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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)

2017 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 2017 (“Reporting Period”) as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

		(Unaudited)	
		Six months ended	
		30 June	
	Note	2017 RMB'000	2016 RMB'000
Revenue		1,200,125	1,217,850
Other toll operating income		—	16,038
Income from operations	5	1,200,125	1,233,888
Cost of services	6	(352,668)	(389,502)
Construction income under service concession upgrade services		21,735	43,383
Construction cost under service concession upgrade services		(21,735)	(43,383)
Other income, gains and losses - net	7	16,830	15,583
General and administrative expenses	6	(99,925)	(104,174)
Operating profit		764,362	755,795
Finance income	8	15,719	12,165
Finance costs	8	(249,827)	(288,941)
Share of result of a joint venture		25,985	18,069
Share of results of associates		167,845	142,608
Profit before income tax		724,084	639,696
Income tax expense	9	(192,717)	(173,032)
Profit for the period		<u>531,367</u>	<u>466,664</u>
Profit attributable to:			
Shareholders of the Company		380,070	349,619
Non-controlling interests		151,297	117,045
		<u>531,367</u>	<u>466,664</u>
Earnings per share for profit attributable to shareholders of the Company		<i>RMB</i>	<i>RMB</i>
Basic and diluted earnings per share	10	<u>0.2272</u>	<u>0.2090</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	531,367	466,664
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<u>(823)</u>	<u>505</u>
Total comprehensive income for the period	<u>530,544</u>	<u>467,169</u>
Total comprehensive income attributable to:		
Shareholders of the Company	379,247	350,124
Non-controlling interests	<u>151,297</u>	<u>117,045</u>
	<u>530,544</u>	<u>467,169</u>

**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017**

		(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights		18,234,892	18,485,580
Goodwill		632,619	632,619
Property, plant and equipment		87,500	86,255
Investment properties		35,808	35,271
Investment in a joint venture		429,801	428,570
Investments in associates		1,497,382	1,495,331
Available-for-sale financial assets		812	812
Derivative financial instruments		—	26,597
Other non-current receivables	12	<u>73,851</u>	<u>82,003</u>
Total non-current assets		<u>20,992,665</u>	<u>21,273,038</u>
Current assets			
Trade receivables	13	68,626	71,611
Other receivables, deposits and prepayments		51,422	105,478
Amount due from a non-controlling interest of a subsidiary		74,493	72,507
Derivative financial instruments		56,253	—
Cash and cash equivalents		<u>1,130,318</u>	<u>1,045,922</u>
Total current assets		<u>1,381,112</u>	<u>1,295,518</u>
Total assets		<u>22,373,777</u>	<u>22,568,556</u>

	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	147,322	147,322
Reserves	<u>9,017,489</u>	<u>8,934,636</u>
	9,164,811	9,081,958
Non-controlling interests	<u>2,250,735</u>	<u>2,222,344</u>
Total equity	<u>11,415,546</u>	<u>11,304,302</u>
LIABILITIES		
Non-current liabilities		
Borrowings	4,641,659	4,808,348
Deferred income	77,275	79,105
Deferred income tax liabilities	1,994,543	1,975,343
Notes payable	—	1,452,359
Corporate bonds	<u>1,992,103</u>	<u>1,990,978</u>
Total non-current liabilities	<u>8,705,580</u>	<u>10,306,133</u>
Current liabilities		
Borrowings	151,232	235,193
Notes payable	1,543,854	—
Amount due to a non-controlling interest of a subsidiary	1,611	—
Amounts due to holding companies	164	837
Amount due to a joint venture	92,050	92,050
Trade and other payables and accrued charges	14 384,497	562,212
Deferred income	3,660	3,660
Current income tax liabilities	<u>75,583</u>	<u>64,169</u>
Total current liabilities	<u>2,252,651</u>	<u>958,121</u>
Total liabilities	<u>10,958,231</u>	<u>11,264,254</u>
Total equity and liabilities	<u>22,373,777</u>	<u>22,568,556</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 June 2017, the Group recorded net current liabilities of RMB871,539,000, mainly arising from notes payable of EUR199,217,000 (net of debt discount and direct issuance cost) (equivalent to RMB1,543,854,000) in the current liabilities. Taking into accounts the forecast cash flows and the banking facilities available to the Group, the directors of the Company considered that the Group will be able to meet its liabilities as they fall due in the next twelve months. Accordingly, this interim condensed consolidated financial information has been prepared on a going concern basis.

2. Accounting policies

The accounting policies applied are consistent with those of the Group’s annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year beginning 1 January 2017.

The following amendments to HKFRSs effective for the financial year beginning 1 January 2017 do not have a material impact on the Group.

HKAS 7 (amendments)	Income taxes
HKAS 12 (amendments)	Statement of cash flows
HKFRS 12 (amendment)	Disclosure of interest in other entities

The following new standards, amendments to standards and interpretation relevant to the Group's operations have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 28 (amendment)	Investments in associates and joint ventures	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	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 these new standards, amendments to standards and interpretation in the period of initial application. So far the Group has identified some aspects of the new standards which may have impact on the Group.

As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

3. Significant accounting estimates and assumptions

The preparation of interim condensed consolidated 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 interim condensed consolidated 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 2016.

4. Segment information

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

The following tables presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2017 and 2016 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 2017			
Revenue (from external customers)	1,200,125	—	1,200,125
Amortisation of intangible operating rights	(262,639)	—	(262,639)
Depreciation of property, plant and equipment	<u>(6,299)</u>	<u>(395)</u>	<u>(6,694)</u>
Operating profit	762,894	1,468	764,362
Finance income	15,719	—	15,719
Finance costs	(249,827)	—	(249,827)
Share of result of a joint venture	25,985	—	25,985
Share of results of associates	<u>167,845</u>	<u>—</u>	<u>167,845</u>
Profit before income tax	722,616	1,468	724,084
Income tax expense	<u>(192,717)</u>	<u>—</u>	<u>(192,717)</u>
Profit for the period	<u>529,899</u>	<u>1,468</u>	<u>531,367</u>
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>

Business segment	Toll roads operations <i>RMB'000</i>	Port and all other segments <i>RMB'000</i>	Total <i>RMB'000</i>
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>

The following tables presents assets and liabilities information regarding the Group's operating segments as at 30 June 2017 and 31 December 2016 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 2017 and for the six months ended 30 June 2017			
Total segment assets	22,341,401	32,376	22,373,777
Addition to non-current assets	24,517	—	24,517
Total segment assets include:			
Investment in a joint venture	429,801	—	429,801
Investments in associates	1,495,132	2,250	1,497,382
Total segment liabilities	(10,923,774)	(34,457)	(10,958,231)
Total segment liabilities include:			
Amount due to a joint venture	<u>(92,050)</u>	<u>—</u>	<u>(92,050)</u>

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 31 December 2016 and for the year ended 31 December 2016			
Total segment assets	22,540,943	27,613	22,568,556
Addition to non-current assets	48,873	624	49,497
Total segment assets include:			
Investment in a joint venture	428,570	—	428,570
Investments in associates	1,495,331	—	1,495,331
Total segment liabilities	(11,228,916)	(35,338)	(11,264,254)
Total segment liabilities include:			
Amount due to a joint venture	<u>(92,050)</u>	<u>—</u>	<u>(92,050)</u>

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

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

5. Income from operations

	Six months ended	
	30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,200,125	1,217,850
Other toll operating income	<u>—</u>	<u>16,038</u>
	<u>1,200,125</u>	<u>1,233,888</u>

Note:

Other toll operating income primarily represented 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	
	2017	2016
	RMB'000	RMB'000
Taxes and surcharges (note a)	4,794	29,366
Amortisation of intangible operating rights	262,639	254,954
Depreciation of property, plant and equipment	6,694	8,805
Toll highways and bridges maintenance expenses	17,564	20,437
Toll highways and bridges operating expenses	18,168	28,926
Staff costs (including directors' emoluments)		
- Wages and salaries	81,571	90,505
- Pension costs (defined contribution plan)	7,605	8,070
- Social security costs	6,002	5,797
- Staff welfare and other benefits	18,744	20,329
Auditor's remuneration	1,545	1,254
Rental expenses	6,174	6,447
Legal and professional fee	<u>5,404</u>	<u>2,457</u>

Note:

- (a) Pursuant to the "Circular of the Ministry of Finance and the State Administration of Taxation 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徵增值稅試點的通知)", effective from 1 May 2016, the operating entities in China are required to pay value added taxes instead of business taxes.

7. Other income, gains and losses — net

	Six months ended	
	30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value gain/(loss) on investment properties	1,181	(256)
Exchange gain/(loss) — net	2,789	(871)
Loss on disposal of property, plant and equipment	(2,354)	(87)
Compensation for expressways and bridges damages	5,331	2,615
Handling income from toll fee collection	523	4,652
Management service income	781	2,087
Income from service areas and gas stations	5,801	7,286
Others	2,778	157
	<u>16,830</u>	<u>15,583</u>

8. Finance income/costs

	Six months ended	
	30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	8,265	5,634
Interest income on other non-current receivables	3,015	3,385
Interest income on amount due from a non-controlling interest of a subsidiary	1,460	3,146
Fair value gain on derivative financial instruments	2,979	—
Finance income	<u>15,719</u>	<u>12,165</u>
Interest expenses:		
- Bank borrowings	(112,119)	(184,763)
- Bank facility fees	(1,559)	(6,399)
- Loans from non-controlling interests of certain subsidiaries	(50)	(41)
- Loan from an ultimate holding company	—	(7,824)
- Other loan of disposal group classified as held for sale	—	(399)
- Notes payable	(15,280)	(14,848)
- Corporate bonds	(32,654)	(9,270)
Exchange loss on bank borrowings	—	(9,971)
Exchange loss on notes payable	(88,165)	(55,426)
Finance costs	<u>(249,827)</u>	<u>(288,941)</u>

9. Income tax expense

- (a) No provision for Hong Kong profits tax has been made in the interim condensed consolidated financial information as the Group had no assessable income subject to Hong Kong profits tax during the period (30 June 2016: Nil).
- (b) During the six months ended 30 June 2017, 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 2017 is 25% (30 June 2016: 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 certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (30 June 2016: 5% or 10%).

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

	Six months ended	
	30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax	173,517	142,719
Deferred income tax	<u>19,200</u>	<u>30,313</u>
	<u><u>192,717</u></u>	<u><u>173,032</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	
	2017	2016
Profit attributable to shareholders of the Company (RMB'000)	<u>380,070</u>	<u>349,619</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>0.2272</u>	<u>0.2090</u>

The diluted earnings per share for the six months ended 30 June 2017 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the period (30 June 2016: same).

11. Interim dividends

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, proposed, of HK\$0.13 equivalent to approximately RMB0.11 (30 June 2016: HK\$0.13 equivalent to approximately RMB0.11) per share	<u>186,823</u>	<u>186,241</u>

A dividend of RMB296,394,000 that relates to the period to 31 December 2016 was paid on 28 June 2017 (30 June 2016: RMB224,065,000 that relates to the period to 31 December 2015 was paid on 28 June 2016).

On 10 August 2017, the board of directors has resolved to declare an interim dividend of HK\$0.13 per share (30 June 2016: HK\$0.13). This interim dividend, amounting to RMB186,823,000 (30 June 2016: RMB186,241,000), 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 2017.

12. Other non-current receivables

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

As at 30 June 2017, the total remaining balance of the consideration receivable is RMB96.6 million (31 December 2016: RMB103.9 million) which will be settled by 9 half yearly installments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB73.9 million (31 December 2016: RMB82.0 million) will be received after 30 June 2018 (31 December 2016: 31 December 2017) according to the repayment schedule.

The fair value of the consideration receivable of approximately RMB102.1 million (31 December 2016: RMB110.5 million) is estimated by discounting remaining balance of RMB114.5 million (31 December 2016: RMB125.4 million) at the applicable current interest rate of 4.73% (31 December 2016: 4.73%) and is categorised as level 2 under the fair value hierarchy.

13. Trade receivables

As at 30 June 2017, trade receivables were aged below 30 days (31 December 2016: 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.

14. Trade and other payables and accrued charges

	As at	
	30 June 2017	31 December 2016
	RMB'000	RMB'000
Trade payables	52,690	56,457
Other payables and accrued charges	<u>331,807</u>	<u>505,755</u>
	<u>384,497</u>	<u>562,212</u>

The ageing analysis of trade payables is as follows:

0 - 30 days	15,718	20,044
Over 90 days	<u>36,972</u>	<u>36,413</u>
	<u>52,690</u>	<u>56,457</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage	Width (Lanes)	Toll Station(s)	Road Type	Attributable Interest (%)	Remaining Operating Term (years)
Subsidiaries						
GNSR Expressway	42.5	6	5	Expressway	60.00	15
Cangyu Expressway	23.3	4	1	Expressway	100.00	13
Jinbao Expressway	23.9	4	3	Expressway	60.00 ⁽¹⁾	13
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	19
Changzhu Expressway	46.5	4	5	Expressway	100.00	23
Weixu Expressway	64.3	6	2	Expressway	100.00	18
Suiyuenan Expressway	98.1	4	4	Expressway	70.00	23
Associates and Joint Venture						
GWSR Expressway	42.1	6	4	Expressway	35.00	13
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽²⁾	12
Northern Ring Road	22.0	6	8	Expressway	24.30	6
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	11
Qinglian Expressway	215.2	4	16	Expressway	23.63	17

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

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

**Toll Summary of Toll Roads and Bridges
For the six months ended 30 June 2017**

	Average daily toll traffic volume		Average daily toll revenue	
	First half of 2017 (vehicles/day)	Y-O-Y Change %	First half of 2017 (RMB/day)	Y-O-Y Change %
Subsidiaries				
GNSR Expressway	215,588	17.4%	3,076,298	12.9%
Cangyu Expressway	12,943	14.3%	230,912	1.9%
Jinbao Expressway	24,080	-11.3%	240,105	-14.5%
Han-Xiao Expressway	26,712	15.2%	456,399	8.0%
Changzhu Expressway	20,513	5.4%	570,572	-8.1%
Weixu Expressway	22,285	38.1%	836,610	15.1%
Suiyuenan Expressway	19,499	17.9%	1,219,631	16.8%
Associates and Joint Venture				
GWSR Expressway	64,612	19.1%	1,132,569	12.2%
Humen Bridge	115,022	11.4%	4,240,714	7.5%
Northern Ring Road	316,906	8.5%	2,057,311	4.2%
Shantou Bay Bridge	25,426	14.1%	658,542	-1.4%
Qinglian Expressway	41,371	13.9%	2,055,810	8.9%

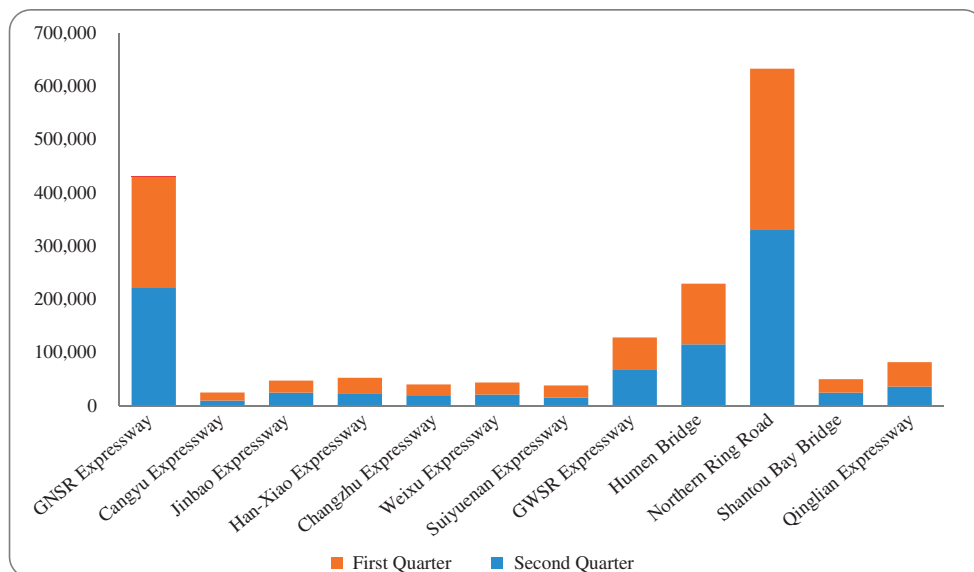
Note: Changes of average daily toll traffic volume and toll revenue will be explained in details in the section of “Performance of Expressways and Bridges” on page 22.

Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for the period from January to June 2017

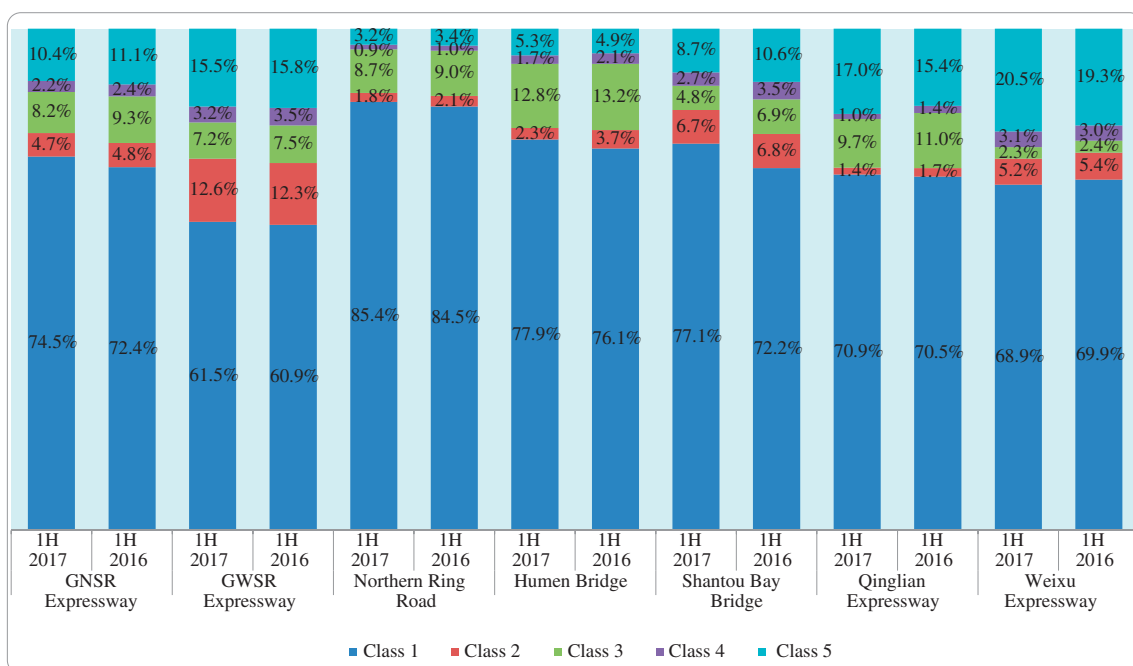
	Average daily toll traffic volume for the first quarter (vehicles/day)	Average daily toll traffic volume for the second quarter (vehicles /day)
Subsidiaries		
GNSR Expressway	209,254	221,852
Cangyu Expressway	15,176	10,734
Jinbao Expressway	22,594	25,550
Han-Xiao Expressway	29,145	24,306
Changzhu Expressway	20,159	20,862
Weixu Expressway	22,649	21,925
Suiyuanan Expressway	23,176	15,863
Associates and Joint Venture		
GWSR Expressway	60,985	68,199
Humen Bridge	113,930	116,102
Northern Ring Road	302,824	330,834
Shantou Bay Bridge	25,225	25,625
Qinglian Expressway	45,886	36,905

Analysis of average daily toll traffic volume for the first and second quarters of 2017 Vehicle Type Analysis (based on statistics of traffic volume)

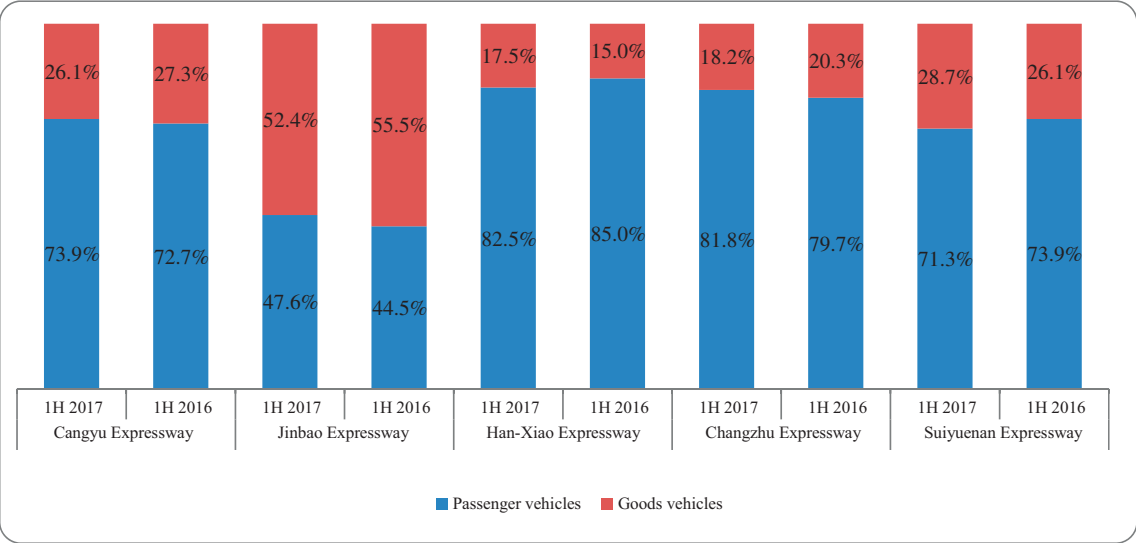


During the Reporting Period, the Group's operating projects were primarily distributed in six provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Henan and Tianjin. According to the vehicle type classification, which was based on the location where the Group invested in and operated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

Vehicle type analysis on projects operated in Guangdong Province and Henan Province for 1H 2017 (based on statistics of traffic volume)



Vehicle type analysis on projects operated in other regions for the first half of 2017 (based on statistics of traffic volume)



SUMMARY OF OPERATING PERFORMANCE

Macroeconomic environment

During the Reporting Period, improvement of world economy remained on track. Advanced economies such as the US, the Eurozone and Japan generally picked up the paces. China and India led the growth among emerging economies. However, the global recovery stayed uneven without the appearance of strong structural growth, and various risks and uncertainties are still hanging over the global economy. According to the report of ‘World Economic Outlook’ in April by International Monetary Fund (IMF), projected growth of world economy in 2017 was revised up by 0.1 percentage points to 3.5%. On the whole, the global politics and economy showed good momentum in the first half of the year.

Given the global economic landscape in which deep adjustment took place and various uncertainties remained, China’s economy recorded a steady growth. As indicated by released information from the National Bureau of Statistics, GDP for the first half of 2017 amounted to RMB 38.15 trillion, representing a year-on-year growth of 6.9%. Such a growth rate was above that of major economies in the world, indicating an increasingly obvious trend of positive improvement with stability.

During the Reporting Period, the scale of investment in transportation fixed assets maintained a rapid growth. Investment in highway construction amounting to RMB897.6 billion was completed, a year-on-year increase of 28.9%. Highway passengers and cargo turnover decreased by 3.7% and increased by 9.4% year-on-year, respectively.

The projects invested and operated by the Group are distributed over Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The total output value of these regions for the first half of 2017 increased by 7.8%, 6.9%, 7.2%, 7.6%, 7.8% and 8.2%, respectively, all are equal to or higher than the national average for the same period.

(RMB100 million)

	National	Guangdong Province	Tianjin Municipality	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
GDP for the first half of 2017	381,490	41,958	9,387	8,180	15,276	15,871	20,308
GDP Growth for the first half of 2017	6.9%	7.8%	6.9%	7.2%	7.6%	7.8%	8.2%
GDP Growth for the first half of 2016	6.7%	7.4%	9.2%	7.2%	7.6%	8.2%	8.0%

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

Regulatory Environment of the Sector

During the Reporting Period, the economic operation of transportation continued the positive trend of development. The freight volume fixed assets investments of transportation maintained rapid growth. The Ministry of Transport stated that it will still adhere to and rely on the toll road policy and further refine toll road scope, term, standards and reduction, etc. in the future. Meanwhile, the franchised operation system will be consistently implemented for operating highways to comprehensively safeguard the legitimate interests of highway users and investors.

During the Reporting Period, the National Development and Reform Commission (“NDRC”) issued the “Opinions regarding Further Promoting Logistics Cost Reduction and Efficiency Enhancement to Promote the Development of the Real Economy (Open Consultation Paper)” (《關於進一步推進物流降本增效促進實體經濟發展的意見 (公開徵求意見稿)》) to promote logistics cost reduction and efficiency enhancement in reinforcing logistics comprehensive service capability and other aspects. Some expressways will be selected for implementing the pilot program of differentiated toll collection at different times. It is expressly stated that provincial people’s governments may offer toll discounts to freight vehicles using ETC non-cash payment cards and meeting the relevant requirements based on the actual situation in the local region. Specifically, Henan Province has planned to fix the implementation date of the pilot program, while other provinces are still under the process of open consultation. The Group will closely pay attention to the relevant development.

During the Reporting Period, toll discounts trial policy of toll roads was successively introduced in Guangdong Province and Hubei Province. The concessionary toll reduction policy was implemented on freight vehicles that using ETC non-cash payment cards and meeting the policy requirements. Specifically, some highways of Guangdong Province intended to grant 15% toll discount on trucks that loading legally and enjoying Unitoll service, while the highways of the Group have not yet brought into trial coverage; toll discount on trucks that using prepaid cards in Hubei Province granted has increased from 10% to 15% in May. The collected data in the Reporting Period indicated that relevant concessionary toll reduction policy didn't impose actual material impact on the highways of the Group.

During the Reporting Period, the new “Green Passage Toll Free Policy” was enforced on the expressways and bridges of the Group in compliance with the relevant national requirements. The enforcement of this policy led to a decrease in the toll income of the Group by approximately RMB117.05 million (the first half of 2016: approximately RMB120.80 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 initially calculated, the implementation of this policy led to a decrease in the toll income of the Group by approximately RMB49.97 million ⁽²⁾ (the first half of 2016: approximately RMB50.94 million ^{(1) (2)}).

Notes:

- (1) Xian Expressway has been included in the figures for the first half of 2016.
- (2) The estimation result is based on the simulated calculation based on data available to subsidiaries and historical data for reference purpose.

Business Improvements and Innovations

During the Reporting Period, the Group continued to enhance the professional level of operation and management, deepened the standardization of operational safety, promoted the upgrading of the truck weighting equipment and the expansion of part of the toll stations, and explored the diversified charging methods such as unattended by relying on the Internet technology to further enhance traffic mobility and service standard. The Group actively promoted the practical application of new materials, new processes and new technologies in maintenance works and facilitated the research on whole-life cost control maintenance model innovation.

Progress of Investment

During the Reporting Period, the Group maintained its strategic focus and actively sought opportunities to acquire large and medium-sized high-quality expressway projects in the central and western regions by keeping a foothold in Guangdong so as to expand and strengthen its principal operations.

Performance of Expressways and Bridges

Subsidiaries

GNSR Expressway

During the Reporting Period, the average daily toll traffic volume was 215,588 vehicles and the average daily toll revenue was RMB3,076,000, representing an increase of 17.4% and 12.9% respectively, when compared with the first half of 2016.

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

Cangyu Expressway

During the Reporting Period, the average daily toll traffic volume was 12,943 vehicles and the average daily toll revenue was RMB231,000, representing an increase of 14.3% and 1.9%, respectively, when compared with the first half of 2016.

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

Jinbao Expressway

During the Reporting Period, the average daily toll traffic volume was 24,080 vehicles and the average daily toll revenue was RMB240,000, representing a decrease of 11.3% and 14.5% respectively, when compared with the first half of 2016.

Because of a reduction in freight traffic flow as a result of the further enhancement of the efforts in cutting excessive industrial capacity, structural adjustment and environmental management in Beijing, Tianjin and Hebei, both average daily toll traffic volume and toll revenue declined year-on-year.

Han-Xiao Expressway

During the Reporting Period, the average daily toll traffic volume was 26,712 vehicles and the average daily toll revenue was RMB456,000, representing an increase of 15.2% and 8.0% respectively, when compared with the first half of 2016.

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

Changzhu Expressway

During the Reporting Period, the average daily toll traffic volume was 20,513 vehicles and the average daily toll revenue was RMB571,000, representing an increase of 5.4% and a decrease of 8.1% respectively, when compared with the first half of 2016.

Benefiting from the growth of local economy and car ownership, the average daily toll traffic volumes kept growing. However, average daily toll revenue recorded a year-on-year decline due to: 1) traffic volume mainly consisted of goods vehicles were diverted to Changzhu Expressway creating a relatively high record income base as a result of construction carried on neighbouring road from January to February 2016; 2) After the construction was completed, the overall daily toll traffic volume still grew despite the decline of good vehicles which was offset by the rapid growth of passenger vehicles; 3) The toll charged on goods vehicles were higher than passenger vehicles. In view of the above factors, toll income recorded a year-on-year decline.

Weixu Expressway

During the Reporting Period, the average daily toll traffic volume was 22,285 vehicles and the average daily toll revenue was RMB837,000, representing an increase of 38.1% and 15.1%, respectively, when compared with the first half of 2016.

Benefiting from an increase in the freight demand brought by the growth of car ownership volume and the improving regional economy, which resulted in an increase in the truck traffic flow, both average daily toll traffic volume and toll revenue increased year-on-year.

Suiyuanan Expressway

During the Reporting Period, the average daily toll traffic volume was 19,499 vehicles and the average daily toll revenue was RMB1,220,000, representing an increase of 17.9% and 16.8%, respectively, when compared with the first half of 2016.

Because of the relatively low base due to trucks partially diverted to local roads as a result of the increased efforts in the control of expressways by the local transportation administration authorities, both the daily toll traffic volume and toll income achieved a year-on-year increase.

Associates and Joint Venture

GWSR Expressway

During the Reporting Period, the average daily toll traffic volume was 64,612 vehicles and the average daily toll revenue was RMB1,133,000, representing an increase of 19.1% and 12.2%, respectively, when compared with the first half of 2016.

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

Humen Bridge

During the Reporting Period, the average daily toll traffic volume was 115,022 vehicles and the average daily toll revenue was RMB4,241,000, representing an increase of 11.4% and 7.5%, respectively, when compared with the first half of 2016.

Benefiting from the regional economy and the growth of car ownership volume as well as the implementation of the policy of suspension at Humen Ferry between 22:30 each day and 6:30 am on the following day effective 13 February 2017, which resulted in vehicles partially diverted to Humen Bridge, the average daily toll traffic volume and average daily toll revenue maintained a growth trend year-on-year.

Northern Ring Road

During the Reporting Period, the average daily toll traffic volume was 316,906 vehicles and the average daily toll revenue was RMB2,057,000, representing an increase of 8.5% and 4.2%, respectively, when compared with the first half of 2016.

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

Shantou Bay Bridge

During the Reporting Period, the average daily toll traffic volume was 25,426 vehicles and the average daily toll revenue was RMB659,000, representing an increase of 14.1% and a decrease of 1.4% respectively, when compared with the first half of 2016. This is mainly due to: 1) Given the growth of local car ownership and toll collection was restored on Queshi bridge since January 2017, a number of passenger vehicles were diverted to Shantou Bay Bridge, volume of passenger vehicles increased as a result; 2) Since Chaohui Expressway commenced operation on 28 December 2016, diversion impact on Shantou Bay Bridge's goods vehicles was larger than passenger vehicles, resulting in a decline of goods vehicles volume; 3) The toll charged on goods vehicles were higher than passenger vehicles. In view of the above factors, toll income basically remained static.

Qinglian Expressway

During the Reporting Period, the average daily toll traffic volume was 41,371 vehicles and the average daily toll revenue was RMB2,056,000, representing an increase of 13.9% and 8.9%, respectively, when compared with the first half of 2016.

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

FINANCIAL REVIEW

Key operating results figures

	Six months ended 30 June		Change %
	2017 RMB'000	2016 RMB'000	
Income from operations	1,200,125	1,233,888	-2.7
Income from operations, net of tax ¹	1,195,331	1,204,522	-0.8
Gross profit	847,457	844,386	0.4
Operating profit	764,362	755,795	1.1
Earnings before interests, tax, depreciation and amortization ("EBITDA") ²	1,234,174	1,190,225	3.7
Finance costs	(249,827)	(288,941)	-13.5
Share of result of a joint venture	25,985	18,069	43.8
Share of results of associates	167,845	142,608	17.7
Profit attributable to shareholders of the Company	380,070	349,619	8.7
Basic and diluted earnings per share	RMB0.2272	RMB0.2090	8.7
Interim dividend	186,823	186,241	

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徵增值稅試點的通知)", 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 decreased by 0.8 percent to RMB1,195.3 million while profit attributable to shareholders of the Company increased by 8.7 percent to RMB380.1 million in the Reporting Period. The Directors resolved to declare an interim dividend for 2017 of HK\$0.13 which is equivalent to approximately RMB0.1116586 (2016: HK\$0.13 which was equivalent to approximately RMB0.1113109) per share, represented an interim dividend payout ratio of 49.2 percent (2016: 53.3 percent).

The slight decrease in income from operations, net of tax in the Reporting Period was mainly due to the expiry of concession in Xian Expressway on 30 September 2016. Excluding the effect from Xian Expressway, the income from operations, net of tax in the Reporting Period increased RMB115.4 million or 10.7 percent as compared with same period in 2016. The increase was mainly due to revenue increment of GNSR Expressway, Suiyuanan Expressway, Weixu Expressway and Han-Xiao Expressway in the toll operation side. Income from operations, net of tax of GNSR Expressway grew 14.5 percent or RMB70.3 million due to the growth of regional economy and the increase in car ownership. Income from operations, net of tax of Suiyuanan Expressway grew 18.7 percent or RMB34.7 million mainly because of the relatively low base due to trucks partially diverted to local roads as a result of the increased efforts in the control of expressways by the local transportation administration authorities. Income from operations, net of tax of Weixu Expressway increased 16.8 percent or RMB21.7 million mainly due to the increasing demand benefited from the booming regional economy. Han-Xiao Expressway's income from operations, net of tax grew 9.6 percent or RMB7.2 million benefiting from the growth of regional economy and the increase in car ownership. Income from operations, net of tax of Changzhu Expressway decreased 6.9 percent or RMB7.6 million in the Reporting Period due to the higher revenue for first half in 2016 because some vehicles were diverted to Changzhu Expressway when surrounding roads were under construction from January to February 2016. A decrease in the traffic volume of trucks resulted from further enhanced efforts in de-capacity, structural adjustment and environmental control in Beijing-Tianjin-Hebei region, income from operations, net of tax of Jinbao Expressway decreased by 13.5 percent or RMB6.7 million. Being benefited from the regional economy and the growth of car ownership, Cangyu Expressway's income from operations, net of tax resumed to a growth of 3.5 percent or RMB1.4 million.

Income from operations, net of tax of non-controlled toll projects in aggregate grew 8.6 percent in the Reporting Period. Humen Bridge, Northern Ring Road and GWSR Expressway grew 9.0 percent, 5.7 percent and 13.8 percent respectively. Qinglian Expressway increased by 10.7 percent as a result of regional economy growth and increase in car ownership volume. Income from operations, net of tax of Shantou Bay Bridge basically stayed static in the Reporting Period.

In the profit attributable to shareholders of the Company (after elimination of inter-company loan interests), controlled projects contributed RMB406.0 million in the Reporting Period with a 0.2 percent increase as compared with same period in 2016. Among the controlled projects, contribution from toll operation in aggregate decreased 1.4 percent to RMB406.0 million while there are no profit contribution from port operation for the Reporting Period. GNSR Expressway with its strong toll revenue growth which led to its net profit increased by 18.4 percent to RMB193.8 million. Weixu Expressway has contributed net profit of RMB65.4 million in the Reporting Period which was 34.7 percent higher than same period in 2016. Suiyuan Expressway's net profit in the Reporting Period increased by 144.1 percent to RMB53.2 million. Changzhu Expressway's net profit decreased 10.3 percent to RMB36.5 million in the Reporting Period. Han-Xiao Expressway's net profit in the Reporting Period increased by 11.3 percent to RMB36.1 million. Cangyu Expressway's net profit increased by 7.3 percent to RMB21.7 million. Jinbao Expressway recorded net profit decreased of 36.2 percent to RMB6.1 million. Xian Expressway recorded a loss of RMB6.7 million mainly related to expense incurred during winding up process. The non-controlled toll projects in aggregate contributed RMB193.8 million of net profit to the Group with an increase of 20.6 percent. Humen Bridge grew 10.4 percent to RMB91.7 million. Northern Ring Road grew 8.0 percent to RMB44.0 million. Shantou Bay Bridge grew 23.0 percent to RMB19.6 million. Qinglian Expressway grew 340.6 percent to RMB12.5 million. GWSR Expressway recorded 43.8 percent increase to RMB26.0 million.

At the corporate level, apart from the impact of net exchange loss on notes payable, there were no material corporate level transactions which had 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 RMB1,195.3 million in the Reporting Period, a slight decrease of 0.8 percent as compared with same period in 2016. Income from toll operation, net of tax decreased 0.3 percent to RMB1,195.3 million in the Reporting Period. Port operation was disposed on 1 August 2016. The income from Port operation in first half of 2016 amounted to RMB5.5 million.

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

Controlled Projects	Reporting Period	Percentage of total	First half of 2016	Percentage of total	Change
	RMB'000	%	RMB'000	%	%
GNSR Expressway	554,730	46.4	484,476	40.2	14.5
Suiyuanan Expressway	219,929	18.4	185,213	15.4	18.7
Weixu Expressway	150,974	12.6	129,241	10.7	16.8
Changzhu Expressway	102,627	8.6	110,272	9.2	-6.9
Han-Xiao Expressway	82,223	6.9	75,013	6.2	9.6
Jinbao Expressway	43,170	3.6	49,906	4.1	-13.5
Cangyu Expressway	41,678	3.5	40,261	3.4	3.5
Xian Expressway	<u>—</u>	<u>—</u>	<u>124,591</u>	<u>10.3</u>	N/A
Total from toll operation	1,195,331	100.0	1,198,973	99.5	-0.3
Port Operation	<u>—</u>	<u>—</u>	<u>5,549</u>	<u>0.5</u>	N/A
Total income from operations	<u>1,195,331</u>	<u>100.0</u>	<u>1,204,522</u>	<u>100.0</u>	-0.8

GNSR Expressway accounted for 46.4 percent (same period in 2016: 40.2 percent) of the income from operations, net of tax of the Group's controlled projects in the Reporting Period. Benefiting from the growth of regional economy and increase in car ownership volume, GNSR Expressway increased by 14.5 percent to RMB554.7 million in the Reporting Period.

Suiyuanan Expressway, ranked second in terms of income from operations, net of tax accounted for approximately 18.4 percent (same period in 2016: 15.4 percent) among controlled projects. Toll revenue of Suiyuanan Expressway grew by 18.7 percent to RMB219.9 million mainly because of the relatively low base due to trucks partially diverted to local roads as a result of the increased efforts in the control of expressways by the local transportation administration authorities.

Weixu Expressway, ranked third in terms of income from operations, net of tax accounted for approximately 12.6 percent (same period in 2016: 10.7 percent) among controlled projects. Benefiting from the growth in cargo demand resulting from the booming regional economy, the toll traffic volume recorded an increase in the Reporting Period. Toll revenue of Weixu Expressway grew by 16.8 percent to RMB151.0 million in the Reporting Period.

Changzhu Expressway, ranked fourth in terms of income from operations, net of tax accounted for approximately 8.6 percent (same period in 2016: 9.2 percent) among controlled projects. Changzhu Expressway dropped 6.9 percent to RMB102.6 million in the Reporting Period mainly due to (1) the higher revenue for first half in 2016 because some vehicles were diverted to Changzhu Expressway when surrounding roads were under construction from January to February 2016; (2) after the construction was completed, the overall daily toll traffic volume still grew despite the decline of goods vehicles which was offset by the rapid growth of passenger vehicles; (3) the toll charged on goods vehicles were higher than passenger vehicles. In view of the above factors, toll revenue recorded a year-on-year decline.

Han-Xiao Expressway, ranked fifth in terms of income from operations, net of tax accounted for approximately 6.9 percent (same period in 2016: 6.2 percent) among controlled projects. Benefiting from the growth of regional economy and the increase in car ownership, Han-Xiao Expressway grew 9.6 percent to RMB82.2 million.

Jinbao Expressway, ranked sixth in terms of income from operations, net of tax accounted for approximately 3.6 percent (same period in 2016: 4.1 percent) among controlled projects. Jinbao Expressway decreased 13.5 percent to RMB43.2 million in the Reporting Period mainly due to further enhanced efforts in de-capacity, structural adjustment and environmental control in Beijing-Tianjin-Hebei region, which resulted in a decrease in the traffic volume of trucks.

Cangyu Expressway, ranked seventh in terms of income from operations, net of tax accounted for approximately 3.5 percent (same period in 2016: 3.4 percent) among controlled projects. Being benefited from the regional economy and the growth of car ownership, Cangyu Expressway grew 3.5 percent to RMB41.7 million in the Reporting Period.

There was no revenue generated from Xian Expressway for the Reporting Period as the concession was expired on 30 September 2016. The income from operations, net of tax was RMB124.6 million for the same period in 2016.

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 RMB347.9 million (same period in 2016: RMB360.1 million), a decrease of RMB12.3 million or 3.4 percent as compared with same period in 2016. Cost ratio (cost of services exclude VAT and business tax/income from operations net of tax) was 29.1 percent in the Reporting Period being 0.8 percentage point lower than same period in 2016, of which cost ratio of toll operation in the Reporting Period was 29.1 percent being 0.5 percentage point lower than same period in 2016. An analysis of cost of services showed that the toll highways and bridges operating expenses decreased by RMB10.8 million due to the expiry of the concession in Xian Expressway.

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

Controlled Projects	Reporting Period <i>RMB'000</i>	Percentage of total <i>%</i>	First half of 2016 <i>RMB'000</i>	Percentage of total <i>%</i>	Change <i>%</i>
GNSR Expressway	115,233	33.1	108,422	30.1	6.3
Suiyuan Expressway	71,728	20.6	62,725	17.4	14.4
Weixu Expressway	46,992	13.5	42,009	11.7	11.9
Changzhu Expressway	41,335	11.9	37,492	10.4	10.3
Han-Xiao Expressway	30,396	8.7	30,574	8.5	-0.6
Jinbao Expressway	27,322	7.9	29,362	8.2	-6.9
Cangyu Expressway	14,868	4.3	14,858	4.1	0.1
Xian Expressway	<u>—</u>	<u>—</u>	<u>29,946</u>	<u>8.3</u>	N/A
Total from toll operation	347,874	100.0	355,388	98.7	-2.1
Port operation	<u>—</u>	<u>—</u>	<u>4,748</u>	<u>1.3</u>	N/A
Total	<u>347,874</u>	<u>100.0</u>	<u>360,136</u>	<u>100.0</u>	-3.4

Analysis of cost of services (exclude VAT and business tax) by nature

	Reporting Period <i>RMB'000</i>	Percentage of total %	First half of 2016 <i>RMB'000</i>	Percentage of total %	Change %
Amortization of intangible operating rights	262,639	75.5	254,954	70.8	3.0
Staff costs	45,951	13.2	49,571	13.8	-7.3
Toll highways and bridges operating expenses	18,168	5.2	28,926	8.0	-37.2
Toll highways and bridges maintenance expenses	17,564	5.1	20,437	5.7	-14.1
Depreciation of other fixed assets	<u>3,552</u>	<u>1.0</u>	<u>6,248</u>	<u>1.7</u>	-43.1
Total	<u>347,874</u>	<u>100.0</u>	<u>360,136</u>	<u>100.0</u>	-3.4

Gross profit

Gross profit in the Reporting Period increased by 0.4 percent to RMB847.5 million. When excluding the effect of Port Operation which was disposal on 1 August 2016, the gross profit in the Reporting Period increased by 0.5 percent. Gross profit margin in the Reporting Period was 70.9 percent being 0.8 percentage point higher than same period in 2016, of which gross profit margin of toll operation in the Reporting Period was 70.9 percent being 0.5 percentage point higher than same period in 2016.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Period		First half of 2016	
	Gross Profit <i>RMB'000</i>	Gross Margin ¹	Gross Profit <i>RMB'000</i>	Gross Margin ¹
GNSR Expressway	439,497	79.2%	376,054	77.6%
Suiyuan Expressway	148,201	67.4%	122,488	66.1%
Weixu Expressway	103,982	68.9%	87,232	67.5%
Changzhu Expressway	61,292	59.7%	72,780	66.0%
Han-Xiao Expressway	51,827	63.0%	44,439	59.2%
Cangyu Expressway	26,810	64.3%	25,403	63.1%
Jinbao Expressway	15,848	36.7%	20,544	41.2%
Xian Expressway	<u>—</u>	N/A	<u>94,645</u>	76.0%
Total from toll operation	847,457	70.9%	843,585	70.4%
Port operation	<u>—</u>	N/A	<u>801</u>	14.4%
Total	<u>847,457</u>	70.9%	<u>844,386</u>	70.1%

1 Gross margin = Gross profit/income from operations, net of tax

General and administrative expenses

The Group's general and administrative expenses in the Reporting Period amounted to RMB99.9 million representing a drop of 4.1 percent from RMB104.2 million for the same period in 2016. The decrease was mainly due to the cost saving effect of RMB4.1 million on staff cost due to the disposal of Port Operation and expiry of the concession in Xian Expressway.

Other income, gains and losses — net

The Group's other income, gains and losses — net was a gain of RMB16.8 million in the Reporting Period, which represented an increase of RMB1.2 million over the same period in 2016. The fluctuation was mainly due to (1) fair value gain on the investment properties and (2) net exchange gain for the Reporting Period where there was net exchange loss for the same period in 2016. 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 RMB15.7 million which was 29.2 percent higher than same period in 2016. The increase was mainly due to the fair value gain on the derivative financial instruments. These derivative financial instruments were the cross currency swaps entered into in the fourth quarter of 2016 to hedge the exchange fluctuation of EUR175.0 million of the Company's notes payable.

The Group's finance costs in the Reporting Period decreased by 13.5 percent to RMB249.8 million as compared with same period in 2016 of RMB288.9 million mainly due to offset effect by the decrease in interest expenses through the refinance of bank loans at a lower interest rate and the increase in exchange loss on notes payable. The exchange loss of RMB88.2 million in the Reporting Period represented an increase of RMB32.8 million from RMB55.4 million for the same period in 2016. The Group's overall weighted average interest rate in the Reporting Period was 3.77 percent which was lower than same period in 2016 rate of 4.21 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 20.6 percent in the Reporting Period to RMB193.8 million.

Share of post-tax profit of Humen Bridge in the Reporting Period increased by 10.4 percent to RMB91.7 million. Income from operations, net of tax at the project company level has increased by 9.0 percent to RMB764.5 million in the Reporting Period mainly due to that some vehicles were diverted to Humen Bridge as a result of suspension policy from 22:30 to 06:30 every day since 13 February 2017 implemented at Humen Ferry Pier.

Share of post-tax profit of Northern Ring Road in the Reporting Period increased by 8.0 percent to RMB44.0 million. Income from operations, net of tax at the project company level grew 5.7 percent to RMB371.0 million being benefited from the growth of regional economy and the increase in car ownership volume.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Period increased by 23.0 percent to RMB19.6 million. Income from operations, net of tax at the project company level basically remained static in the Reporting Period.

Share of post-tax profit of Qinglian Expressway in the Reporting Period increased by 340.6 percent to RMB 12.5 million. Income from operations, net of tax at the project company level grew 10.7 percent to RMB370.4 million benefiting from the growth of regional economy and the increase in car ownership volume.

Share of post-tax profit of GWSR Expressway in the Reporting Period increased by 43.8 percent to RMB26.0 million. Income from operations, net of tax at the project company level grew 13.8 percent to RMB204.2 million being benefited from the growth of regional economy and the increase in car ownership volume.

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

	Profit Sharing ratio %	Income from operations, net of tax ⁽¹⁾		Share of results	
		Reporting Period	YoY change	Reporting Period	YoY change
		RMB'000	%	RMB'000	%
Associates					
Humen Bridge	18.446	764,531	9.0	91,740	10.4
Northern Ring Road	24.3	370,961	5.7	44,022	8.0
Shantou Bay Bridge	30.0	118,768	0.1	19,608	23.0
Qinglian Expressway	23.63	<u>370,358</u>	10.7	<u>12,475</u>	340.6
Sub-total		1,624,618	7.9	167,845	17.7
Joint venture					
GWSR Expressway	35.0	<u>204,208</u>	13.8	<u>25,985</u>	43.8
Total		<u>1,828,826</u>	8.6	<u>193,830</u>	20.6

(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 11.4 percent to RMB192.7 million.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB380.1 million in the Reporting Period, an increase of 8.7 percent as compared with same period in 2016. 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 <i>RMB'000</i>	Percentage of total %	First half of 2016 <i>RMB'000</i>	Percentage of total %	Change %
Net profit from controlled projects	406,035	67.7	405,184	71.6	0.2
Net profit from non-controlled projects ¹	<u>193,830</u>	<u>32.3</u>	<u>160,677</u>	<u>28.4</u>	20.6
Net profit from projects	599,865	<u>100.0</u>	565,861	<u>100.0</u>	6.0
Withholding tax on PRC dividends/income	(17,573)		(18,128)		-3.1
Corporate expenses	(59,885)		(62,466)		-4.1
Corporate income/gains	241		1,860		-87.0
Corporate finance income	11,768		5,758		104.4
Corporate finance costs	<u>(154,346)</u>		<u>(143,266)</u>		7.7
Profit attributable to shareholders of the Company	<u>380,070</u>		<u>349,619</u>		8.7

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 RMB406.0 million in the Reporting Period, accounted for 67.7 percent (same period in 2016: 71.6 percent) while net profit from non-controlled projects amounted to RMB193.8 million in the Reporting Period, accounted for 32.3 percent (same period in 2016: 28.4 percent).

Net profit from controlled projects of RMB406.0 million represented growth of 0.2 percent or RMB0.9 million higher than same period in 2016; of which net profit from toll operation decreased 1.4 percent to RMB406.0 million. There was no profit generated from Yuexin Chishui Port during the Reporting Period as it has been disposed on 1 August 2016.

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

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2016 RMB'000	Percentage of total %	Change %
GNSR Expressway	193,839	32.3	163,717	28.9	18.4
Weixu Expressway	65,352	10.9	48,514	8.6	34.7
Suiyuenan Expressway	53,184	8.9	21,789	3.9	144.1
Changzhu Expressway	36,456	6.1	40,628	7.2	-10.3
Han-Xiao Expressway	36,119	6.0	32,443	5.7	11.3
Cangyu Expressway	21,663	3.6	20,191	3.6	7.3
Jinbao Expressway	6,146	1.0	9,631	1.7	-36.2
Xian Expressway	<u>(6,724)</u>	<u>-1.1</u>	<u>74,870</u>	<u>13.2</u>	-109.0
Total from toll operation	406,035	67.7	411,783	72.8	-1.4
Port operation	<u>—</u>	<u>—</u>	<u>(6,599)</u>	<u>-1.2</u>	N/A
Total	<u>406,035</u>	<u>67.7</u>	<u>405,184</u>	<u>71.6</u>	0.2

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

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2016 RMB'000	Percentage of total %	Change %
GNSR Expressway	193,839	34.3	163,717	30.3	18.4
Weixu Expressway	65,352	11.5	48,514	9.0	34.7
Suiyuenan Expressway	44,029	7.8	21,560	4.0	104.2
Changzhu Expressway	20,401	3.6	25,286	4.7	-19.3
Han-Xiao Expressway	28,318	5.0	22,589	4.2	25.4
Cangyu Expressway	20,823	3.7	18,914	3.5	10.1
Jinbao Expressway	6,146	1.1	9,631	1.8	-36.2
Xian Expressway	<u>(6,724)</u>	<u>-1.2</u>	<u>74,870</u>	<u>13.9</u>	-109.0
Total from toll operation	372,184	65.8	385,081	71.4	-3.4
Port operation	<u>—</u>	<u>—</u>	<u>(6,602)</u>	<u>-1.2</u>	N/A
Total	<u>372,184</u>	<u>65.8</u>	<u>378,479</u>	<u>70.2</u>	-1.7

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 20.6 percent in the Reporting Period to RMB193.8 million as compared with same period in 2016. 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 15.3 percent (same period in 2016: 14.7 percent), 7.3 percent (same period in 2016: 7.2 percent), 3.3 percent (same period in 2016: 2.8 percent), 2.1 percent (same period in 2016: 0.5 percent) and 4.3 percent (same period in 2016: 3.2 percent) of the net profit from projects respectively.

At the corporate level, apart from the impact of net exchange loss on notes payable, there were no material corporate level transactions which had 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 2017 of HK\$0.13 which is equivalent to approximately RMB0.1116586 (2016: HK\$0.13 which was equivalent to approximately RMB0.1113109) per share payable on or about 17 November 2017 to shareholders whose names appear on the register of members of the Company on 19 October 2017. Interim dividend payout ratio of 49.2 percent (2016: 53.3 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 2017	31 December 2016	Change
	RMB'000	RMB'000	%
Total assets	22,373,777	22,568,556	-0.9
Total liabilities	10,958,231	11,264,254	-2.7
Cash and cash equivalents	1,130,318	1,045,922	8.1
Total debt	8,420,898	8,578,928	-1.8
Of which: bank borrowings	4,690,408	4,939,891	-5.1
Notes payable	1,543,854	1,452,359	6.3
Corporate bonds	1,992,103	1,990,978	0.1
Current ratio	0.6 times	1.4 times	
EBITDA interest coverage	7.6 times	5.8 times	
Equity attributable to the shareholders of the Company	9,164,811	9,081,958	0.9

Assets, Liabilities and Equity

As at 30 June 2017, the Group's total assets amounted to RMB22.4 billion which was similar to the balance as at 31 December 2016. The Group's total assets comprised mainly of intangible operating rights of RMB18.2 billion (31 December 2016: RMB18.5 billion); investments in a joint venture and associates of RMB1.93 billion (31 December 2016: RMB1.92 billion); and cash and cash equivalents of RMB1,130.3 million (31 December 2016: RMB1,045.9 million).

As at 30 June 2017, the Group's total liabilities amounted to RMB11.0 billion which was 2.7 percent lower than the balance as at 31 December 2016. The Group's total liabilities comprised mainly of bank borrowings of RMB4.7 billion (31 December 2016: RMB4.9 billion); notes payable of RMB1.54 billion (31 December 2016: RMB1.45 billion); corporate bonds in aggregate of RMB2.0 billion (31 December 2016: RMB2.0 billion); loans from non-controlling interests of RMB102.5 million (31 December 2016: RMB103.7 million) and deferred income tax liabilities of RMB1.99 billion (31 December 2016: RMB1.98 billion).

As at 30 June 2017, the Group's total equity increased by RMB111.2 million to RMB11.4 billion (31 December 2016: RMB11.3 billion), of which amount attributable to the shareholders of the Company amounted to RMB9.2 billion.

Analysis of major assets, liabilities and equity items

Items	(Unaudited)		Change %
	30 June 2017 RMB'000	31 December 2016 RMB'000	
Total assets	22,373,777	22,568,556	-0.9
Approximately 90.0% of which:			
Intangible operating rights	18,234,892	18,485,580	-1.4
Investments in a joint venture and associates	1,927,183	1,923,901	0.2
Cash and cash equivalents	1,130,318	1,045,922	8.1
Total liabilities	10,958,231	11,264,254	-2.7
Approximately 90.0% of which:			
Bank borrowings - current portion	151,232	235,193	-35.7
- long term portion	4,539,176	4,704,698	-3.5
Notes payable	1,543,854	1,452,359	6.3
Corporate bonds	1,992,103	1,990,978	0.1
Loans from non-controlling interests	102,483	103,650	-1.1
Deferred income tax liabilities	1,994,543	1,975,343	1.0
Total equity	11,415,546	11,304,302	1.0
Of which: Attributable to the shareholders of the Company	9,164,811	9,081,958	0.9

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 RMB1,130.3 million which was 8.1 percent higher than the level at 31 December 2016. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

Analysis of cash flow movement

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	797,493	853,660
Net cash generated from investing activities	153,792	65,505
Net cash used in financing activities	<u>(872,527)</u>	<u>(718,528)</u>
Increase in cash and cash equivalents	78,758	200,637
Cash and cash equivalents at 1 January	1,045,922	881,715
Effect of foreign exchange rate changes	<u>5,638</u>	<u>2,612</u>
	<u>1,130,318</u>	<u>1,084,964</u>
Analysis of cash and cash equivalents		
Cash and cash equivalents in the condensed consolidated balance sheet	1,130,318	1,083,402
Cash and cash equivalents of disposal group classified as held for sale	<u>—</u>	<u>1,562</u>
Cash and cash equivalents at 30 June	<u>1,130,318</u>	<u>1,084,964</u>

Net cash generated from operating activities during the Reporting Period amounted to RMB797.5 million (30 June 2016: RMB853.7 million) which was arrived from cash generated from operations of RMB955.9 million (30 June 2016: RMB977.2 million) less China enterprise income tax and withholding tax paid of RMB158.4 million (30 June 2016: RMB123.5 million).

Net cash generated from investing activities during the Reporting Period amounted to RMB153.8 million (30 June 2016: RMB65.5 million). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB189.1 million (30 June 2016: RMB86.8 million); proceeds from compensation arrangement of RMB10.9 million (30 June 2016: RMB10.2 million); interest received in aggregate of approximately RMB8.3 million (30 June 2016: RMB5.6 million); proceeds from disposal of fixed assets of RMB0.8 million (30 June 2016: RMB0.2 million) and no cash proceed originally placed to bank for fixed deposits with original maturity over 3 months (30 June 2016: RMB10.0 million). The outflow was mainly capital expenditures amounted to approximately RMB55.2 million (30 June 2016: RMB47.3 million).

Net cash used in financing activities during the Reporting Period amounted to RMB872.5 million (30 June 2016: RMB718.5 million). The outflow mainly included repayment of bank borrowings amounted to RMB1.3 billion (30 June 2016: RMB3.1 billion); payment of finance costs and related fees of RMB200.4 million (30 June 2016: RMB219.5 million); repayments of loans from non-controlling interest of subsidiaries in the Reporting Period of RMB1.8 million (30 June 2016: RMB1.7 million); dividends paid to non-controlling interests of RMB122.9 million (30 June 2016: RMB110.4 million); dividends paid to the shareholders of the Company of RMB296.4 million (30 June 2016: RMB224.1 million). The inflow mainly included new bank borrowings amounted to approximately RMB1.06 billion (30 June 2016: RMB1.96 billion); no proceeds from corporate bonds (Panda Bonds) (30 June 2016: RMB994.7 million).

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2017 was 0.6 times (31 December 2016: 1.4 times). The current assets balance as at 30 June 2017 was RMB1,381.1 million (31 December 2016: RMB1,295.5 million) and current liabilities balance was RMB2,252.7 million (31 December 2016: RMB958.1 million). Cash and cash equivalents were the major components of the Group's current assets with balance as at 30 June 2017 of RMB1,130.3 million (31 December 2016: RMB1,045.9 million). Included in the Group's current liabilities as at 30 June 2017 were short term borrowings (i.e. maturities within one year) of approximately RMB1,695.1 million (31 December 2016: RMB235.2 million) which include bank borrowings of RMB151.2 million and notes payable of RMB1,543.9 million. In view of the various future capital expenditures which would be committed and investments which would be acquired that would utilize a significant portion of the Group's cash and cash equivalents and increased the Group's bank borrowings level, management will continue to 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.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the period ended 30 June 2017 was 7.6 times (30 June 2016: 5.3 times) which is measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the period ended 30 June 2017 was 15.0 percent (30 June 2016: 13.1 percent) which is measured as the ratio of EBITDA to the aggregate balance of bank borrowings, notes payable and corporate bonds (“total external debts”).

Profit before interest and income tax interest coverage for the period ended 30 June 2017 was 6.0 times (30 June 2016: 4.1 times) which is measured as the ratio of profit before interest and tax to interest expenses (profit and loss impact).

Cash interest coverage for the period ended 30 June 2017 was 6.5 times (30 June 2016: 5.6 times) which is measured as the ratio of net cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Period, total capital expenditures amounted to RMB55.2 million (same period in 2016: RMB47.3 million). Capital expenditures included: (a) payments of construction costs of toll highways and bridges upgrade services of RMB47.5 million (same period in 2016: RMB43.4 million), (b) purchase of property, plant and equipment of RMB5.4 million (same period in 2016: RMB3.9 million) and (c) investment in an associate of RMB2.3 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
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Total external debts		
Bank borrowings	4,690,408	4,939,891
Notes payable	1,543,854	1,452,359
Corporate bonds ¹	1,992,103	1,990,978
Loans from non-controlling interests	102,483	103,650
Amount due to a joint venture	92,050	92,050
	<u>8,420,898</u>	<u>8,578,928</u>
Total debts	8,420,898	8,578,928
Less: cash and cash equivalents	(1,130,318)	(1,045,922)
	<u>7,290,580</u>	<u>7,533,006</u>
Net debt	7,290,580	7,533,006
	<u>11,415,546</u>	<u>11,304,302</u>
Total Equity	11,415,546	11,304,302
Of which: Equity attributable to the shareholders of the Company	9,164,811	9,081,958
	<u>9,164,811</u>	<u>9,081,958</u>
Total capitalization (Net debt + Total equity)	18,706,126	18,837,308
	<u>18,706,126</u>	<u>18,837,308</u>
Financial ratios		
Gearing ratio (net debt/total capitalization)	39.0%	40.0%
Debt to Equity ratio (net debt/total equity)	63.9%	66.6%
Total liabilities/Total assets ratio	49.0%	49.9%

1 Basic summary information of corporate bonds:

	RMB300 million five-year corporate bonds (Phase 1)	RMB700 million seven-year corporate bonds (Phase 1)	RMB200 million five-year corporate bonds (Phase 2)	RMB800 million seven-year corporate bonds (Phase 2)
Drawdown date:	22 March 2016	22 March 2016	28 October 2016	28 October 2016
Principal:	RMB300 million	RMB700 million	RMB200 million	RMB800 million
Principal repayment date:	21 March 2021	21 March 2023	26 October 2021	26 October 2023
Coupon rate (per annum):	2.85%	3.38%	2.90%	3.18%
Upcoming interest payment date:	21 March 2018	21 March 2018	26 October 2017	26 October 2017
Stock Exchange:	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange

Financing structures

In a way to ensure the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively maintain a cost-efficient funding to its overall funding needs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by and to take advantage of the cost differentials not only of these two markets but also of international markets; and on the other hand, strike a balance between the interest rate savings and exchange risk exposure. As at the end of the Reporting Period, the Group's total 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 2017 was approximately RMB1.54 billion (31 December 2016: approximately RMB1.45 billion) which were substantially hedged with EUR/CNH cross currency swaps.

As at 30 June 2017, the Group's total external debt in aggregate was approximately RMB8.2 billion (31 December 2016: RMB8.4 billion) composed of bank borrowings amounted to RMB4.7 billion (31 December 2016: RMB4.9 billion), notes payables amounted to approximately RMB1.54 billion (31 December 2016: RMB1.45 billion) and corporate bonds of RMB2.0 billion (31 December 2016: RMB2.0 billion). Offshore and onshore debt ratio was 18.8 percent and 81.2 percent (31 December 2016: 29.2 percent and 70.8 percent). Secured external debt' ratio was 56.4 percent (31 December 2016: 47.0 percent). The effective interest rate of total external debt at 30 June 2017 was 3.75 percent (31 December 2016: 3.74 percent). There were RMB4.64 billion of the bank borrowings are at floating rates and RMB50.0 million at fixed rates with the overall effective interest rate of 4.46 percent at 30 June 2017 (31 December 2016: 4.37 percent). Notes payable and corporate bonds (in four tranches) are at fixed rates with coupon rates of 1.625 percent, 2.85 percent, 3.38 percent, 2.90 percent and 3.18 percent respectively with overall effective interest rate at 2.82 percent (31 December 2016: 2.83 percent).

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

	(Unaudited)	
	30 June	31 December
	2017	2016
	<i>Percentage of total</i>	<i>Percentage of total</i>
Source		
Onshore	81.2%	70.8%
Offshore	18.8%	<u>29.2%</u>
	<u>100.0%</u>	<u>100.0%</u>
Repayment term		
Within 1 year	20.6%	2.8%
1 to 2 year	7.9%	22.7%
More than 2 years and less than 5 years	31.8%	41.3%
Above 5 years	39.7%	<u>33.2%</u>
	<u>100.0%</u>	<u>100.0%</u>
Currency		
RMB	81.2%	82.7%
EUR	18.8%	<u>17.3%</u>
	<u>100.0%</u>	<u>100.0%</u>
Interest rate		
Fixed	43.6%	53.0%
Floating	56.4%	<u>47.0%</u>
	<u>100.0%</u>	<u>100.0%</u>
Terms of credit		
Secured	56.4%	47.0%
Unsecured	43.6%	<u>53.0%</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 2016: 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 approximately 81.2 percent (31 December 2016: 82.7 percent) external debts are denominated in RMB. As at the end of the Reporting Period, the Group's foreign-currency denominated assets and liabilities mainly included cash and cash equivalent of HK\$47.3 million (equivalent to approximately RMB41.0 million), EUR14.9 million (equivalent to approximately RMB115.6 million) and US\$0.1 million (equivalent to approximately RMB0.7 million); and has external debt of EUR199.2 million (net of debt discount and direct issuance costs) (equivalent to approximately RMB1.54 billion). Given this foreign currency exposure position, as at 30 June 2017, 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 RMB13.9 million. After close monitoring of the EUR-RMB trend, the Group has entered into deliverable EUR/CNH cross currency swaps in aggregate of EUR175.0 million in the fourth quarter of 2016, thereby the foreign currency risk exposure upon maturity of the Euro notes payables is substantially hedged. Given the aforementioned foreign-currency denominated cash and cash equivalent and the remaining EUR25.0 million notes payable, 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 RMB0.36 million. As the foreign exchange market is still volatile, the Group will continue to review and assess closely its currency risk.

IV. Capital commitments and contingent liabilities

As at 30 June 2017, the Group had capital commitments related to intangible operating rights, property, plant and equipment and investment in an associate of approximately RMB33.4 million being contracted but not provided for.

On 25 December 2016, the Group entered into a subscription agreement with Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司) (“Yuexiu Financial Holdings”), to invest RMB340 million in subscribing for the additional new A shares issued by Yuexiu Financial Holdings (“Subscription”), which was expected to account for 0.85% of its enlarged share capital. On 25 July 2017, the board of directors of Yuexiu Financial Holdings revolved to file the suspension application in relation to the review of major asset reorganization with the China Securities Regulatory Commission (“CSRC”). On 1 August 2017, Yuexiu Financial Holdings received the consent notice of the suspension of review from the CSRC. Accordingly, the conditions under the subscription agreement have not been completed as at the date of this announcement.

Except for the aforementioned, the Group had no material capital commitments as at 30 June 2017. There were no significant contingent liabilities as at 30 June 2017.

V. Employees

As at 30 June 2017, the Group had approximately 1,474 employees of whom about 1,254 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

FUTURE PROSPECTS

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

Although the improvement of global economy continued in the first half of 2017, multiple challenging factors such as escalating trade protectionism, shifting on monetary policy by major world central banks, intensified geopolitical conflicts etc. will raise a question that whether such a positive trend of economic growth can be sustained.

Given the complicated and changing international economic landscape, the central government of China has actively promoted various reforms, which favorably ensure the steady development of the Chinese economy under the new normal. Looking ahead, it is expected that the central government will continue its commitment to the general principle of making progress while keeping performance stable, with the supply side structural reform as the main axle and improving the development quality and efficiency as the core, to modestly expand the aggregate demand, deepen innovation-driven development, speed up the shift to new growth drivers and facilitate the transformation, upgrading and steady development of the economy.

The economic growth under the new normal has stabilized. Given the inherent rigidity of the highway transportation demand, its transportation volume has maintained steady growth. With the gradual upgrading of household consumptions, the rapid development of tourism and logistics industries, and the double-digit growth of the domestic car ownership volume, strong support is provided for the continuous growth of highway transportation volume. On the other hand, the regulatory environment of the toll road sector has remained stable. Although regulators have tighten the restrictions on overloaded and over-limit trucks since September 2016, which in the short term has reduced the portion of penalty charges against overloaded trucks of various projects. However, in the long run, such measures will help reduce the wear and tear caused by trucks to the road surface and the maintenance cost of operators, and the rigidity of the freight demand will also lead to an increase in the number of reasonably-loaded trucks, which eased the impact on the income of trucks.

The amendment of the “Regulations on the Administration of Toll Roads” (《收費公路管理條例》) is still under process. Pursuant to the requirements of the relevant document of NDRC, it is intended that the amendment will be completed and introduced by the end of 2017. The Group will continue to pay close attention to the relevant progress.

- **Outlook of development strategies**

Transport infrastructure plays an important role in the process of economic development. In line with the national strategic measures such as “One Belt, One Road” and “Guangdong-Hong Kong-Macau Greater Bay Area”, the central government has put forward and stressed the need to bring the leading role of transport infrastructure such as expressways into play, and introduced the relevant plan to facilitate and improve the interconnection of transport infrastructure.

Against this backdrop, the Group will actively grasp investment opportunities within the sector. With a wealth of investment, operation and management experience, the Group will persist with its strategic focus and unswervingly develop toll expressways as the principal business. With respect to regional strategies, the Group will focus on major provinces in the central region with large populations of labour forces and Guangdong Province benefited from the proposed “New 10-Year (2016-2025) Central Region Rising Plan” and the “Guangdong-Hong Kong-Macau Greater Bay Area” strategy respectively.

The Group was simultaneously granted credit ratings of investment grades (Moody’s Baa2/Standard & Poor’s BBB-/Fitch BBB-) by the three major international rating agencies, Moody’s, Standard & Poor’s and Fitch. The management fully recognizes the positive promotional impact of the investment grade credit rating on the Group’s financing activities, etc., attaches great importance to the maintenance of such ratings, and fully considers and assesses the impact on the credit metrics especially in investment and financing activities.

Since the initial public issuance of Panda Bonds on the Shanghai Stock Exchange in 2016, the Group has successfully opened up the financing channels of the domestic bond market and has optimized the debt structure and reduced the financial costs with low-interest financing through precisely grasping the market window. On the other hand, the Group is also actively seeking a breakthrough in the domestic interbank market financing pipeline to further enrich its own financing channels. In terms of financing currencies, despite the expected slowdown in the depreciation of Renminbi against the US dollar, but from the perspective of preventing exchange rate risks and taking into account the matching of asset and liability currencies, the Group will still continue to seek long-term, fixed interest rate local currency financing, in line with the stable cash flow and long investment payback cycle characteristics of the infrastructure sector.

The Group upholds and will constantly strengthen the concept of “asset management” and persists with value creation as an important guidance for business development. On one hand, the Group has doubled the size of its assets through accelerating the merger with and acquisition of high-quality assets since 2009, with the continuous improvement of its profitability. On the other hand, the Group has also disposed of non-core projects such as Class 1 highways and the Wuzhou Port in Guangxi and optimized the overall asset portfolio. Looking to the future, the management will continue to review and carry out plans for optimizing the asset portfolio, including considering the strategic disposal of projects which are consistently below expectation to achieve value realization, and seek merger and acquisition opportunities with value creation as the guidance with a view to maintaining long-term stable development and increasing shareholder value and return on investment.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2017, 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 18 May 2017 due to other business engagement.

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2017 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.

