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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)

2020 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 2020 (“Reporting Period”) as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30 June 2020

	Note	(Unaudited)	
		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Revenue	4	839,590	1,380,910
Cost of services	5	(587,462)	(404,469)
Construction income under service concession upgrade services		56,354	36,612
Construction cost under service concession upgrade services		(56,354)	(36,612)
Other income, gains and losses - net	6	36,871	26,533
General and administrative expenses	5	(90,988)	(98,474)
Operating profit		198,011	904,500
Finance income	7	13,749	14,896
Finance costs	7	(406,228)	(160,708)
Share of result of a joint venture		5,184	45,272
Share of results of associates		(17,045)	170,764
(Loss)/profit before income tax		(206,329)	974,724
Income tax expense	8	(57,878)	(99,047)
(Loss)/profit for the period		(264,207)	875,677
(Loss)/profit attributable to:			
Shareholders of the Company		(288,121)	635,070
Non-controlling interests		23,914	240,607
		(264,207)	875,677
(Loss)/earnings per share for (loss)/profit attributable to shareholders of the Company		RMB	RMB
Basic and diluted (loss)/earnings per share	9	(0.1722)	0.3796

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2020

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	<u>(264,207)</u>	<u>875,677</u>
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(162)	106
Cash flow hedges – movement in hedging reserve	<u>3,989</u>	<u>(649)</u>
Other comprehensive income/(loss) for the period	<u>3,827</u>	<u>(543)</u>
Total comprehensive (loss)/income for the period	<u>(260,380)</u>	<u>875,134</u>
Total comprehensive (loss)/income attributable to:		
Shareholders of the Company	(284,294)	634,527
Non-controlling interests	<u>23,914</u>	<u>240,607</u>
	<u>(260,380)</u>	<u>875,134</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

		(Unaudited) As at 30 June 2020 <i>RMB'000</i>	(Audited) As at 31 December 2019 <i>RMB'000</i>
ASSETS			
Non-current assets			
Intangible operating rights		31,944,059	32,369,121
Goodwill		632,619	632,619
Property, plant and equipment		50,081	52,321
Investment properties		40,414	39,923
Right-of-use assets		4,958	10,528
Investment in a joint venture		476,240	471,055
Investments in associates		1,451,246	1,399,621
Derivative financial instruments		12,218	1,697
Other non-current receivables	11	11,074	22,916
		34,622,909	34,999,801
Current assets			
Trade receivables	12	225,471	175,028
Other receivables, deposits and prepayments		138,836	160,255
Amount due from an associate		27,729	27,729
Cash and cash equivalents		1,156,723	1,435,062
		1,548,759	1,798,074
Total assets		36,171,668	36,797,875
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves		9,825,555	10,424,333
		9,972,877	10,571,655
Non-controlling interests		3,008,923	3,057,095
Total equity		12,981,800	13,628,750

		(Unaudited)	(Audited)
		As at	As at
		30 June	31 December
	Note	2020	2019
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		13,576,785	14,134,151
Corporate bonds		919,734	1,907,554
Contract liabilities		340,639	351,213
Notes payable		1,993,855	996,522
Deferred income tax liabilities		3,259,735	3,244,298
Lease liabilities		—	350
		<u>20,090,748</u>	<u>20,634,088</u>
Current liabilities			
Borrowings		1,030,921	1,305,148
Corporate bonds		988,608	—
Amounts due to non-controlling interests of a subsidiary		1,611	1,611
Amounts due to holding companies		1,308	331
Amount due to a joint venture		175	2,490
Trade and other payables and accrued charges	13	1,016,942	1,115,038
Contract liabilities		22,309	22,309
Lease liabilities		5,039	10,488
Current income tax liabilities		32,207	77,622
		<u>3,099,120</u>	<u>2,535,037</u>
Total liabilities		<u>23,189,868</u>	<u>23,169,125</u>
Total equity and liabilities		<u>36,171,668</u>	<u>36,797,875</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This Financial Information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

As at 30 June 2020, the Group’s current liabilities exceeded its current assets by RMB1,550,361,000. The Group’s current liabilities primarily comprise of current portion of long term borrowings, current portion of corporate bonds and trade and other payables and accrued charges of RMB1,030,921,000, RMB988,608,000 and RMB1,016,942,000 respectively. The directors of the Company are confident that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the forecast cash flows including the banking facilities available. Accordingly, the 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 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2020.

New and amended standards adopted by the Group

HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKFRS 3 (Amendments)	Definition of a business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Hedge accounting (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The above new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2020 do not have a material impact on the Group.

The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

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

Management is in the process of making an assessment of the impact of these new standards, amendments, improvement and interpretation in the period of initial application.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

In preparing the Financial Information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

Following the outbreak of Coronavirus Disease 2019 (the “COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across China, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements.

According to “the Notice on Toll Roads Going Toll-Free During the Period of Precautionary and Control in relation to the outbreak of COVID-19” (the “Notice”) issued by the Ministry of Transport of the PRC, all of the expressways and bridge projects controlled or invested in by the Group were toll free from 17 February 2020 till 5 May 2020 (the “Toll Fee Exemption”). Basically, all of the Group’s revenue are generated from the expressways and bridge projects as operated by the Group and the operations of the Group’s joint venture and associates are also subject to this Toll Fee Exemption.

The overall financial performance of the Group for the period ended 30 June 2020 was affected by the Toll Fee Exemption.

4 REVENUE AND SEGMENT INFORMATION

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

The following tables present revenue and profit information regarding the Group’s operating segments for the six months ended 30 June 2020 and 2019 respectively.

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

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

The following tables present assets and liabilities information regarding the Group's operating segments as at 30 June 2020 and 31 December 2019 respectively.

Assets and liabilities	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
As at 30 June 2020 and for the six months ended 30 June 2020			
Total segment assets	36,060,754	110,914	36,171,668
Addition to non-current assets	52,511	—	52,511
Total segment assets include:			
– Investment in a joint venture	476,240	—	476,240
– Investments in associates	1,370,786	80,460	1,451,246
Total segment liabilities	(23,113,727)	(76,141)	(23,189,868)
Total segment liabilities include:			
– Amount due to a joint venture	(175)	—	(175)

Assets and liabilities	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
As at 31 December 2019 and for the year ended			
31 December 2019			
Total segment assets	36,763,324	34,551	36,797,875
Addition to non-current assets	273,610	—	273,610
Acquisition of subsidiaries	15,306,894	—	15,306,894
Total segment assets include:			
Investment in a joint venture	471,055	—	471,055
Investments in associates	1,395,121	4,500	1,399,621
Total segment liabilities	(23,168,963)	(162)	(23,169,125)
Total segment liabilities include:			
Amount due to a joint venture	<u>(2,490)</u>	<u>—</u>	<u>(2,490)</u>

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

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

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

5 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Taxes and surcharges	4,042	5,190
Amortisation of intangible operating rights	470,083	302,923
Depreciation of		
– Property, plant and equipment	8,528	7,643
– Right-of-use assets	5,570	5,570
Toll highways and bridges maintenance expenses	13,024	16,661
Toll highways and bridges operating expenses	26,714	17,665
Staff costs (including directors' emoluments)		
– Wages and salaries	94,147	96,075
– Pension costs (defined contribution plan)	4,073	8,578
– Social security costs	12,944	9,396
– Staff welfare and other benefits	16,114	12,587
Auditor's remuneration	1,786	1,634
Legal and professional fee	7,516	5,092

6 OTHER INCOME, GAINS AND LOSSES – NET

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Compensation for expressways and bridges damages	8,510	9,721
Handling income from toll fee collection	1,396	542
Management service income	813	369
Income from service areas and gas stations	18,450	10,776
Government subsidy	7,875	—
Others	(173)	5,125

7 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	12,327	12,852
Interest income on other non-current receivables	1,422	2,044
Finance income	<u>13,749</u>	<u>14,896</u>
Interest expenses:		
– Bank borrowings	(316,603)	(109,908)
– Other borrowing	(6,918)	—
– Bank facility fees	(2,226)	(1,904)
– Loans from a joint venture	(3,177)	(2,031)
– Loans from non-controlling interests of certain subsidiaries	—	(71)
– Notes payable	(35,149)	—
– Corporate bonds	(33,367)	(33,439)
– Lease liabilities	(488)	(488)
Exchange loss on bank borrowings	—	(1,760)
Net other exchange loss	(5,555)	(10,971)
Others	(2,745)	(136)
Finance costs	<u>(406,228)</u>	<u>(160,708)</u>

8 INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made in the Financial Information as the Group had no assessable income subject to Hong Kong profits tax during the period (30 June 2019: Nil).
- (b) During the six months ended 30 June 2020, 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 2020 is 25% (30 June 2019: 25%). Guangzhou North Second Ring Transport Technology Company Limited ("GNSR"), a subsidiary of the Group, has been recognised as an eligible entity in 2019 to enjoy three years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, starting from 2018. Since GNSR had already settled the income tax at 25% for 2018, the Group had recognised the tax refund of RMB95,916,000 during the period ended 30 June 2019 (note c). Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy preferential tax treatment of income tax, at a preferential income tax rate of 15%, starting from 2013 to 2030.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%. During the period, withholding income tax was provided for dividend distributed for reinvestment and undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (30 June 2019: 5% or 10%).

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax	42,441	164,723
Refund of PRC enterprise income tax (note b)	—	(95,916)
Deferred income tax	15,437	30,240
	<u>57,878</u>	<u>99,047</u>

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

Basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/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	
	2020	2019
(Loss)/profit attributable to shareholders of the Company (RMB'000)	<u>(288,121)</u>	<u>635,070</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,162</u>	<u>1,673,162</u>
Basic and diluted (loss)/earnings per share (RMB)	<u>(0.1722)</u>	<u>0.3796</u>

The diluted loss per share for the six months ended 30 June 2020 equals to the basic loss per share as there are no potential dilutive ordinary shares in issue during the period (30 June 2019: same).

10 INTERIM DIVIDENDS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interim, proposed, nil (30 June 2019: HK\$0.18 equivalent to approximately RMB0.16) per share	<u>—</u>	<u>271,042</u>

A dividend of RMB314,484,000 that relates to the period to 31 December 2019 was paid on 29 June 2020 (30 June 2019: RMB346,223,000 that relates to the period to 31 December 2018 was paid on 28 June 2019).

On 19 August 2020, the board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2020 (30 June 2019: HK\$0.18 per share, amounting to RMB271,042,000).

11 OTHER NON-CURRENT RECEIVABLES

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

As at 30 June 2020, the total remaining balance of the consideration receivable (including current and non-current portions) is RMB38.4 million (31 December 2019: RMB50.4 million) which will be settled by 3 half yearly installments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB11.1 million (31 December 2019: RMB22.9 million) will be received more than 1 year from the balance sheet date according to the repayment schedule.

The fair value of the consideration receivable (including current and non-current portions) of approximately RMB39.2 million (31 December 2019: RMB51.8 million) is estimated by discounting remaining balance of RMB40.8 million (31 December 2019: RMB54.6 million) at the applicable current interest rate of 4.55% (31 December 2019: 4.63%) and is categorised as level 2 under the fair value hierarchy.

12 TRADE RECEIVABLES

As at 30 June 2020, trade receivables were aged below 30 days (31 December 2019: 30 days).

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

13 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at	
	30 June 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Trade payables	36,431	47,303
Other payables and accrued charges	<u>980,511</u>	<u>1,067,735</u>
	<u>1,016,942</u>	<u>1,115,038</u>
The ageing analysis of trade payables is as follows:		
0 - 30 days	5,768	11,058
Over 90 days	<u>30,663</u>	<u>36,245</u>
	<u>36,431</u>	<u>47,303</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage	Width (Lanes)	Toll Stations	Road Type	Attributable Interest (%)	Remaining Operating Term (years)
Subsidiaries						
GNSR Expressway	42.5	6	6	Expressway	60.00	12
Cangyu Expressway	22.0	4	0 ⁽¹⁾	Expressway	100.00	10
Jinxiong Expressway	23.9	4	2 ⁽¹⁾	Expressway	60.00 ⁽²⁾	10
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	16
Changzhu Expressway	46.5	4	5	Expressway	100.00	20
Weixu Expressway	64.3	4	2	Expressway	100.00	15
Suiyuan Expressway	98.1	4	4	Expressway	70.00	20
Hancai Expressway	36.0	4/6 ⁽³⁾	2	Expressway	67.00	18
Han'e Expressway	54.8	4	5	Expressway	100.00	22
Daguangnan Expressway	107.1	4	6 ⁽¹⁾	Expressway	90.00	22
Associates and Joint Venture						
GWSR Expressway	42.1	6	3 ⁽⁴⁾	Expressway	35.00	10
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽⁵⁾	9
Northern Ring Road	22.0	6	8	Expressway	24.30	3
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	8
Qinglian Expressway	215.2	4	15 ⁽¹⁾	Expressway	23.63	14

Notes:

- (1) According to the “Notice of the General Office of the State Council on Publishing the Implementation Plan of the Promotion of the Toll Road System Reform and Cancellation of Expressway Provincial Border Toll Stations” (《國務院辦公廳關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》) and related technical plans, all provincial expressway toll stations across the country were cancelled since 1 January 2020. Existing toll stations at provincial borders of projects operated by the Group, namely, Cangyu Expressway, Jinxiong Expressway, Daguangnan Expressway and Qinglian Expressway, were removed as scheduled, as a result of which toll can be collected without requiring vehicles to stop and pay when they went across the relevant provinces.
- (2) The percentage of equity interest attributable to the Group was 60%; profit sharing ratio: 90% in 2012 and before, 40% from 2013 to 2015, 60% in 2016 and thereafter.
- (3) There are 6 lanes at the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes on the remaining expressway.
- (4) Linked the Foshan First Ring Highway (Northern Extension Line) on 1 January 2020 and the toll station at the linking points have been abolished since then.
- (5) The profit-sharing ratio was 18.446% from 2010 onwards.

Toll Summary of Toll Roads and Bridges

For the six months ended 30 June 2020⁽¹⁾

	Average daily toll revenue			
	First half of 2020 ⁽²⁾ (RMB/day)	Y-O-Y Change %	May to June in 2020 ⁽³⁾ (RMB/day)	Y-O-Y Change %
Subsidiaries				
GNSR Expressway	2,511,744	-20.6%	3,373,330	3.8%
Cangyu Expressway	144,773	-21.9%	174,832	6.8%
Jinxiong Expressway	197,831	-20.5%	245,515	1.9%
Han-Xiao Expressway	448,370	-4.5%	535,856	18.5%
Changzhu Expressway	554,175	-13.9%	703,062	12.0%
Weixu Expressway	894,857	-19.3%	1,157,865	3.0%
Suiyuanan Expressway	1,514,526	-16.3%	1,753,828	-0.5%
Hancai Expressway	514,649	-24.9%	686,443	2.2%
Han'e Expressway	381,838	-21.1%	495,962	6.2%
Daguangnan Expressway	988,597	9.5%	1,114,337	39.0%
Associates and Joint Venture				
GWSR Expressway	1,101,694	-27.4%	1,469,718	-4.9%
Humen Bridge	1,140,880	-68.7%	1,290,920	-58.1%
Northern Ring Road	1,587,707	-23.3%	1,914,303	-8.7%
Shantou Bay Bridge	364,698	-32.5%	497,637	-8.9%
Qinglian Expressway	2,029,021	-13.0%	2,432,452	19.1%

Notes:

- (1) Since the cancellation of the provincial borders toll stations on January 1, 2020, due to the COVID-19 outbreak and the instability of the new system at the initial stage of operation, the supervisory authorities of the provinces (municipalities) where the projects are located have not yet been able to provide accurate data of toll traffic volume in the first half of 2020, the Group cannot disclose the toll traffic volume in the first half of 2020 and its year-on-year changes.
- (2) National toll fees of small passengers vehicles on toll roads were waived from 0:00 on 24 January 2020 to 24:00 on February 8 (extended by 9 days on the original basis) during the 2020 Spring Festival Holiday according to the “Notice of the Work Related to Exempting Toll Fee for Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於做好二〇二〇年春節假期免收小型客車通行費有關工作的通知), the “Notice of Extension for the Free Toll Period of Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於延長二〇二〇年春節假期小型客車免費通行時段的通知) and the “Notice of Extension for the Period of Exempting Toll Fee of Small Passengers Vehicles on Toll Roads during the Spring Festival Holiday” (關於延長春節假期收費公路免收小型客車通行費時段的通知). According to the “Notice on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused

by the Novel Coronavirus Pneumonia” (《關於新冠肺炎疫情期間免收收費公路車輛通行費的通知》), toll fee for all vehicles on toll roads nationwide was exempted from 0:00 on 17 February 2020 until the end of the disease prevention and control. According to the “Announcement on Resumption of Toll Collection for Toll Roads” (《關於恢復收費公路收費的公告》), toll collection for legally approved toll roads is resumed from 0:00 a.m. on 6 May 2020 (79 toll-free days in total). All projects of the Group have been resumed for normal toll collection. The average daily toll revenue of the Group for the first half of 2020 was calculated based on the number of calendar days in the first half of the year (182 days) less the number of the days exempting toll fees (79 days), which is equivalent to 103 days. However, the average daily toll revenue for the first half of 2019 was also calculated based on the calendar days of the first half of the year (181 days).

- (3) The average daily toll revenue of the Group during May to June 2020 was calculated based on the numbers of calendar days during May to June (61 days), less the number of days exempting toll fees for all vehicles (5 days, 1 May to 5 May), i.e. 56 days, and the average daily toll revenue during May to June 2019 was calculated based on the numbers of calendar days during May to June 2019 (61 days).

Toll Roads and Bridges

SUMMARY OF OPERATING PERFORMANCE

Macroeconomic environment

During the Reporting Period, coronavirus batters China’s economy. However, with the gradual resumption of work and production, China’s economy has recovered steadily, showing a trend of going downward first and then upward. According to the information released by the National Bureau of Statistics, the gross domestic product (GDP) for the first half of 2020 amounted to RMB 45,661.4 billion, representing a year-on-year decrease of 1.6%. By quarter, the GDP represents a year-on-year decrease of 6.8% for the first quarter and an increase of 3.2% for the second quarter.

As economic activities gradually return to normal level, main index of the sector showed an improving trend. Investment on fixed assets in highway construction amounted to RMB 1,014.8 billion from January to June, representing a year-on-year increase of 6.8%. Highway passenger and cargo turnover decreased by 55.4% and 7.8% year-on-year, respectively.

During the Reporting Period, domestic car ownership maintained a steady growth momentum. As at 30 June 2020, domestic car ownership reached 270 million vehicles, representing a year-on-year increase of 8%.

The projects invested and operated by the Group are distributed throughout Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The GDP of these regions for the first half of 2020 decreased by 2.5%, decreased by 3.9%, increased by 0.8%, increased by 1.3%, decreased by 19.3% and decreased by 0.3% year-on-year, respectively.

(Unit: RMB100 million)

	Guangxi						Henan Province
	National	Guangdong Province	Tianjin Municipality	Guangxi Autonomous Region	Hunan Province	Hubei Province	
GDP for the first half of 2020	456,614	49,234	6,309	10,206	19,026	17,481	25,608
GDP changes for the first half of 2020	-1.6%	-2.5%	-3.9%	0.8%	1.3%	-19.3%	-0.3%
GDP changes for the first half of 2019	6.3%	6.5%	4.6%	5.9%	7.2%	8.0%	7.7%

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

Regulatory Environment of the Sector

During the Reporting Period, to cope with COVID-19, the Central Government of China has adopted a series of prevention and control measures, including: implementation of toll-free for small passengers vehicles on toll roads from 0:00 on 24 January 2020 to 24:00 on February 8 (extended by 9 days on the original basis) during the 2020 Spring Festival Holiday according to the “Notice of the Work Related to Exempting Toll Fee for Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於做好二〇二〇年春節假期免收小型客車通行費有關工作的通知), the “Notice of Extension for the toll-free Period of Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於延長二〇二〇年春節假期小型客車免費通行時段的通知) and the “Notice of Extension for the toll-free Period of Small Passengers Vehicles on Toll Roads during the Spring Festival Holiday” (關於延長春節假期收費公路免收小型客車通行費時段的通知). According to the “Notice of Exempting Toll Fees on Toll Roads During the Period of Prevention and Control of Novel Coronavirus” (關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知), toll fee on the toll roads were exempted across the country from 0:00 on 17 February 2020 to the end of the disease prevention and control work. According to the “Announcement of the Resumption of the Collection of Toll Fee on Toll Roads” (關於恢復收費公路收費的公告), the Group has resumed toll collection on roads which lawfully charge toll fee (79 toll-free days in total) and all projects of the Group have been resumed to normal toll collection from 0:00 on 6 May 2020. At the same time, according to the “Notice of Exempting Toll Fees on Toll Roads During the Period of Prevention and Control of Novel Coronavirus” (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), supporting policies will be issued separately to protect the interests of all parties, and the Group is actively communicating with competent authorities of expressway industry and its counterparts to follow up the implementation of the safeguard policies and ensure the benefits of the Company. In addition, in order to actively cooperate with the epidemic prevention and control work, all projects of the Group actively take various measures such as disinfection of the office space and toll station area, establishment of prevention and control isolation areas and body temperature detection points, priority access for the emergency relief vehicles and maintaining close communication with local hygiene and health authorities.

During the Reporting Period, according to the “Notice of the General Office of the State Council on Publishing the Implementation Plan of the Promotion of the Toll Road System Reform and Cancellation of Expressway Provincial Border Toll Stations” (《國務院辦公廳關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》) and related technical plans, all provincial expressway toll stations across the country were closed since 1 January 2020 as scheduled. The Group actively responded to the request of cancellation of provincial toll stations from competent authorities of the industry and carried out the relevant measures, such as the construction of ETC gantry systems, the renovation of ETC lanes and the installation of non-stop weight inspection systems for projects operated by the Group. Existing toll stations at provincial borders of projects operated by the Group, namely, Cangyu Expressway, Jinxiong Expressway, Daguangnan Expressway and Qinglian Expressway, were removed as scheduled, and system switching and co-network operation were successfully achieved.

During the reporting period, in accordance with the industry standard of “Vehicle Classification of the Toll Highway” implemented on January 1, 2020, in the regions where the Group’s investment and operation projects are located, all vehicles are classified into three categories in a standardized way: passenger cars, trucks, and special purpose vehicles.

During the Reporting Period, the Group implemented policies of differentiating highway toll collection in the provinces (cities) where its projects operate to further lower the fee collection standard of trucks, which will affect toll revenue of each project in short term.

Business Improvements and Innovations

During the Reporting Period, the Group continued to enhance the capability on ensuring smooth traffic flow, operational management capability. We strived to improve our traffic services capability, and fully implemented our main responsibility of safety production and promoted the construction of safety production governance system and capability. We built up innovative systems, pushed for accreditation of high-tech enterprises and set up a high-level platform for innovation and development cooperation. We made great efforts to develop comprehensive maintenance and renovation as well as construction project management and control capabilities, and continued to carry out the application of new materials, technologies and skills. Overall road maintenance management level was enhanced. We actively promote the adoption of information technologies, thus effectively enhance the information synergy capabilities. Moreover, we shall continue to enhance our staff development system, improve the professional managers and key talent management system, and provide a solid foundation for the Company's long-term development.

Progress of investment

During the Reporting Period, the Group continued to look for high-quality expressway projects of large and medium sizes in order to strengthen its core business. With its base in Guangdong, Hong Kong and Macau Greater Bay Area, the Group actively looked for and acquired expressways which have a balanced operating cash flow from central and western provinces with developed economy so as to expand its business scale, and would also seek for development opportunities of infrastructure facility projects with stable cash flows. In addition, the Company is actively carrying out initial assessment on some of its toll road assets with stable income in order to participate in the pilot programme with a view to becoming one of the first batch of pilot companies for the REITs (immovable property investment trusts).

During the Reporting Period, the Group also completed the capital injection of RMB 76 million to Guangzhou Pazhou Port Company Limited, which constructs and operates the Guangzhou Pazhou Port Project and is 45% owned by the Company. The capital injected was mainly utilized in the first phase of the Guangzhou Pazhou Port Project. The first phase of construction of the Project has commenced and the construction of the main body will be completed by the end of the year.

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

During the Reporting Period, due to COVID-19 and related prevention and control measures (e.g. Spring Festival holiday was extended for 9 days on original basis, expressway tolls were exempted for 79 days nationwide, etc.), the toll revenue of projects of the Group were significantly affected, generally representing a year-on-year downward trend. Since the toll collection is resumed (0:00am, 6 May), the toll revenue of each project of the Group in general presented positive recovering trend.

Subsidiaries

GNSR Expressway

During the Reporting Period, the average daily toll revenue was RMB 2,512,000, representing a decrease of 20.6% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB3,373,000, representing an increase of 3.8% when compared with May to June 2019.

Cangyu Expressway

During the Reporting Period, the average daily toll revenue was RMB 145,000, representing a decrease of 21.9% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB175,000, representing an increase of 6.8% when compared with May to June 2019.

Jinxiong Expressway

During the Reporting Period, the average daily toll revenue was RMB 198,000, representing a decrease of 20.5% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB246,000, representing an increase of 1.9% when compared with May to June 2019.

Han-Xiao Expressway

During the Reporting Period, the average daily toll revenue was RMB 448,000, representing a decrease of 4.5% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB536,000, representing an increase of 18.5% when compared with May to June 2019.

The year-on-year less decrease in the Reporting Period of daily toll revenue was mainly attributable to the connection effects brought by the completion of road expansion of Fuhe Bridge (which is connected to the project) since June 2019.

Changzhu Expressway

During the Reporting Period, the average daily toll revenue was RMB 554,000, representing a decrease of 13.9% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB703,000, representing an increase of 12.0% when compared with May to June 2019.

Weixu Expressway

During the Reporting Period, the average daily toll revenue was RMB 895,000, representing a decrease of 19.3% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB1,158,000, representing an increase of 3.0% when compared with May to June 2019.

Suiyuanan Expressway

During the Reporting Period, the average daily toll revenue was RMB 1,515,000, representing a decrease of 16.3% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB1,754,000, representing an decrease of 0.5% when compared with May to June 2019.

Hancai Expressway

During the Reporting Period, the average daily toll revenue was RMB 515,000, representing a decrease of 24.9% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB686,000, representing an increase of 2.2% when compared with May to June 2019.

Han'e Expressway

During the Reporting Period, the average daily toll revenue was RMB 382,000, representing a decrease of 21.1% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB496,000, representing an increase of 6.2% when compared with May to June 2019.

Daguangnan Expressway

During the Reporting Period, the average daily toll revenue was RMB 989,000, representing an increase of 9.5%, when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB1,114,000, representing an increase of 39.0% when compared with May to June 2019.

The year-on-year increase of daily toll revenue in the Reporting Period and in the May to June 2020 mainly attributable to a lower income base in the corresponding period last year due to the maintenance works at Nanshibi Tunnel at the Wuning, Jiangxi to north Ji'an section of Daqing-Guangzhou Expressway which was completed in August 2019.

Associates and Joint Venture

GWSR Expressway

During the Reporting Period, the average daily toll revenue was RMB 1,102,000, representing a decrease of 27.4% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB1,470,000, representing a decrease of 4.9% when compared with May to June 2019.

Humen Bridge

During the Reporting Period, the average daily toll revenue was RMB 1,141,000, representing a decrease of 68.7% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB1,291,000, representing a decrease of 58.1% when compared with May to June 2019.

The daily toll revenue year-on-year decrease significantly in the Reporting Period and in May to June was mainly due to diversion upon commencement of operation of Nansha Bridge since April 2019, truck and passenger vehicle restrictions on Humen Bridge since August 2019 and traffic control due to the vortex vibration phenomenon during 5 to 15 May 2020.

Northern Ring Road

During the Reporting Period, the average daily toll revenue was RMB 1,588,000, representing a decrease of 23.3% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB1,914,000, representing a decrease of 8.7% when compared with May to June 2019.

Shantou Bay Bridge

During the Reporting Period, the average daily toll revenue was RMB 365,000, representing a decrease of 32.5% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB498,000, representing a decrease of 8.9% when compared with May to June 2019.

The daily toll revenue year-on-year decrease significantly in the Reporting Period was mainly due to the diversion caused by cancellation of toll fee for Queshi Bridge, which is parallel to Shantou Bay Bridge, since January 1, 2020.

Qinglian Expressway

During the Reporting Period, the average daily toll revenue was RMB 2,029,000, representing a decrease of 13.0% when compared with the first half of 2019. During May to June, the average daily toll revenue was RMB2,432,000, representing an increase of 19.1% when compared with May to June 2019.

FINANCIAL REVIEW

Key operating results figures

	Six months ended 30 June		Change %
	2020	2019	
	RMB'000	RMB'000	
Revenue	839,590	1,380,910	-39.2
Gross profit	252,128	976,441	-74.2
Operating profit	198,011	904,500	-78.1
Earnings before interests, tax, depreciation and amortisation (“EBITDA”) ⁽¹⁾	677,761	1,448,240	-53.2
Finance costs	(406,228)	(160,708)	152.8
Share of result of a joint venture	5,184	45,272	-88.5
Share of results of associates	(17,045)	170,764	turned loss
(Loss)/profit attributable to shareholders of the Company	(288,121)	635,070	turned loss
Basic and diluted (loss)/earnings per share	RMB(0.1722)	RMB0.3796	turned loss
Interim dividend	—	271,042	

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

I. Overview of operating results

The Group's revenue decreased by 39.2 percent to RMB839.6 million, operating profit decreased by 78.1 percent to RMB198.0 million and loss attributable to shareholders of the Company amounted to RMB288.1 million (same period in 2019: profit attributable to shareholders of the Company of RMB635.1 million) in the Reporting Period. The said decrease was mainly attributed to the outbreak of coronavirus disease 2019 ("COVID-19") and implementation of relevant fee exemption measures ("fee exemption measures", e.g. free toll of small passengers vehicles during Spring Festival holiday was extended for 9 days on original basis, expressway tolls were exempted for 79 days nationwide, etc.), and the financial performance of the Group during the Reporting Period was significantly affected.

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: HK\$0.18 which was equivalent to approximately RMB0.1620 per share).

II. Analysis of operating results

Revenue

The Group recorded total revenue of RMB839.6 million in the Reporting Period, representing a decrease of 39.2 percent as compared with same period in 2019. Excluding the consolidation of revenue of the three newly acquired expressways in Hubei province in November 2019, the Group's revenue decreased by 53.3 percent to RMB645.4 million in the Reporting Period.

Analysis of revenue by each controlled project

Controlled Projects	Reporting	Percentage	First half	Percentage	Change
	Period	of total	of 2019	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	258,709	30.8	572,703	41.5	-54.8
Suiyuanan Expressway	155,996	18.6	327,450	23.7	-52.4
Daguangnan Expressway	101,825	12.1	—	—	N/A
Weixu Expressway	92,170	11.0	200,705	14.5	-54.1
Changzhu Expressway	57,080	6.8	116,503	8.4	-51.0
Hancai Expressway	53,009	6.3	—	—	N/A
Han-Xiao Expressway	46,183	5.5	84,939	6.2	-45.6
Han'e Expressway	39,329	4.7	—	—	N/A
Jinxiong Expressway	20,377	2.4	45,060	3.3	-54.8
Cangyu Expressway	14,912	1.8	33,550	2.4	-55.6
Total	<u>839,590</u>	<u>100.0</u>	<u>1,380,910</u>	<u>100.0</u>	-39.2

GNSR Expressway accounted for 30.8 percent (same period in 2019: 41.5 percent) of the total toll revenue of the Group's controlled projects in the Reporting Period. Toll revenue of GNSR Expressway decreased by 54.8 percent to RMB258.7 million in the Reporting Period.

Suiyuanan Expressway, ranked second in terms of toll revenue and accounted for 18.6 percent (same period in 2019: 23.7 percent) among controlled projects. Toll revenue of Suiyuanan Expressway decreased by 52.4 percent to RMB156.0 million in the Reporting Period.

Daguangnan Expressway was consolidated to the Group on 8 November 2019. It ranked third in terms of toll revenue. Toll revenue of Daguangnan Expressway amounted to RMB101.8 million and accounted for 12.1 percent among controlled projects.

Weixu Expressway, ranked fourth in terms of toll revenue and accounted for 11.0 percent (same period in 2019: 14.5 percent) among controlled projects. Toll revenue of Weixu Expressway decreased by 54.1 percent to RMB92.2 million in the Reporting Period.

Changzhu Expressway, ranked fifth in terms of toll revenue and accounted for 6.8 percent (same period in 2019: 8.4 percent) among controlled projects. Toll revenue of Changzhu Expressway decreased by 51.0 percent to RMB57.1 million in the Reporting Period.

Hancai Expressway was consolidated to the Group on 8 November 2019. It ranked sixth in terms of toll revenue. Toll revenue of Hancai Expressway amounted to RMB53.0 million and accounted for 6.3 percent among controlled projects.

Han-Xiao Expressway, ranked seventh in terms of toll revenue and accounted for 5.5 percent (same period in 2019: 6.2 percent) among controlled projects. Toll revenue of Han-Xiao Expressway decreased by 45.6 percent to RMB46.2 million in the Reporting Period.

Han'e Expressway was consolidated to the Group on 8 November 2019. It ranked eighth in terms of toll revenue. Toll revenue of Han'e Expressway amounted to RMB39.3 million and accounted for 4.7 percent among controlled projects.

Jinxiong Expressway, ranked ninth in terms of toll revenue and accounted for 2.4 percent (same period in 2019: 3.3 percent) among controlled projects. Toll revenue of Jinxiong Expressway decreased by 54.8 percent to RMB20.4 million in the Reporting Period.

Cangyu Expressway, ranked tenth in terms of toll revenue and accounted for 1.8 percent (same period in 2019: 2.4 percent) among controlled projects. Toll revenue of Cangyu Expressway dropped 55.6 percent to RMB14.9 million in the Reporting Period.

Cost of services

In the Reporting Period, the total cost of services of the Group amounted to RMB587.5 million (same period in 2019: RMB404.5 million), representing an increase of RMB183.0 million or 45.2 percent as compared with that of the same period in 2019. Cost ratio (cost of services/revenue) was 70.0 percent in the Reporting Period, and 40.7 percentage point higher than that of the same period in 2019. The increase in cost of services was mainly due to consolidation impact of RMB177.2 million cost of services from the three expressways newly acquired in Hubei Province in November 2019.

Analysis of cost of services by each controlled project

Controlled Projects	Reporting Period RMB'000	Percentage of total %	First half of 2019 RMB'000	Percentage of total %	Change %
GNSR Expressway	134,229	22.9	134,693	33.3	-0.3
Suiyuanan Expressway	82,649	14.1	72,398	17.9	14.2
Daguangnan Expressway	76,652	13.0	—	—	N/A
Weixu Expressway	61,840	10.5	57,543	14.2	7.5
Changzhu Expressway	51,884	8.8	56,371	13.9	-8.0
Hancai Expressway	59,545	10.1	—	—	N/A
Han-Xiao Expressway	37,493	6.4	34,836	8.6	7.6
Han'e Expressway	40,999	7.0	—	—	N/A
Jinxiong Expressway	28,249	4.8	30,144	7.5	-6.3
Cangyu Expressway	13,922	2.4	18,484	4.6	-24.7
Total	587,462	100.0	404,469	100.0	45.2

Analysis of cost of services by nature

	Reporting Period RMB'000	Percentage of total %	First half of 2019 RMB'000	Percentage of total %	Change %
Amortisation of intangible operating rights	470,083	80.0	302,923	74.9	55.2
Staff costs	69,698	11.9	57,490	14.2	21.2
Toll highways and bridges operating expenses	26,714	4.5	17,665	4.4	51.2
Toll highways and bridges maintenance expenses	13,024	2.2	16,661	4.1	-21.8
Taxes and surcharges	4,042	0.7	5,190	1.3	-22.1
Depreciation of other fixed assets	3,901	0.7	4,540	1.1	-14.1
Total	<u>587,462</u>	<u>100.0</u>	<u>404,469</u>	<u>100.0</u>	45.2

Gross profit

Gross profit in the Reporting Period was RMB252.1 million, which was RMB724.3 million lower than that of the same period in 2019. Gross profit margin in the Reporting Period was 30.0 percent, which was 40.7 percentage point lower than same period in 2019. During the period of fee exemption measures, even though no revenue was recognised, the amortisation of intangible operating rights was recorded in accordance with the unit-of-usage basis based on the traffic volume.

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

Controlled Projects	Reporting Period		First half of 2019	
	Gross	Gross	Gross Profit	Gross Profit
	Profit/(Loss)	Profit/(Loss)		
Profit/(Loss)	Margin ⁽¹⁾	Gross Profit	Margin ⁽¹⁾	
	RMB'000		RMB'000	
GNSR Expressway	124,480	48.1%	438,010	76.5%
Suiyuan Expressway	73,347	47.0%	255,052	77.9%
Daguangnan Expressway	25,173	24.7%	—	—
Weixu Expressway	30,330	32.9%	143,162	71.3%
Changzhu Expressway	5,196	9.1%	60,132	51.6%
Hancai Expressway	(6,536)	-12.3%	—	—
Han-Xiao Expressway	8,690	18.8%	50,103	59.0%
Han'e Expressway	(1,670)	-4.2%	—	—
Jinxiong Expressway	(7,872)	-38.6%	14,916	33.1%
Cangyu Expressway	990	6.6%	15,066	44.9%
Total	<u>252,128</u>	<u>30.0%</u>	<u>976,441</u>	<u>70.7%</u>

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

General and administrative expenses

The Group's general and administrative expenses in the Reporting Period amounted to RMB91.0 million, representing a decrease of 7.6 percent from RMB98.5 million in the same period in 2019, mainly due to decrease in staff cost of RMB 20.1 million (excluding the three newly acquired expressways in November 2019) in the Reporting Period net off against general and administrative expenses of RMB13.6 million from the three expressways newly acquired in Hubei Province in November 2019.

Other income, gains and losses — net

The Group's other income, gains and losses — net was a gain of RMB36.9 million in the Reporting Period (same period in 2019: RMB26.5 million), which represented an increase of RMB10.4 million over the same period in 2019. The increase was mainly due to other income of RMB12.1 million from the three expressways newly acquired in Hubei Province in November 2019.

Finance income/Finance costs

The Group's finance income in the Reporting Period amounted to RMB13.7 million (same period in 2019: RMB14.9 million) which was 7.7 percent lower than that of the same period in 2019.

The Group's finance costs in the Reporting Period increased by 152.8 percent to RMB406.2 million as compared with same period in 2019 of RMB160.7 million, mainly due to increase in total interest expense resulting from the acquisition of the three expressways in Hubei Province in November 2019. The Group's overall weighted average interest rate in the Reporting Period was 4.21 percent (same period in 2019: 4.11 percent).

Share of results of associates and a joint venture

Due to outbreak of COVID-19 and implementation of fee exemption measures, the share of results of associates and a joint venture during the Reporting Period was affected. The Group's share of losses of associates and a joint venture was RMB11.9 million in the Reporting Period (same period in 2019: share of profit of RMB216.0 million).

Share of post-tax profit of Northern Ring Road in the Reporting Period decreased by 99.0 percent to RMB0.6 million. Toll revenue at the project company level dropped by 56.3 percent to RMB163.5 million in the Reporting Period.

Share of post-tax profit of Humen Bridge in the Reporting Period decreased by 98.6 percent to RMB1.0 million. Toll revenue at the project company level has decreased by 82.2 percent to RMB117.5 million in the Reporting Period. In addition to the impact brought by COVID-19 and fee exemption measures, the decrease was attributed to traffic diversion resulting from the commencement of operation of Nansha Bridge since April 2019, the truck restrictions on Humen Bridge in certain timeslots since August 2019 and the traffic control effective from 5 May 2020 to 15 May 2020 due to the vortex vibration effect.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Period decreased by 86.6 percent to RMB2.1 million. Toll revenue at the project company level decreased by 61.6 percent to RMB37.6 million in the Reporting Period. In addition to the impact brought by COVID-19 and fee exemption measures, the decrease was attributed to traffic diversion resulting from the cancellation of toll fee for Queshi Bridge, which is parallel to Shantou Bay Bridge, since 1 January 2020.

Share of post-tax loss of Qinglian Expressway in the Reporting Period amounted to RMB20.8 million (same period in 2019: share of post-tax profit of RMB18.0 million). Toll revenue at the project company level decreased by 50.5 percent to RMB209.0 million in the Reporting Period.

Share of post-tax profit of GWSR Expressway in the Reporting Period decreased by 88.5 percent to RMB5.2 million. Toll revenue at the project company level decreased by 58.7 percent to RMB113.5 million in the Reporting Period.

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

	Profit Sharing ratio %	Toll revenue		Share of results	
		Reporting Period	YoY change	Reporting Period	YoY change
		RMB'000	%	RMB'000	%
Associates					
Northern Ring Road	24.3	163,534	-56.3	615	-99.0
Humen Bridge	18.446	117,511	-82.2	1,034	-98.6
Shantou Bay Bridge	30.0	37,564	-61.6	2,115	-86.6
Qinglian Expressway	23.63	<u>208,989</u>	-50.5	<u>(20,809)</u>	turned loss
Sub-total		527,598	-66.0	(17,045)	turned loss
Joint venture					
GWSR Expressway	35.0	<u>113,475</u>	-58.7	<u>5,184</u>	-88.5
Total		<u>641,073</u>	-64.9	<u>(11,861)</u>	turned loss

Income tax expense

Total income tax expense of the Group in the Reporting Period decreased by 41.6% to RMB57.9 million. The decrease was mainly due to the decrease in profit before tax during the Reporting Period with no prior year tax concession recorded by GNSR Expressway (same period in 2019: RMB95.9 million).

(Loss)/Profit attributable to shareholders of the Company

The Company reported loss attributable to its shareholders of RMB288.1 million in the Reporting Period, where the Company reported profit attributable to its shareholders of RMB635.1 million in the same period in 2019. The loss was mainly due to the impact brought by COVID-19 outbreak and fee exemption measures during the Reporting Period.

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

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

	Reporting Period RMB'000	Percentage of total %	First half of 2019 RMB'000	Percentage of total %	Change %
Net (loss)/profit from controlled projects	(25,958)	68.6	566,983	72.4	turned loss
Net (loss)/profit from non-controlled projects ⁽¹⁾	<u>(11,861)</u>	<u>31.4</u>	<u>216,036</u>	<u>27.6</u>	turned loss
Net (loss)/profit from projects	<u>(37,819)</u>	<u>100.0</u>	783,019	<u>100.0</u>	turned loss
Withholding tax on PRC dividends/income	(5,045)		(30,240)		-83.3
Corporate expenses	(57,353)		(69,050)		-16.9
Corporate income/gains, net	5,721		2,679		113.5
Corporate finance income	7,926		10,406		-23.8
Corporate finance costs	<u>(201,551)</u>		<u>(61,744)</u>		226.4
(Loss)/profit attributable to shareholders of the Company	<u>(288,121)</u>		<u>635,070</u>		turned loss

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

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

Controlled Projects	Reporting Period RMB'000	First half of 2019 RMB'000	Change %
GNSR Expressway	69,342	287,761	-75.9
Suiyuenan Expressway	13,490	102,003	-86.8
Daguangnan Expressway	(36,333)	—	N/A
Weixu Expressway	19,168	102,320	-81.3
Changzhu Expressway	(27,768)	28,551	turned loss
Hancai Expressway	(11,974)	—	N/A
Han-Xiao Expressway	(2,552)	26,442	turned loss
Han'e Expressway	(43,202)	—	N/A
Jinxiong Expressway	(5,707)	5,961	turned loss
Cangyu Expressway	(422)	14,164	turned loss
Xian Expressway	—	(219)	N/A
Total	<u>(25,958)</u>	<u>566,983</u>	turned loss

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

Controlled Projects	Reporting Period RMB'000	First half of 2019 RMB'000	Change %
GNSR Expressway	69,342	287,761	-75.9
Suiyuan Expressway	17,539	107,695	-83.7
Daguangnan Expressway	(84,593)	—	N/A
Weixu Expressway	20,641	102,320	-79.8
Changzhu Expressway	(37,475)	20,953	turned loss
Hancai Expressway	(31,421)	—	N/A
Han-Xiao Expressway	2,050	30,099	-93.2
Han'e Expressway	(61,027)	—	N/A
Jinxiong Expressway	(5,551)	5,961	turned loss
Cangyu Expressway	(422)	14,164	turned loss
Xian Expressway	—	(219)	N/A
Total	<u>(110,917)</u>	<u>568,734</u>	turned loss

In the Reporting Period, net loss from non-controlled projects (which were all toll projects with analysis shown in the aforementioned table “Analysis of share of results of associates and a joint venture and respective toll revenue”) was RMB11.9 million (same period in 2019: net profit from non-controlled projects of RMB216.0 million).

At the corporate level, the withholding tax on PRC dividends/income decreased by RMB25.2 million, mainly because the decrease in profit from PRC subsidiaries during the Reporting Period lead to corresponding decrease in withholding tax provided. The decrease in corporate expense of RMB11.7 million was mainly due to decrease in staff cost during the Reporting Period. In addition, the corporate finance cost increased by RMB139.8 million mainly due to increase in average external debt balance due to newly acquisition of three expressways in Hubei Province in November 2019 as compared with that of the same period in 2019. The corporate finance income and corporate income/gain, net remained at a similar level as that of the same period in 2019.

Interim dividend

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: HK\$0.18 which was equivalent to approximately RMB0.1620 per share).

III. Analysis of financial position

Key financial position figures

	(Unaudited)		
	30 June	31 December	
	2020	2019	Change
	RMB'000	RMB'000	%
Total assets	36,171,668	36,797,875	-1.7
Total liabilities	23,189,868	23,169,125	0.1
Cash and cash equivalents	1,156,723	1,435,062	-19.4
Total debts	18,515,117	18,356,703	0.9
Of which: bank borrowings	14,192,918	14,520,385	-2.3
Other borrowing	200,000	700,000	-71.4
Corporate bonds	1,908,342	1,907,554	—
Notes payable	1,993,855	996,522	100.1
Current ratio	0.5 times	0.7 times	
EBITDA interest coverage	1.7 times	7.6 times	
Equity attributable to the shareholders of the Company	9,972,877	10,571,655	-5.7

Assets, Liabilities and Equity

As at 30 June 2020, the Group's total assets amounted to RMB36.2 billion which was 1.7 percent lower than that balance as at 31 December 2019. The Group's total assets comprised mainly of intangible operating rights of RMB31.9 billion (31 December 2019: RMB32.4 billion); investments in a joint venture and associates of RMB1.93 billion (31 December 2019: RMB1.87 billion); and cash and cash equivalents of RMB1.2 billion (31 December 2019: RMB1.4 billion).

As at 30 June 2020, the Group's total liabilities amounted to RMB23.2 billion which was 0.1 percent higher than the balance as at 31 December 2019. The Group's total liabilities comprised mainly of bank borrowings of RMB14.2 billion (31 December 2019: RMB14.5 billion); other borrowing of RMB0.2 billion (31 December 2019: RMB0.7 billion); corporate bonds of RMB1.9 billion (31 December 2019: RMB1.9 billion); notes payable of RMB2.0 billion (31 December 2019: RMB1.0 billion); loans from non-controlling interests of RMB67.8 million (31 December 2019: RMB71.9 million); loan from a joint venture of RMB147.0 million (31 December 2019: RMB147.0 million) and deferred income tax liabilities of RMB3.3 billion (31 December 2019: RMB3.2 billion).

As at 30 June 2020, the Group's total equity decreased by RMB646.9 million to RMB13.0 billion (31 December 2019: RMB13.6 billion), of which RMB10.0 billion was attributable to the shareholders of the Company (31 December 2019: RMB10.6 billion).

Analysis of major assets, liabilities and equity items

	(Unaudited)		
	30 June	31 December	
	2020	2019	Change
	RMB'000	RMB'000	%
Total assets	36,171,668	36,797,875	-1.7
Approximately 90.0% of which:			
Intangible operating rights	31,944,059	32,369,121	-1.3
Investments in a joint venture and associates	1,927,486	1,870,676	3.0
Cash and cash equivalents	1,156,723	1,435,062	-19.4
Total liabilities	23,189,868	23,169,125	0.1
Approximately 90.0% of which:			
Bank borrowings – due within 1 year	1,030,921	805,148	28.0
– long-term portion	13,161,997	13,715,237	-4.0
Other borrowing – due within 1 year	—	500,000	-100.0
– long-term portion	200,000	200,000	—
Corporate bonds – due within 1 year	988,608	—	N/A
– long-term portion	919,734	1,907,554	-51.8
Notes payable – long-term portion	1,993,855	996,522	100.1
Loans from non-controlling interests	67,788	71,914	-5.7
Loan from a joint venture	147,000	147,000	—
Deferred income tax liabilities	3,259,735	3,244,298	0.5
Total equity	12,981,800	13,628,750	-4.7
Of which: Equity attributable to the shareholders of the Company	9,972,877	10,571,655	-5.7

Cash flows

It has been the primary objective of the Group to focus on preventing risk and improving liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Period, the Group's cash and cash equivalents amounted to RMB1,156.7 million which was 19.4 percent lower than the level at 31 December 2019. 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	
	2020	2019
	RMB'000	RMB'000
Net cash generated from operating activities	446,577	1,023,375
Net cash (used in)/generated from investing activities	(107,845)	188,420
Net cash used in financing activities	(618,980)	(1,416,137)
Decrease in cash and cash equivalents	(280,248)	(204,342)
Cash and cash equivalents at 1 January	1,435,062	2,393,222
Effect of exchange rate changes on cash and cash equivalents	1,909	(2,037)
Cash and cash equivalents at 30 June	<u>1,156,723</u>	<u>2,186,843</u>

Net cash generated from operating activities during the Reporting Period amounted to RMB446.6 million (30 June 2019: RMB1,023.4 million), which was the sum of cash generated from operations of RMB533.7 million (30 June 2019: RMB1,109.9 million) less PRC enterprise income tax and withholding tax paid of RMB87.1 million (30 June 2019: RMB86.5 million).

Net cash used in investing activities during the Reporting Period amounted to RMB107.8 million (30 June 2019: net cash generated of RMB188.4 million). The outflow was mainly capital expenditures of RMB140.5 million (30 June 2019: RMB33.4 million). The inflow mainly consisted of dividend distributions from an associate of RMB6.6 million (30 June 2019: dividend distributions from associates and a joint venture of RMB196.3 million); proceeds from compensation arrangement of RMB13.8 million (30 June 2019: RMB12.7 million) and interest received in aggregate of RMB12.3 million (30 June 2019: RMB12.8 million).

Net cash used in financing activities during the Reporting Period amounted to RMB619.0 million (30 June 2019: RMB1,416.1 million). The outflow mainly included repayment of bank borrowings amounted to RMB803.3 million (30 June 2019: RMB761.4 million); repayment of other borrowings of RMB500.0 million (30 June 2019: Nil); payment of finance costs and related fees of RMB377.2 million (30 June 2019: RMB146.5 million); dividends paid to the shareholders of the Company of RMB314.5 million (30 June 2019: RMB346.2 million); dividend paid to non-controlling interests of RMB72.1 million (30 June 2019: RMB144.0 million); and payment for lease liabilities (including interest) of RMB18.1 million (30 June 2019: RMB5.9 million). There were no repayment of corporate bonds (30 June 2019: RMB10.0 million) and no repayments of loans from non-controlling interest of subsidiaries (30 June 2019: RMB2.1 million) during the Reporting Period. The inflow mainly included the drawdown of bank borrowings of RMB470.0 million (30 June 2019: Nil) and net proceed from notes payable of RMB996.2 million (drawn on 13 January 2020).

Current ratio

The current ratio (current assets over current liabilities) as at 30 June 2020 was 0.5 times (31 December 2019: 0.7 times). The current assets balance as at 30 June 2020 was RMB1,548.8 million (31 December 2019: RMB1,798.1 million) and current liabilities balance was RMB3,099.1 million (31 December 2019: RMB2,535.0 million). Cash and cash equivalents were the major components of the Group's current assets and amounted to RMB1,156.7 million as at 30 June 2020 (31 December 2019: RMB1,435.1 million). The Group's current liabilities as at 30 June 2020 included short-term borrowings (i.e. maturities within one year) of RMB2,019.5 million (31 December 2019: RMB1,305.1 million), which consisted of bank borrowings of RMB1,030.9 million and corporate bonds of RMB988.6 million (31 December 2019: bank borrowings of RMB805.1 million and other borrowings of RMB500.0 million). Management will continue to take a prudent approach to effectively match the existing cash, future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the period ended 30 June 2020 was 1.7 times (30 June 2019: 9.8 times) which was measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the period ended 30 June 2020 was 3.7 percent (30 June 2019: 21.9 percent) which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings, other borrowing, corporate bonds and notes payable ("total external debts").

Profit before interest and income tax interest coverage for the period ended 30 June 2020 was 0.5 times (30 June 2019: 7.7 times) which was measured as the ratio of profit before interest and tax to interest expenses (profit and loss impact).

Cash interest coverage for the period ended 30 June 2020 was 2.4 times (30 June 2019: 8.6 times) which was measured as the ratio of cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Period, total capital expenditures amounted to RMB140.5 million (same period in 2019: RMB33.4 million). Capital expenditures related to intangible operating rights and fixed assets included (1) payments of construction costs of toll highways and bridges upgrade services of RMB53.1 million (same period in 2019: RMB31.1 million) and (2) purchase of property, plant and equipment of RMB11.4 million (same period in 2019: RMB2.3 million). During the Reporting Period, capital to injection in an associate, Guangzhou Pazhou Port Company Limited, of RMB76.0 million (same period in 2019: Nil) was made. Apart from the aforementioned, no material capital expenditures was incurred during the Reporting Period. Going forward, the management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investment 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 and to ensure financial leverage ratios to remain at safe levels on the other hand.

Analysis of capital structures

	(Unaudited)	
	30 June 2020	31 December 2019
	RMB'000	RMB'000
Total external debts		
Bank borrowings	14,192,918	14,520,385
Other borrowing	200,000	700,000
Corporate bonds ⁽¹⁾	1,908,342	1,907,554
Notes payable ⁽²⁾	1,993,855	996,522
Loans from non-controlling interests	67,788	71,914
Loan from a joint venture	147,000	147,000
Amount due to a joint venture	175	2,490
Lease liabilities	5,039	10,838
	<u>18,515,117</u>	<u>18,356,703</u>
Total debts	18,515,117	18,356,703
Less: cash and cash equivalents	(1,156,723)	(1,435,062)
	<u>17,358,394</u>	<u>16,921,641</u>
Net debt	17,358,394	16,921,641
	<u>12,981,800</u>	<u>13,628,750</u>
Total Equity	12,981,800	13,628,750
Of which: Equity attributable to the shareholders of the Company	9,972,877	10,571,655
	<u>30,340,194</u>	<u>30,550,391</u>
Total capitalization (Net debt + Total equity)	<u>30,340,194</u>	<u>30,550,391</u>
Financial ratios		
Gearing ratio (net debt/total capitalization)	57.2%	55.4%
Debt to Equity ratio (net debt/total equity)	133.7%	124.2%
Total liabilities/Total assets ratio	64.1%	63.0%

(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:	RMB290 million	RMB700 million	RMB120 million	RMB800 million
Principal repayment date:	21 March 2021	21 March 2023	26 October 2021	26 October 2023
Coupon rate (per annum):	4.10%	3.38%	3.60%	3.18%
Upcoming interest payment date:	21 March 2021	21 March 2021	26 October 2020	26 October 2020
Stock Exchange:	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange

(2) Basic summary information of notes payable:

	RMB1,000 million three-year medium term notes (2019 Phase 1)	RMB1,000 million three-year medium term notes (2020 Phase 1)
Drawdown date:	2 December 2019	13 January 2020
Principal:	RMB1,000 million	RMB1,000 million
Principal repayment date:	2 December 2022	13 January 2023
Coupon rate (per annum):	3.58%	3.47%
Upcoming interest payment date:	2 December 2020	13 January 2021
Organization:	National Association of Financial Market Institutional Investors	National Association of Financial Market Institutional Investors

Financing structures

In a way to ensure the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively maintain a cost-efficient funding to its overall funding needs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by, and to take advantage of the cost differentials, not only of these two markets but also of international markets; and on the other hand, strike a balance between lowering the interest rate and mitigating exchange risk exposure. As at the end of the Reporting Period, the Group's total debts comprised of bank borrowings, other borrowing, corporate bonds, notes payable, loans from non-controlling interests, loan from a joint venture, amount due to a joint venture and lease liabilities. Debt with foreign exchange risk exposure as at 30 June 2020 was approximately RMB455.0 million (31 December 2019: approximately RMB445.5 million), where such exposure was managed with the forward contracts dated 20 June 2019.

As at 30 June 2020, the Group's total external debts in aggregate were RMB18.3 billion (31 December 2019: RMB18.1 billion) which consisted of bank borrowings of RMB14.2 billion (31 December 2019: RMB14.5 billion), other borrowing of RMB0.2 billion (31 December 2019: RMB0.7 billion), corporate bonds of RMB1.9 billion (31 December 2019: RMB1.9 billion) and notes payable of RMB2.0 billion (31 December 2019: RMB1.0 billion). Onshore and offshore debts ratio was 92.8 percent and 7.2 percent (31 December 2019: 95.2 percent and 4.8 percent). Secured external debt ratio was 46.2 percent (31 December 2019: 50.6 percent). The effective interest rate of total external debt at 30 June 2020 was 4.17 percent (31 December 2019: 4.34 percent). Of the bank borrowings, RMB13.1 billion was at floating rates and RMB1,097.5 million was at fixed rates with the overall effective interest rate of 4.28 percent at 30 June 2020 (31 December 2019: 4.37 percent). Other borrowing was at fixed rate with the effective interest rate of 6.7 percent at 30 June 2020 (31 December 2019: 6.7 percent). Corporate bonds (in four tranches) were at fixed rates with coupon rates of 4.10 percent, 3.38 percent, 3.60 percent and 3.18 percent respectively with overall effective interest rate at 3.55 percent as at 30 June 2020 (31 December 2019: 3.55 percent). Notes payable (in two tranches) were at fixed rates with coupon rate of 3.58 percent and 3.47 percent respectively with overall effective interest rate at 3.72 percent as at 30 June 2020 (31 December 2019: 3.78 percent).

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

	(Unaudited)	
	30 June	31 December
	2020	2019
	Percentage	Percentage
	of total	of total
Source		
Onshore	92.8%	95.2%
Offshore	7.2%	4.8%
	100.0%	100.0%
Repayment term		
Within 1 year	11.0%	7.2%
1 to 2 year	14.4%	16.5%
More than 2 years and less than 5 years	43.4%	38.9%
Above 5 years	31.2%	37.4%
	100.0%	100.0%
Currency		
RMB	97.5%	97.5%
HKD	2.5%	2.5%
	100.0%	100.0%
Interest rate		
Fixed	28.4%	23.5%
Floating	71.6%	76.5%
	100.0%	100.0%
Terms of credit		
Secured	46.2%	50.6%
Unsecured	53.8%	49.4%
	100.0%	100.0%

Loans from non-controlling interests of certain subsidiaries were unsecured, interest-free, long-term and denominated in RMB. The carrying amounts of these loans approximate their fair values which were calculated based on cash flows discounted at a rate of 4.35 percent (31 December 2019: 4.35 percent) per annum.

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

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

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and approximately 97.5 percent (31 December 2019: 97.5 percent) of its external debts are denominated in RMB. As at the end of the Reporting Period, the Group's foreign-currency denominated assets and liabilities mainly include external debt of HK\$498.1 million (equivalent to approximately RMB455.0 million). The Group had entered into forward contracts to hedge the foreign exchange risk. As the foreign exchange market is still volatile, the Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, optimize its debt structure and control its foreign exchange exposure.

IV. Capital commitments and contingent liabilities

As at 30 June 2020, the Group had capital commitments related to intangible operating rights and property, plant and equipment, of which approximately RMB98.7 million being contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 30 June 2020. There were no significant contingent liabilities as at 30 June 2020.

V. Employees

As at 30 June 2020, the Group had approximately 1,970 employees of whom about 1,609 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

FUTURE PROSPECTS

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

So far, the prevention and control measures of the new coronavirus pandemic (“**COVID-19 pandemic**”) adopted by various countries are still under huge pressures due to the global spread of COVID-19 pandemic, delivering tough blow to the world economic system. In addition, intensifying geopolitical conflict against the backdrop of COVID-19 pandemic has also painted a grim outlook of global economy with uncertainties. According to the World Economic Outlook updated by the IMF on June 24, there is a higher-than-usual degree of global uncertainty around this forecast. The global growth is projected at negative 4.9 percent in 2020, and the recovery is projected to be more gradual than that was previously forecast.

At present, the COVID-19 pandemic appears to be effectively controlled in China, and domestic economic activities has returned to normal since the reopening of businesses at steady and gradual pace. The latest series of economic data also show that the Chinese economy has been resilient against the COVID-19 pandemic. As the pressures and challenges still weigh on the external economic landscape and the pandemic-control, China is expected to focus on pursuing economic progress while ensuring overall stability. Upon the balance between normalizing Covid-19 prevention efforts and promoting economic and social development, China’ economy will be propelled to a phase of high-quality growth.

During the first half of 2020, the toll road sector has been hit hard by the 79-day moratorium on tolls. Growth of traffic volumes however on domestic expressway gradually resumed since 6th May upon resumption of toll collection. Being an important subset of transportation infrastructures, future volumes growth of expressways, which provide huge supports to economic and social development, will be boosted by various factors, including social public's rigid demand of road usage, a fully resumed express delivery business, potential growth of domestic car ownership, and residents who gradually turn preference toward private cars as impacted by the normalized pandemic prevention and controls. As of the date of announcement, the Guangxi Zhuang Autonomous Region became the first to launch the compensation scheme in relation to the moratorium on toll fees, paving the way for the upcoming compensation measures amid provinces as expected to protect the legitimate interests of operators and creditors. Such progress will be closely monitored by the Group.

Future Development Strategy

China has a sizable reserve of expressway assets. Given Chinese economy's overall positive trend and strong resilience, the Group believes that leveraging on the efforts of our professional investment team, the prospect of discovering and acquiring high-quality assets is promising. Since listing, the Group has focused on investment and operation within the toll road sector, and has accumulated extensive experience. Looking ahead, the Group will continue to deepen our engagement in the Guangdong-Hong Kong-Macau Greater Bay Area, which has a high degree of economic development, as well as the central provinces, with the transformation of industries, enjoy considerable growth potential. Aside from seeking opportunities for acquisition and merger of high quality toll road assets, the Group also pays attention to opportunities of reconstruction and expansion, and seeks to enhance the operating efficiency of assets through refined operation management, debt optimization and reorganization so as to accumulate acquisition and integration capabilities in the long run.

The Group follows and implements prudent financial policies. The Group completed the acquisition of the Hancai Expressway, the Han'e Expressway and the Daguangnan Expressway in the fourth quarter of 2019, and here the overall gearing ratio increased. The Group coordinated its domestic and overseas financial resources to leverage of the advantages of cross-border financing platforms in the two areas, so as to optimize the debt structure, reduce financial costs, ensure sufficient liquidity and financial stability, and withstand the impact of the COVID-19 epidemic and the free-toll policy. After full evaluation by domestic and foreign credit rating agencies, the investment grade credit rating of the Group has been maintained. Going forward, the management shall adhere to the prudent financial policy, and strive to achieve a reasonable balance between business expansion and financial security.

In addition, the China Securities Regulatory Commission officially issued the “Guidelines for the Public Offering of Infrastructure Securities Investment Funds (Trial)” (《公開募集基礎設施證券投資基金指引(試行)》)(‘Guidelines’) on 7 August 2020, which marks the formal legal support of the domestic infrastructure public offering REITs pilot program. The Group will actively carry out preliminary demonstration and preparation work, explore the innovation of business models with infrastructure public offering REITs as the starting point, as well as in depth integration of asset management and sustainable development, and promote the development of our core business towards high-quality development phase, so as to create continuous and stable returns for our shareholders.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2020, the Company has complied with the code provisions as set out in the Corporate Governance Code, with the exception of code provision A.4.1.

Code Provision A.4.1

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

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2020 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 2020. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

By Order of the Board

Yuexiu Transport Infrastructure Limited

LI Feng

Chairman

Hong Kong, 19 August 2020

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

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

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