzhou port, and achieved a satisfactory progress on the whole. The proceeds from the equity transfer were received on 22 July 2016 and equity transfer was completed on 1 August 2016. Meanwhile, the Group will persistently look for high-quality expressway projects of large and medium size so that we can strengthen our core business. Established in Guangdong province, we will actively look for the acquisitions of expressways which have a balanced cash flow from economically strong provinces in the central and western parts of the country so as to expand our business scale.

Performance of Expressways and Bridges

Subsidiaries

GNSR Expressway

During the Reporting Period, the average daily toll traffic volume was 183,561 vehicles and the average daily toll revenue was RMB2,725,000, representing an increase of 16.5% and 14.7% respectively, when compared with the first half of 2015.

Benefited from favorable factors such as growing ownership of passenger vehicles and the full adoption of toll-by-weight policy for trucks in Guangdong Province since 26 June 2015, the average daily toll traffic volume and average daily toll revenue maintained a growth trend year-on-year.

Xian Expressway

During the Reporting Period, the average daily toll traffic volume was 41,564 vehicles and the average daily income was RMB702,000, representing an increase of 1.8% when compared with the first half of 2015.

According to the development plan of expressways in Shaanxi Province, Xian Expressway was under a project of expanding its four lanes to eight lanes between August 2014 and November 2015. Pursuant to the signed agreement by involved parties, the toll revenue for 2016, the calculation of which is based on the actual amount received in 2015 according to the agreement, will grow by 3.5% (The replacement of business tax with value-added tax is the primary reason that caused a lower than 3.5% growth rate. Under such an implementation, toll revenue hereby was net of value-added tax. As a result, the year-on-year growth rate was dropped slightly).

Cangyu Expressway

During the Reporting Period, the average daily toll traffic volume was 11,319 vehicles and the average daily toll revenue was RMB227,000, representing an increase of 58.0% and 26.8%, respectively, when compared with the first half of 2015.

Benefited from the connected effect brought by the completion of road segments peripheral to Guiwu Expressway, both the daily toll traffic volume and toll income maintained a year-on-year growth.

Jinbao Expressway

During the Reporting Period, the average daily toll traffic volume was 27,139 vehicles and the average daily toll revenue was RMB281,000, representing an increase of 8.9% and 15.5% respectively, when compared with the first half of 2015.

As a result of the traffic control imposed for the construction of the neighboring Jinjing Highway, trucks were partially diverted to Jinbao Expressway which resulted in the sustained year-on-year growth of both toll traffic volume and toll revenue.

Han-Xiao Expressway

During the Reporting Period, the average daily toll traffic volume was 23,186 vehicles and the average daily toll revenue was RMB422,000, representing an increase of 24.4% and 13% respectively, when compared with the first half of 2015.

Benefited from the rapid growth of regional economy, the growth of car ownership volume, as well as the withdrawal of traffic control on the neighboring Daihuang Expressway connecting Liudian interchange since 30 September 2015, both the daily toll traffic volume and toll income maintained a year-on-year growth.

Changzhu Expressway

During the Reporting Period, the average daily toll traffic volume was 19,452 vehicles and the average daily toll revenue was RMB621,000, representing an increase of 11.3% and 23.3% respectively, when compared with the first half of 2015.

Benefited from the economic growth in the surrounding regions, further improvement of road network as well as the complete traffic control imposed at Lituo section of the G4 National Expressway during the period from 1 January 2016 to 20 January 2016 for the construction work, both the daily toll traffic volume and toll income maintained a double-digit growth.

Weixu Expressway

During the Reporting Period, the average daily toll traffic volume was 16,135 vehicles and the average daily toll revenue was RMB727,000, representing a decrease of 1.0% and 3.9% respectively, when compared with the first half of 2015.

Affected by backflow of traffic volumes partially diverted to Weixu Expressway previously due to restoring traffic of Hebei section of the G4 National Expressway after completion of reconstruction in December 2014, both the daily toll traffic volume and toll income of Weixu Expressway recorded a year-on-year decrease.

Suiyuanan Expressway

During the Reporting Period, the average daily toll traffic volume was 16,538 vehicles and the average daily toll revenue was RMB 1,044,000, representing a decrease of 0.4% and 17.0% respectively, when compared with the first half of 2015.

Since late June in 2015, the adoption of the national standards for vehicle classification in Hubei Province has led to the increase in the toll rate for trucks. Combined with the effect of the increased efforts in the control of expressways by the local transportation administration authorities, some trucks were diverted to local roads. As a result, both the daily toll traffic volume and toll income recorded a year-on-year decrease.

Associates and Joint Venture

GWSR Expressway

During the Reporting Period, the average daily toll traffic volume was 54,266 vehicles and the average daily toll revenue was RMB1,010,000, representing an increase of 19.5% and 14.7%, respectively, when compared with first half of 2015.

Benefited from favorable factors including the growth of car ownership volume and the implementation of a toll-by-weight system for trucks in Guangdong Province since 26 June 2015, both the daily toll traffic volume and toll income maintained a year-on-year growth.

Humen Bridge

During the Reporting Period, the average daily toll traffic volume was 103,260 vehicles and the average daily toll revenue was RMB3,944,000, representing an increase of 6.8% and 8.1%, respectively, when compared with the first half of 2015.

Benefited from favorable factors including the growth of car ownership volume and the implementation of a toll-by-weight system for trucks in Guangdong Province since 26 June 2015, both the daily toll traffic volume and toll income maintained a year-on-year growth.

Northern Ring Road

During the Reporting Period, the average daily toll traffic volume was 292,088 vehicles and the average daily toll revenue was RMB1,974,000, representing an increase of 11.5% and 5.8%, respectively, when compared with the first half of 2015.

Benefited from the growing ownership of passenger vehicle, the average daily toll traffic volume and the average daily toll revenue kept increasing year-on-year.

Shantou Bay Bridge

During the Reporting Period, the average daily toll traffic volume was 22,292 vehicles and the average daily toll revenue was RMB668,000, representing an increase of 10.7% and 4.6%, respectively, when compared with the first half of 2015.

Benefited from the growth of car ownership volume, as well as the traffic control imposed in the neighboring Jinfeng Bridge since November 2015 for construction, which resulted in certain vehicles to cross Shantou Bay Bridge instead, both the daily toll traffic volume and toll income maintained a year-on-year growth.

Qinglian Expressway

During the Reporting Period, the average daily toll traffic volume was 36,320 vehicles and the average daily toll revenue was RMB1,888,000, representing an increase of 7.9% and 4.5%, respectively, when compared with the first half of 2015.

As the diversion effect of neighboring road networks was basically minimized, both the daily toll traffic volume and toll income maintained a year-on-year growth.

FINANCIAL REVIEW

Key operating results figures

	Six months ended		Change %
	2016	2015	
	RMB'000	RMB'000	
Income from operations	1,233,888	932,023	32.4
Income from operations, net of tax ¹	1,204,522	900,648	33.7
Gross profit	844,386	618,706	36.5
Operating profit	755,795	516,455	46.3
Earnings before interests, tax, depreciation and amortization (“EBITDA”) ²	1,190,225	878,984	35.4
Finance costs	(288,941)	(131,197)	120.2
Share of results of associates	142,608	119,248	19.6
Share of result of a joint venture	18,069	8,543	111.5
Profit attributable to shareholders of the Company	349,619	320,933	8.9
Basic and diluted earnings per share	RMB0.2090	RMB0.1918	8.9
Interim dividend	186,241	160,094	16.3

¹ Pursuant to the “Circular of the MOF and the SAT regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (財政部、國家稅務總局關於全面推開營業稅改征增值稅試點的通知)”, effective from 1 May 2016, taxpayers across the country will be required to pay value added taxes instead of business taxes. Toll road operators with expressways the construction of which commenced before 30 April 2016, the tax rate on their toll revenue will be reduced to 3% by choosing applicable simplified tax calculation method. Income from operations effective from 1 May 2016 are recorded excluding value added taxes in the books; and for better comparison and analysis purpose, income from operations prior to 1 May 2016 including comparative figures in this financial review section were shown as net of business tax.

² EBITDA includes profit from associates and joint venture and excludes non-cash gains and losses.

I. Overview of operating results

The Group’s income from operations, net of tax grew 33.7 percent to RMB1,204.5 million and profit attributable to shareholders of the Company increased by 8.9 percent to RMB349.6 million in the Reporting Period. The Directors resolved to declare an interim dividend for 2016 of HK\$0.13 which is equivalent to approximately RMB0.1113109 (2015: HK\$0.12 which was equivalent to approximately RMB0.0956832) per share, represented an interim dividend payout ratio of 53.3 percent (2015: 49.9 percent).

The growth in income from operations, net of tax in the Reporting Period was mainly due to GNSR Expressway, Changzhu Expressway and the newly acquired Suiyuanan Expressway (consolidated to the Group since 21 July 2015) in the toll operation side. Income from operations, net of tax of GNSR Expressway grew 16.6 percent or RMB68.8 million due to increase in car ownership and implementation of toll by weight. Being benefited from the further improvement of the road circuit, income from operations, net of tax of Changzhu Expressway grew 25.1 percent or RMB22.2 million in the Reporting Period. Income from operations, net of tax of Suiyuanan Expressway during the Reporting Period amounted to RMB185.2 million. Income from operations, net of tax of Weixu Expressway decreased 2.4 percent or RMB3.2 million mainly due to traffic returning back to Hebei section of the G4 Expressway after completion of its reconstruction in December 2014. Xian Expressway's income from operations, net of tax grew 3.3 percent or RMB4.0 million. Han-Xiao Expressway's income from operations, net of tax has resumed to a growth of 14.7 percent or RMB9.6 million with the deactivation of traffic control in the vicinity road since the second half of 2015. Owing to some trucks diverted from neighboring Jinjing Highway which has implemented traffic control due to construction in progress, income from operations, net of tax of Jinbao Expressway increased by 18.1 percent or RMB7.6 million. Being benefited from the completion of road segments peripheral to Guiwu Expressway, Cangyu Expressway's income from operations, net of tax resumed to a growth of 29.2 percent or RMB9.1 million. Income from operations, net of tax of non-controlled toll projects in aggregate grew 9.0 percent in the Reporting Period. Humen Bridge, Northern Ring Road and GWSR Expressway grew 9.9 percent, 7.5 percent and 16.6 percent respectively. Qinglian Expressway increased by 6.0 percent as traffic diversion effects from the opening of vicinity roads basically hit bottom. Shantou Bay Bridge was benefited from traffic diverted in due to the construction of neighboring Jinfeng Bridge, its income from operations, net of tax increased by 6.2 percent in the Reporting Period.

In the profit attributable to shareholders of the Company (after elimination of inter-company loan interests), controlled projects contributed RMB405.2 million in the Reporting Period with a 29.7 percent increase as compared with same period in 2015. Among the controlled projects, contribution from toll operation in aggregate increased 27.5 percent to RMB411.8 million (which would be an increase of 20.7 percent if taking no account of the consolidation of the newly acquired Suiyuanan Expressway) while the port operation was at a loss of RMB6.6 million. GNSR Expressway with its strong toll revenue growth which

led to its net profit increased by 14.8 percent to RMB163.7 million. Xian Expressway's net profit in the Reporting Period increased by 8.9 percent to RMB74.9 million. Weixu Expressway has contributed net profit of RMB48.5 million in the Reporting Period which was 0.9 percent lower than same period in 2015. Owing to the continuous toll revenue growth and inter-company debt restructuring carried out, Changzhu Expressway recorded a significant increase in net profit of 133.4 percent to RMB40.6 million in the Reporting Period. With the reversal of deferred tax assets of RMB6.7 million in the Reporting Period, Han-Xiao Expressway's net profit was similar to the same period in 2015 being RMB32.4 million. Suiyuan Expressway (consolidated to the Group since 21 July 2015) contributed net profit of RMB21.8 million. Cangyu Expressway's net profit increased by 125.6 percent to RMB20.2 million. Jinbao Expressway recorded net profit increase of 144.2 percent to RMB9.6 million. The Port operation commenced in September 2014, which has recorded loss of RMB6.6 million in the Reporting Period. The non-controlled toll projects in aggregate contributed RMB160.7 million of net profit to the Group with an increase of 25.7 percent. Humen Bridge grew 11.5 percent to RMB83.1 million. Northern Ring Road grew 12.6 percent to RMB40.7 million. Shantou Bay Bridge grew 8.1 percent to RMB15.9 million. Qinglian Expressway turned into profit to RMB2.8 million. GWSR Expressway recorded 111.5 percent increase to RMB18.1 million.

At the corporate level, apart from the net exchange loss of RMB66.0 million, there were no material corporate level transactions which have significant impacts to the overall profit attributable to the shareholders of the Company during the Reporting Period.

II. Analysis of operating results

Income from operations, net of tax

The Group recorded total income from operations, net of tax of RMB1,204.5 million in the Reporting Period, an increase of 33.7 percent as compared with same period in 2015. Income from toll operation, net of tax increased 33.9 percent to RMB1,199.0 million in the Reporting Period. Income from Port operation amounted to RMB5.5 million (same period in 2015: RMB5.0 million).

Analysis of income from operations, net of tax by each controlled project

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2015 RMB'000	Percentage of total %	Change %
GNSR Expressway	484,476	40.2	415,673	46.0	16.6
Suiyuanan Expressway	185,213	15.4	N/A	N/A	N/A
Weixu Expressway	129,241	10.7	132,458	14.7	-2.4
Xian Expressway	124,591	10.3	120,593	13.4	3.3
Changzhu Expressway	110,272	9.2	88,112	9.8	25.1
Han-Xiao Expressway	75,013	6.2	65,390	7.3	14.7
Jinbao Expressway	49,906	4.1	42,259	4.7	18.1
Cangyu Expressway	<u>40,261</u>	<u>3.4</u>	<u>31,171</u>	<u>3.5</u>	29.2
Total from toll operation	1,198,973	99.5	895,656	99.4	33.9
Port Operation	<u>5,549</u>	<u>0.5</u>	<u>4,992</u>	<u>0.6</u>	11.2
Total income from operations	<u>1,204,522</u>	<u>100.0</u>	<u>900,648</u>	<u>100.0</u>	33.7

GNSR Expressway accounted for 40.2 percent (same period in 2015: 46.0 percent) of the income from operations, net of tax of the Group's controlled projects in the Reporting Period. With increase in car ownership volume and implementation of toll by weight system for trucks in Guangdong Province on 26 June 2015, GNSR Expressway increased by 16.6 percent to RMB484.5 million in the Reporting Period.

Suiyuanan Expressway was consolidated to the Group on 21 July 2015. It ranked second in terms of income from operations, net of tax being amounted to RMB185.2 million and accounted for approximately 15.4 percent among controlled projects.

Weixu Expressway, ranked third in terms of income from operations, net of tax accounted for approximately 10.7 percent (same period in 2015: 14.7 percent) among controlled projects. Weixu Expressway dropped 2.4 percent to RMB129.2 million in the Reporting Period mainly due to traffic returning back to Hebei section of the G4 Expressway after completion of its reconstruction in December 2014.

Xian Expressway, ranked fourth in terms of income from operations, net of tax accounted for approximately 10.3 percent (same period in 2015: 13.4 percent) among controlled projects and grew 3.3 percent to RMB124.6 million in the Reporting Period.

Changzhu Expressway, ranked fifth in terms of income from operations, net of tax accounted for approximately 9.2 percent (same period in 2015: 9.8 percent) among controlled projects. Being benefited from the further improvement of the road circuit, Changzhu Expressway grew 25.1 percent to RMB110.3 million in the Reporting Period.

Han-Xiao Expressway, ranked sixth in terms of income from operations, net of tax accounted for approximately 6.2 percent (same period in 2015: 7.3 percent) among controlled projects. With the deactivation of traffic control in the vicinity road since the second half of 2015, Han-Xiao Expressway has resumed to a growth of 14.7 percent to RMB75.0 million.

Jinbao Expressway, ranked seventh in terms of income from operations, net of tax accounted for approximately 4.1 percent (same period in 2015: 4.7 percent) among controlled projects. Owing to some trucks diverted from neighboring Jinjing Highway which has implemented traffic control due to construction in progress, Jinbao Expressway increased 18.1 percent to RMB49.9 million in the Reporting Period.

Cangyu Expressway, ranked eighth in terms of income from operations, net of tax accounted for approximately 3.4 percent (same period in 2015: 3.5 percent) among controlled projects. Being benefited with the completion of road segments peripheral to Guiwu Expressway, Cangyu Expressway grew 29.2 percent to RMB40.3 million in the Reporting Period.

Yuxin Chishui Port has contributed RMB5.5 million (same period in 2015: RMB5.0 million) to the Group's income from operations, net of tax in the Reporting Period.

Cost of services (exclude VAT and business tax)

In the Reporting Period, total cost of services (exclude VAT and business tax) of the Group amounted to RMB360.1 million (same period in 2015: RMB281.9 million), an increase of RMB78.2 million or 27.7 percent as compared with same period in 2015. Cost ratio (cost of services exclude VAT and business tax / income from operations net of tax) was 29.9 percent in the Reporting Period being 1.4 percentage point lower than same period in 2015, of which cost ratio of toll operation in the Reporting Period was 29.6 percent being 0.4 percentage point lower than same period in 2015. An analysis of cost of services (exclude VAT and business tax) showed that the increase was mainly due to the consolidation of Suiyuenan Expressway from completion date, i.e. 21 July 2015, having brought in total cost of services of RMB62.7 million. In the total cost of services, cost related to controlled toll projects amounted RMB355.4 million and cost of Port operation amounted RMB4.7 million.

Analysis of cost of services (exclude VAT and business tax) by each controlled project

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2015 RMB'000	Percentage of total %	Change %
GNSR Expressway	108,422	30.1	98,794	35.0	9.7
Suiyuenan Expressway	62,725	17.4	N/A	N/A	N/A
Weixu Expressway	42,009	11.7	36,921	13.1	13.8
Changzhu Expressway	37,492	10.4	31,699	11.3	18.3
Han-Xiao Expressway	30,574	8.5	24,624	8.7	24.2
Xian Expressway	29,946	8.3	31,860	11.3	-6.0
Jinbao Expressway	29,362	8.2	31,193	11.1	-5.9
Cangyu Expressway	<u>14,858</u>	<u>4.1</u>	<u>13,808</u>	<u>4.9</u>	7.6
Total from toll operation	355,388	98.7	268,899	95.4	32.2
Port operation ¹	<u>4,748</u>	<u>1.3</u>	<u>13,043</u>	<u>4.6</u>	-63.6
Total	<u>360,136</u>	<u>100.0</u>	<u>281,942</u>	<u>100.0</u>	27.7

Analysis of cost of services by nature

	Reporting Period <i>RMB'000</i>	Percentage of total %	First half of 2015 <i>RMB'000</i>	Percentage of total %	Change %
Amortization of intangible operating rights	254,954	70.8	185,365	65.7	37.5
Toll highways and bridges maintenance expenses	20,437	5.7	13,712	4.9	49.0
Staff costs	49,571	13.8	46,387	16.5	6.9
Toll highways and bridges operating expenses	28,926	8.0	22,351	7.9	29.4
Depreciation of other fixed assets ¹	<u>6,248</u>	<u>1.7</u>	<u>14,127</u>	<u>5.0</u>	-55.8
Total	<u>360,136</u>	<u>100.0</u>	<u>281,942</u>	<u>100.0</u>	27.7

¹ Pursuant to the relevant accounting standard, depreciation of assets will cease once they are classified as held for sale. If Yuexin Chishui Port is not classified as held for sale, further RMB8.53 million depreciation will be provided in cost of services during the Reporting Period.

Gross profit

Gross profit in the Reporting Period increased by 36.5 percent to RMB844.4 million, of which gross profit related to toll operation was RMB843.6 million and to Port operation was RMB0.8 million. Gross profit margin in the Reporting Period was 70.1 percent being 1.4 percentage point higher than same period in 2015, of which gross profit margin of toll operation in the Reporting Period was 70.4 percent being 0.4 percentage point higher than same period in 2015.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Period		First half of 2015	
	Gross Profit	Gross Margin ¹	Gross Profit	Gross Margin ¹
	RMB'000		RMB'000	
GNSR Expressway	376,054	77.6%	316,879	76.2%
Suiyuan Expressway	122,488	66.1%	N/A	N/A
Weixu Expressway	87,232	67.5%	95,537	72.1%
Xian Expressway	94,645	76.0%	88,733	73.6%
Changzhu Expressway	72,780	66.0%	56,413	64.0%
Han-Xiao Expressway	44,439	59.2%	40,766	62.3%
Cangyu Expressway	25,403	63.1%	17,363	55.7%
Jinbao Expressway	<u>20,544</u>	41.2%	<u>11,066</u>	26.2%
Total from toll operation	843,585	70.4%	626,757	70.0%
Port operation ²	<u>801</u>	14.4%	<u>(8,051)</u>	N/A
Total	<u>844,386</u>	70.1%	<u>618,706</u>	68.7%

^{1.} Gross margin = Gross profit / income from operation, net of tax

^{2.} Pursuant to the relevant accounting standard, depreciation of assets will cease once they are classified as held for sale. If Yuexin Chishui Port is not classified as held for sale, further RMB8.53 million depreciation will be provided in cost of services during the Reporting Period.

General and administrative expenses

The Group's general and administrative expenses in the Reporting Period amounted to RMB104.2 million being closed to same period in 2015 level of RMB102.1 million.

Other income, gains and losses — net

The Group's other income, gains and losses — net was a gain of RMB15.6 million in the Reporting Period (same period in 2015: net loss of RMB149,000). The fluctuation was mainly due to the decrease of exchange loss, net (other than notes payable and bank borrowings which was reflected under finance costs) to RMB0.9 million as compared to RMB19.4 million during the same period in 2015. There was no material other income, gains and losses — net in the Reporting Period.

Finance income/Finance costs

The Group's finance income in the Reporting Period amounted to RMB12.2 million which was 59.7 percent lower than same period in 2015. During same period in 2015, notes payable has an exchange gain of RMB14.4 million which was recorded under finance income while during the Reporting Period it has changed to an exchange loss which was recorded under finance costs as mentioned in next paragraph.

The Group's finance costs in the Reporting Period increased by 120.2 percent to RMB288.9 million as compared with same period in 2015 of RMB131.2 million mainly due to (i) increase in interest expenses from project loans upon consolidation of Suiyuan Expressway (consolidated to the Group since 21 July 2015) and (ii) exchange loss on notes payable of RMB55.4 million and on bank borrowings of RMB10.0 million in the Reporting Period. However, the Group's overall weighted average interest rate in the Reporting Period was 4.21 percent which was lower than same period in 2015 rate of 4.46 percent.

Share of results of associates and a joint venture

The Group's share of results of associates and a joint venture has increased by 25.7 percent in the Reporting Period to RMB160.7 million.

Share of post-tax profit of Humen Bridge in the Reporting Period increased by 11.5 percent to RMB83.1 million. Having benefited from continued growth in car ownership, income from operation, net of tax at the project company level has increased by 9.9 percent to RMB701.1 million in the Reporting Period.

Share of post-tax profit of Northern Ring Road in the Reporting Period increased by 12.6 percent to RMB40.7 million. Income from operations, net of tax at the project company level grew 7.5 percent to RMB350.9 million being benefited from increase in car ownership.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Period increased by 8.1 percent to RMB15.9 million. Income from operations, net of tax at the project company level grew 6.2 percent to RMB118.6 million in the Reporting Period being benefited from the construction of neighboring Jinfeng Bridge, diverting vehicles to cross Shantou Bay Bridge.

Share of post-tax result of Qinglian Expressway in the Reporting Period turned into a net profit of RMB2.8 million as compared to the net loss of RMB6.2 million in the comparative period. Income from operations, net of tax at the project company level grew 6.0 percent to RMB334.6 million as the traffic diversion effects from the opening of vicinity roads are reducing.

Share of post-tax profit of GWSR Expressway in the Reporting Period increased by 111.5 percent to RMB18.1 million, which if taking no account of the prior year's tax under provision of RMB1.5 million (attributable to the Group) recorded in 2015, there was still 80.0 percent increase in its net profit attributable to the Group. Income from operation, net of tax at the project company level grew 16.6 percent to RMB179.5 million.

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

	Income from operations, net of tax ⁽¹⁾			Share of results	
	Profit Sharing ratio %	Reporting Period RMB'000	YoY change %	Reporting Period RMB'000	YoY change %
Associates					
Humen Bridge	18.446	701,125	9.9	83,084	11.5
Northern Ring Road	24.3	350,884	7.5	40,746	12.6
Shantou Bay Bridge	30.0	118,602	6.2	15,947	8.1
Qinglian Expressway	23.63	<u>334,596</u>	6.0	<u>2,831</u>	Turned profit
Sub-total		1,505,207	8.2	142,608	19.6
Joint venture					
GWSR Expressway	35.0	<u>179,475</u>	16.6	<u>18,069</u>	111.5
Total		<u>1,684,682</u>	9.0	<u>160,677</u>	25.7

⁽¹⁾ Represented figures at the respective project companies' level. Income from operations effective from 1 May 2016 are recorded excluding value added taxes in the books; and for better comparison and analysis purpose, income from operations in the Reporting Period prior to 1 May 2016 and comparative figures used in the calculation of year-on-year change were net of business tax.

Income tax expense

Total income tax expense of the Group in the Reporting Period increased by 27.3 percent to RMB173.0 million. There was a reversal of deferred tax assets recorded in the Reporting Period amounted RMB6.7 million.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB349.6 million in the Reporting Period, an increase of 8.9 percent as compared with same period in 2015. Given management team's continuous effort in optimizing the overall debt structure of the Group, as part of this process, there were inter-company loan interests incurred between the controlled projects level and the corporate entities level which would be eliminated ultimately at the consolidated level.

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

	Reporting Period RMB'000	Percentage of total %	First half of 2015 RMB'000	Percentage of total %	Change %
Net profit from controlled projects	405,184	71.6	312,289	71.0	29.7
Net profit from non-controlled projects ¹	<u>160,677</u>	<u>28.4</u>	<u>127,791</u>	<u>29.0</u>	25.7
Net profit from projects	565,861	<u>100.0</u>	440,080	<u>100.0</u>	28.6
Withholding tax on PRC dividends/income	(18,128)		(16,137)		12.3
Corporate expenses	(62,466)		(83,032)		-24.8
Corporate income/gains	1,860		3,284		-43.4
Corporate finance income	5,758		22,913		-74.9
Corporate finance costs	<u>(143,266)</u>		<u>(46,175)</u>		210.3
Profit attributable to shareholders of the Company	<u>349,619</u>		<u>320,933</u>		8.9

¹ Representing share of results of associates and a joint venture

An analysis of the profit attributable to shareholders of the Company showed net profit derived from controlled projects amounted to RMB405.2 million in the Reporting Period, accounted for 71.6 percent (same period in 2015: 71.0 percent) while net profit from non-controlled projects amounted to RMB160.7 million in the Reporting Period, accounted for 28.4 percent (same period in 2015: 29.0 percent).

Net profit from controlled projects of RMB405.2 million represented growth of 29.7 percent or RMB92.9 million higher than same period in 2015; of which net profit from toll operation increased 27.5 percent to RMB411.8 million (which would be an increase of 20.7 percent if taking no account of the consolidation of the newly acquired Suiyuenan Expressway). Yuexin Chishui Port has commenced its operation in September 2014 and was still operating at a loss of RMB6.6 million during the Reporting Period.

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

Controlled Projects	Reporting Period <i>RMB'000</i>	Percentage of total %	First half of 2015 <i>RMB'000</i>	Percentage of total %	Change %
GNSR Expressway	163,717	28.9	142,625	32.4	14.8
Xian Expressway	74,870	13.2	68,763	15.6	8.9
Weixu Expressway	48,514	8.6	48,932	11.1	-0.9
Han-Xiao Expressway	32,443	5.7	32,430	7.4	—
Changzhu Expressway	40,628	7.2	17,408	4.0	133.4
Suiyuenan Expressway	21,789	3.9	N/A	N/A	N/A
Cangyu Expressway	20,191	3.6	8,949	2.0	125.6
Jinbao Expressway	<u>9,631</u>	<u>1.7</u>	<u>3,944</u>	<u>0.9</u>	144.2
Total from toll operation	411,783	72.8	323,051	73.4	27.5
Port operation	<u>(6,599)</u>	<u>-1.2</u>	<u>(10,762)</u>	<u>-2.4</u>	-38.7
Total	<u>405,184</u>	<u>71.6</u>	<u>312,289</u>	<u>71.0</u>	29.7

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

Controlled Projects	Reporting Period <i>RMB'000</i>	Percentage of total %	First half of 2015 <i>RMB'000</i>	Percentage of total %	Change %
GNSR Expressway	163,717	30.3	142,625	36.0	14.8
Xian Expressway	74,870	13.9	68,763	17.4	8.9
Weixu Expressway	48,514	9.0	48,932	12.4	-0.9
Han-Xiao Expressway	22,589	4.2	22,153	5.6	2.0
Changzhu Expressway	25,286	4.7	(15,282)	-3.9	Turned profit
Suiyuan Expressway	21,560	4.0	N/A	N/A	N/A
Cangyu Expressway	18,914	3.5	8,949	2.3	111.4
Jinbao Expressway	<u>9,631</u>	<u>1.8</u>	<u>3,944</u>	<u>1.0</u>	144.2
Total from toll operation	385,081	71.4	280,084	70.8	37.5
Port operation	<u>(6,602)</u>	<u>-1.2</u>	<u>(11,798)</u>	<u>-3.0</u>	-44.0
Total	<u>378,479</u>	<u>70.2</u>	<u>268,286</u>	<u>67.8</u>	41.1

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 revenue”) has increased 25.7 percent in the Reporting Period to RMB160.7 million as compared with same period in 2015. Among the non-controlled toll projects, profits attributable to the shareholders of the Company from Humen Bridge, Northern Ring Road, Shantou Bay Bridge, Qinglian Expressway and GWSR Expressway accounted for 14.7 percent (same period in 2015: 16.9 percent), 7.2 percent (same period in 2015: 8.2 percent), 2.8 percent (same period in 2015: 3.4 percent), 0.5 percent (same period in 2015: -1.4 percent) and 3.2 percent (same period in 2015: 1.9 percent) of the net profit from projects respectively.

At the corporate level, apart from the net exchange loss of RMB66.0 million, there were no material corporate level transactions which have significant impacts to the overall profit attributable to the shareholders of the Company during the Reporting Period.

Interim dividend

The Directors resolved to declare an interim dividend for 2016 of HK\$0.13 which is equivalent to approximately RMB0.1113109 (2015: HK\$0.12 which was equivalent to approximately RMB0.0956832) per share payable on or about 18 November 2016 to shareholders whose names appear on the register of members of the Company on 19 October 2016. Interim dividend payout ratio of 53.3 percent (2015: 49.9 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 2016	31 December 2015	Change
	RMB'000	RMB'000	%
Total assets	23,426,718	23,419,273	—
Total liabilities	12,464,878	12,590,180	-1.0
Cash and cash equivalents	1,083,402	866,665	25.0
Total debt	9,256,409	9,353,138	-1.0
Of which: bank borrowings	6,635,505	7,784,888	-14.8
Notes payable	1,462,582	1,403,973	4.2
Corporate bonds	994,990	—	100.0
Current ratio	1.3 times	0.9 times	
Interest coverage	5.3 times	5.8 times	
Equity attributable to the shareholders of the Company	8,697,805	8,571,746	1.5

Assets, Liabilities and Equity

As at 30 June 2016, the Group's total assets amounted to RMB23.4 billion which was similar to the balance as at 31 December 2015. The Group's total assets comprised mainly of intangible operating rights of RMB18.7 billion (31 December 2015: RMB19.0 billion); investments in a joint venture and associates of RMB1.92 billion (31 December 2015: RMB1.85 billion); and cash and cash equivalents of RMB1,083.4 million (31 December 2015: RMB866.7 million).

As at 30 June 2016, the Group's total liabilities amounted to RMB12.5 billion which was 1.0 percent lower than the balance as at 31 December 2015. The Group's total liabilities comprised mainly of bank borrowings of RMB6.64 billion (31 December 2015: RMB7.8 billion); notes payable of RMB1.46 billion (31 December 2015: RMB1.4 billion) (drawn on 7 May 2015); corporate bonds of RMB995.0 million (drawn on 22 March 2016); loans from non-controlling interests of certain subsidiaries of RMB106.3 million (31 December 2015: RMB107.2 million); amount due to a non-controlling interest of a subsidiary of RMB175.7 million (31 December 2015: RMB175.7 million); and deferred income tax liabilities of RMB 1.96 billion (31 December 2015: RMB1.93 billion).

As at 30 June 2016, the Group's total equity increased by RMB132.7 million to RMB10.96 billion (31 December 2015: RMB10.83 billion), of which amount attributable to the shareholders of the Company amounted to RMB8.7 billion.

Analysis of major assets, liabilities and equity items

Items	(Unaudited)		Change %
	30 June 2016 RMB'000	31 December 2015 RMB'000	
Total assets	23,426,718	23,419,273	—
Approximately 90.0 % of which:			
Intangible operating rights	18,736,246	18,952,996	-1.1
Investments in a joint venture and associates	1,919,333	1,845,439	4.0
Cash and cash equivalents	1,083,402	866,665	25.0
Assets of disposal group classified as held for sale	587,044	599,192	-2.0
Total liabilities	12,464,878	12,590,180	-1.0

Items	(Unaudited)		Change %
	30 June 2016 RMB'000	31 December 2015 RMB'000	
Approximately 90.0 % of which:			
Bank borrowings - current portion	212,713	675,268	-68.5
long term			
portion	6,422,792	7,109,620	-9.7
Notes payable	1,462,582	1,403,973	4.2
Corporate bonds	994,990	—	100.0
Amount due to a non-controlling interest of a subsidiary	175,729	175,729	—
Loans from non-controlling interests of certain subsidiaries	106,282	107,227	-0.9
Deferred income tax liabilities	1,962,328	1,932,015	1.6
Liabilities of disposal group classified as held for sale	417,137	417,749	-0.1
Total equity	10,961,840	10,829,093	1.2
Of which: Attributable to the shareholders of the Company	8,697,805	8,571,746	1.5

Cash flows

It has been the primary objective of the Group to focus on preventing risk and managing liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Period, the Group's cash and cash equivalents amounted to approximately RMB1,083.4 million which was 25.0 percent higher than the level at 31 December 2015. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amount applied to securities investment.

Analysis of cash flow movement

	(Unaudited)	
	Six months ended	
	30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	853,660	530,264
Net cash generated from investing activities	65,505	143,524
Net cash (used in) / generated from financing activities	<u>(718,528)</u>	<u>371,580</u>
Increase in cash and cash equivalents	200,637	1,045,368
Cash and cash equivalents at 1 January	881,715	1,123,517
Effect of foreign exchange rate changes	<u>2,612</u>	<u>(5,993)</u>
	<u>1,084,964</u>	<u>2,162,892</u>
Analysis of cash and cash equivalents		
Cash and cash equivalents in the condensed consolidated balance sheet	1,083,402	2,162,892
Cash and cash equivalents of disposal group classified as held for sale	<u>1,562</u>	<u>—</u>
Cash and cash equivalents at 30 June	<u>1,084,964</u>	<u>2,162,892</u>

Net cash generated from operating activities during the Reporting Period amounted to RMB853.7 million (30 June 2015: RMB530.3 million) which was arrived from cash generated from operations of RMB977.2 million (30 June 2015: RMB647.4 million) less China enterprise income tax and withholding tax paid of RMB123.5 million (30 June 2015: RMB117.2 million).

Net cash generated from investing activities during the Reporting Period amounted to RMB65.5 million (30 June 2015: RMB143.5 million). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB86.8 million (30 June 2015: RMB137.7 million); proceeds from compensation arrangement of RMB10.2 million (30 June 2015: RMB8.7 million); interest received in aggregate of approximately RMB5.6 million (30 June 2015: RMB12.1 million); cash proceed of RMB10.0 million (30 June 2015: RMB25.3 million) originally placed to bank for fixed deposits with original maturity over 3 months; proceeds from disposal of fixed assets of RMB0.2

million (30 June 2015: nil) and no government grant were received in connection with construction of expressway during the Reporting Period (30 June 2015: RMB67.7 million). The outflow were mainly capital expenditures amounted to approximately RMB47.3 million (30 June 2015: RMB37.1 million); and no investment in financial assets during the Reporting Period (30 June 2015: RMB70.9 million).

Net cash used in financing activities during the Reporting Period amounted to RMB718.5 million (30 June 2015: cash generated of RMB371.6 million). The outflow mainly included repayment of bank borrowings amounted to RMB3.1 billion (30 June 2015: RMB1.05 billion); payment of finance costs and related fees of RMB219.5 million (30 June 2015: RMB121.9 million); repayments of loans from non-controlling interest of subsidiaries in the Reporting Period of RMB1.7 million (30 June 2015: RMB1.5 million); dividends paid to non-controlling interests of RMB110.4 million (30 June 2015: RMB9.0 million); dividends paid to the shareholders of the Company of RMB224.1 million (30 June 2015: RMB225.7 million). The inflow mainly included new bank borrowings amounted to approximately RMB1.96 billion (30 June 2015: RMB407.8 million); net proceeds from corporate bonds (Panda Bonds) amounted to RMB994.7 million (drawn on 22 March 2016).

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2016 was 1.3 times (31 December 2015: 0.9 times). The current assets balance as at 30 June 2016 was RMB1.93 billion (31 December 2015: RMB1.76 billion) and current liabilities balance was RMB1.43 billion (31 December 2015: RMB1.95 billion). Cash and cash equivalents were the major components of the Group's current assets with balance as at 30 June 2016 of RMB1,083.4 million (31 December 2015: RMB866.7 million). There were assets of disposal group classified as held for sale of RMB587.0 million (31 December 2015: RMB599.2 million) and no short term bank deposits as at 30 June 2016 (31 December 2015: RMB10.0 million) with original maturity over 3 months placed in PRC banks. Included in the Group's current liabilities as at 30 June 2016 were short term borrowings (i.e. maturities within one year) of approximately RMB212.7 million (31 December 2015: RMB675.3 million) which were all bank borrowings; amount due to a non-controlling interest of a subsidiary of RMB175.7 million (31 December 2015: RMB175.7 million) and there were also liabilities of disposal group classified as held for sale of RMB417.1 million (31 December 2015: RMB417.7 million). In view of the various capital expenditures committed and investments acquired which had utilized a significant portion of the Group's

cash and cash equivalents and increased the Group's bank borrowings level, management will take a prudent approach to effectively match the existing cash and cash equivalents and future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

Interest coverage

The interest coverage is measured as the ratio of earnings before interests, tax, depreciation and amortisation (“EBITDA”) to interest expenses (with cash flow effect). Interest coverage for the period ended 30 June 2016 was 5.3 times (31 December 2015: 5.8 times).

Capital expenditures and investments

During the Reporting Period, total capital expenditures amounted to RMB47.3 million (same period in 2015: RMB37.1 million). Capital expenditures related to intangible operating rights and fixed assets included: (a) payments of construction costs of toll highways and bridges upgrade services of RMB43.4 million (same period in 2015: RMB22.6 million) and (b) purchase of property, plant and equipment of RMB3.9 million (same period in 2015: RMB2.6 million). Apart from the aforementioned, no material capital expenditures were incurred during the Reporting Period. Going forward, 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	31 December
	2016	2015
	RMB'000	RMB'000
Bank borrowings	6,635,505	7,784,888
Notes payable	1,462,582	1,403,973
Corporate bonds	994,990	—
Loans from non-controlling interests of certain subsidiaries	106,282	107,227
Amount due to a joint venture	<u>57,050</u>	<u>57,050</u>
Total debt	9,256,409	9,353,138
Less: cash and cash equivalents	<u>(1,083,402)</u>	<u>(866,665)</u>
Net debt	<u>8,173,007</u>	<u>8,486,473</u>
Total Equity	10,961,840	10,829,093
Of which: Equity attributable to the shareholders of the Company	<u>8,697,805</u>	<u>8,571,746</u>
Total capitalization (Net debt + Total equity)	<u>19,134,847</u>	<u>19,315,566</u>
<i>Financial ratios</i>		
Gearing ratio (net debt/total capitalization)	42.7%	43.9%
Debt to Equity ratio (net debt/total equity)	74.6%	78.4%
Total liabilities/Total assets ratio	53.2%	53.8%

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 control the increase of overall finance costs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by and to take advantage of the cost differentials not only of these two markets but also of international markets; and on the other hand, strike a balance between the interest rate savings and exchange risk exposure. As at the end of the Reporting Period, the Group's total debt comprised of bank borrowings, notes payable, corporate bonds and loans from non-controlling interests of certain subsidiaries. Debt with foreign exchange risk exposure as at 30 June 2016 was approximately RMB1.46 billion (31 December 2015: approximately RMB3.8 billion.)

As at 30 June 2016, the Group's total external debt in aggregate was approximately RMB9.1 billion composed of bank borrowings amounted to RMB6.64 billion (31 December 2015: RMB7.8 billion), notes payables amounted to approximately RMB1.46 billion (31 December 2015: RMB1.4 billion) and corporate bonds of RMB995.0 million (drawn on 22 March 2016). Offshore and onshore debt ratio was 37.6 percent and 62.4 percent (31 December 2015: 41.8 percent and 58.2 percent). Secured external debt' ratio was 51.5 percent (31 December 2015: 57.5 percent). The effective interest rate of total external debt at 30 June 2016 was 4.14 percent (31 December 2015: 4.08 percent). There were RMB4.94 billion of the bank borrowings are at floating rates and RMB1.7 billion at fixed rates with the overall effective interest rate of 4.7 percent at 30 June 2016 (31 December 2015: 4.44 percent). Notes payable and corporate bonds (in two tranches) are at fixed rates with coupon rates of 1.625 percent, 2.85 percent and 3.38 percent respectively with overall effective interest rate at 2.64 percent (31 December 2015: 2.11 percent).

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

	(Unaudited)	
	30 June 2016	31 December 2015
	<i>Percentage of total</i>	<i>Percentage of total</i>
Source		
Onshore	62.4%	58.2%
Offshore	<u>37.6%</u>	<u>41.8%</u>
	<u>100.0%</u>	<u>100.0%</u>
Repayment term		
Within 1 year	2.3%	7.3%
1 to 2 year	20.5%	18.7%
More than 2 years and less than 5 years	49.2%	40.0%
Above 5 years	<u>28.0%</u>	<u>34.0%</u>
	<u>100.0%</u>	<u>100.0%</u>
Currency		
RMB	83.9%	58.2%
HKD	—	26.5%
EURO	<u>16.1%</u>	<u>15.3%</u>
	<u>100.0%</u>	<u>100.0%</u>
Interest rate		
Fixed	45.7%	15.3%
Floating	<u>54.3%</u>	<u>84.7%</u>
	<u>100.0%</u>	<u>100.0%</u>
Terms of credit		
Secured	51.5%	57.5%
Unsecured	<u>48.5%</u>	<u>42.5%</u>
	<u>100.0%</u>	<u>100.0%</u>

Loans from non-controlling interests of certain subsidiaries are unsecured, interest-free and long term. The carrying amounts of these loans approximate their fair values which are calculated based on cash flows discounted at a rate of 4.35 percent (31 December 2015: 4.35 percent) per annum.

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

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and functional currency in RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and certain external financings are denominated in RMB. As at the end of the Reporting Period, the Group has cash and cash equivalent of HK\$33.5 million (equivalent to approximately RMB28.7 million), EURO6.7 million (equivalent to approximately RMB49.8 million) and US\$0.1 million (equivalent to approximately RMB0.7 million); and has external debt of EURO198.3 million (net of debt discount and direct issuance costs) (equivalent to approximately RMB1.46 billion). Given the foreign currency risk exposure as at 30 June 2016, for every 1.0 percent exchange rate change against RMB (with all other variables held constant), the impact to the Group's profit and loss will be approximately RMB13.8 million. In view of the recent RMB currency fluctuation, the Group has restructured all its HK\$2.917 billion external debt during the Reporting Period. As the foreign exchange market is still volatile, the Group will continue to review and assess closely its currency risk and will adopt appropriate currency hedge measures when appropriate.

IV. Capital commitments and contingent liabilities

As at 30 June 2016, the Group had capital commitments related to intangible operating rights and property, plant and equipment of approximately RMB6.9 million being contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 30 June 2016. There were no significant contingent liabilities as at 30 June 2016.

V. Employees

As at 30 June 2016, the Group had approximately 1,735 employees of whom about 1,384 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.

VI. Events occurring after the balance sheet date

(a) Completion on disposal of equity interest of Wuzhou Company

On 1 August 2016, the Group completed the disposal of 51% equity interest in Wuzhou Company. The assets and liabilities of Wuzhou Company will be de-consolidated from the financial statements of the Group and the Group would not own any equity interest in Wuzhou Company upon completion of the disposal.

(b) Approval for the public issue of corporate bonds in the PRC

The Company received the Approval Document, Zheng Jian Xu Ke No. 2016 1530, from the China Securities Regulatory Commission on 8 July 2016 approving the application of the Company for a public issue of corporate bonds in an aggregated principal amount of up to RMB2,000,000,000 to qualified investors in the PRC.

FUTURE PROSPECTS

• Outlook of macro-economy and regulatory environment of the sector

According to the ‘Global Economic Prospects’ published by the World Bank Group in early June, the global economy remained weak since the beginning of the year, and is subject to significant downside risks. Although the economy is still in the process of recovery, the progress may not be as steady as expected. Based on the above assumptions, the expected growth rate of global economy in 2016 was adjusted downward to 2.4% from 2.9% at the beginning of the year by the World Bank Group.

Confronted with environment where difficulties are rising and challenges become rigorous both inside and outside the country, the central government managed to ensure the steady operation of China’s economy through a series of effective macro policies. As various reforms advanced significantly, new economies experienced rapid development and parts of traditional enterprises have progressed to a new stage of development via innovating new technologies and new business models.

Global economy is expected to remain weak and stay with increasing uncertainties in the foreseeable future. The economy of China will still be confronted with downside pressure. It is expected that the central government will uphold its stable policies for macro economy while striving for improvement. The central government will also innovate its guiding principles for the active avoidance and mitigation of certain types of risks so that economic

growth can be maintained. New technology and new models will also become popular and develop as a result of the reforms and an adjusted structure. It will lead to a renovation and improvement of traditional industries, and an encouragement for the continuous transformation and upgrading of the economy of China.

Economic growth tends to slow down in the stage of new normal. For transportation, the demand for freight will be particularly affected. However, the overall demand for highway transportation will still remain relatively stable. Meanwhile, the continuous growth in vehicle ownership, consumption by residents, as well as the rapid development of tourism, e-commerce, freight and logistics are the main driving force behind the continuous growth of highway traffic volume. Currently, the main regulators, including the Ministry of Transport, are still making amendments to the Regulations on the Administration of Toll Roads, and it remains uncertain when it will be finally put into practice. The Group will closely monitor the relevant progress.

- **Outlook of development strategies**

Infrastructure plays an important role in the progress of economic development. In order to achieve continuous improvement of national highway network and promote urbanizations which will boost economic development, both central and local governments have announced the corresponding plans of highway construction, which will bring potential investment opportunities. The Group will pay close attention to any investment opportunities within the sector, including the acquisition of projects in central and western parts of the country where the potential for economic growth remains high and those in provinces which can benefit from the transfer of labor-intensive processing industries from the eastern and coastal regions.

After the completion of the acquisition of Suiyuanan Expressway, the debt level of the Group has risen. From the perspective of prudent development, the next mission for the Group is to reduce our debts to maintain the stability of our financial position. Meanwhile, the management will place emphasis on maintaining the credit rating. The impact of the potential acquisition and business operation on the credit metrics will be fully considered. The management will also continuously review and put forward proposals which optimize our entire asset portfolio for improving the profitability of the Group and creating reasonable returns for shareholders.

For financing, after the success of public issuance of RMB 1 billion Panda Bonds which were listed in Shanghai Stock Exchange in late March this year, the Group again made a submission to the CSRC and gained its approval for a further issuance of Panda Bonds with RMB 2 billion limit. In view of the falling interest rates in Mainland China, the depreciation pressure on the RMB and the need to minimize exchange rate risks, the Group will monitor and evaluate its exposure to currency risk on an ongoing basis and will implement hedging strategy in due time. The Group will continue optimizing the debt structure and reducing overall costs of debts through RMB loans from domestic and offshore commercial banks and Panda Bonds.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2016, 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 and A.6.7.

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.

Code Provision A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors should attend general meetings of the Company. Mr Fung Ka Pun, the independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 19 May 2016 due to other business engagement.

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2016 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 2016. 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 Monday, 17 October 2016 to Wednesday, 19 October 2016, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 14 October 2016.

By Order of the Board
Yuexiu Transport Infrastructure Limited
ZHU Chunxiu
Chairman

Hong Kong, 17 August 2016

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

Executive Directors: *ZHU Chunxiu (Chairman), LIU Yongjie, HE Baiqing and QIAN Shangning*

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