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**Shenzhen Investment Holdings Bay Area
Development Company Limited**
深圳投控灣區發展有限公司
(incorporated in the Cayman Islands with limited liability)
Stock Codes: 737 (HKD counter) and 80737 (RMB counter)

**INTERIM RESULTS FOR THE SIX MONTHS ENDED
30 JUNE 2020**

Highlights

- During the period under review, the Group recorded a net loss of RMB115 million (first half of 2019: net profit of RMB303 million), such turnaround from profit to loss of the Group's interim results was mainly due to the fact that pursuant to a notice from the Ministry of Transport of the PRC (which was applicable to toll roads nationwide) and in light of the COVID-19 pandemic, tolls of the GS Superhighway and the GZ West Superhighway operated by the Group were waived during the period from 17 February 2020 to 5 May 2020, resulting in a significant decrease in toll revenue of the two joint ventures for the first half of 2020
- Toll collection on the GS Superhighway and the GZ West Superhighway has resumed from 6 May 2020, and toll revenue and traffic volume have been recovering gradually
- In view of the loss recorded in interim results for the first time, the Board does not declare interim dividend
- The Group and GPCG (through Guangdong Highway Construction) has published a tender notice on equity exchange centres in the PRC on 17 July 2020, intending to dispose of an aggregate of 60% equity interest in Xintang JV (representing 22.5% equity interest owned by the Group and 37.5% equity interest owned by Guangdong Highway Construction) and the corresponding shareholder's loan, so as to introduce professional property developer as strategic partner. If the Potential Disposal is materialised, the Group would still own 15% equity interest in Xintang JV, and is expected to a record gain on disposal

BUSINESS REVIEW

Overall Business Performance

In the first half of 2020, the aggregate average daily toll revenue of the GS Superhighway and the GZ West Superhighway (also known as the “Western Delta Route”) declined by 56% YoY to RMB5.61 million and the total toll revenue amounted to RMB1.02 billion. The decrease in toll revenue was mainly due to the fact that in response to the COVID-19 pandemic, the Ministry of Transport of the PRC had made various deployment for the purpose of pandemic prevention and control, including, among others, implementation of the policy of waiver of tolls on toll roads nationwide from 17 February 2020 to 5 May 2020, with a total of 79 days, and adjustments on the Holiday Toll-free Policy for small passenger vehicles with 7 seats or less during the Lunar New Year holiday in 2020, extending from the original 7 days to 16 days. The above two policies had resulted in a significant YoY decrease in toll revenue of the GS Superhighway and the GZ West Superhighway during the period under review. On the other hand, electronic toll collection (“ETC”) discount rate has been increased from 2% to 5%, effective from 1 July 2019, which continues to have minor negative impact on toll revenue of the GS Superhighway and the GZ West Superhighway.

During the period under review, affected by the aforesaid factors, the average daily toll revenue and average daily full-length equivalent traffic of the GS Superhighway fell 56% and 54% YoY to RMB3.85 million and 45,000 vehicles respectively; the average daily toll revenue and average daily full-length equivalent traffic of the GZ West Superhighway fell 55% and 52% YoY to RMB1.76 million and 27,000 vehicles respectively.

During the period under review, the Group’s shared aggregate net toll revenue was RMB462 million, representing a fall of 55% YoY. Contributions from the GS Superhighway and the GZ West Superhighway were 66% and 34% respectively.

Year	<i>1H 2019</i>	<i>1H 2020</i>	<i>% Change</i>
<i>At JV level</i>			
<i>GS Superhighway</i>			
Average daily toll revenue [#] (RMB '000)	8,733	3,847	-56%
Average daily full-length equivalent traffic* (No. of vehicles '000)	98	45	-54%
<i>GZ West Superhighway</i>			
Average daily toll revenue [#] (RMB '000)	3,952	1,762	-55%
Average daily full-length equivalent traffic* (No. of vehicles '000)	56	27	-52%

[#] Including tax

* Average daily full-length equivalent traffic is defined as the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the total number of days in the period under review. It can better reflect road usage as it takes into account total travelling distance by all vehicles on the expressway and is a standard operational statistic used throughout the industry

Operating Environment

Gradual resumption of economic activities in Mainland China

COVID-19 pandemic outbreak in Mainland China and all over the world in the beginning of 2020, business activities in Mainland China were severely hampered in the first half of the year, and the global economy was also subject to unprecedented significant impact. In light of the widespread of the COVID-19 pandemic around the world, the Guangdong provincial and local governments decisively implemented a series of pandemic prevention measures to contain the spread in communities and reduce imported cases, including postponement of work and school class resumption after the Lunar New Year holiday and implementation of compulsory quarantine arrangement for inbound travellers, in order to mitigate the exposure risk arising from movement of people. With effective control of the COVID-19 pandemic, the number of new coronavirus cases dropped progressively, economic and social activities resumed in an orderly manner, operation and production activities in cities across Guangdong Province had been fully resumed, which contributed to domestic economic recovery and boosted the rebound of transportation demand. Economy in Mainland China declined then rebounded during the first half of 2020, and the contraction of GDP of Mainland China was narrowed from 6.8% YoY in the first quarter to 1.6% YoY in the first half of the year; the contraction of GDP of Guangdong Province was narrowed from 6.7% YoY in the first quarter to 2.5% YoY in the first half of the year. Such economic recovery exceeded market expectation. It is expected that after the COVID-19 pandemic fades out and the economy in Mainland China recovers steadily in the second half of 2020, the resumption of economic activities will boost traffic volume, which is beneficial to the GS Superhighway and the GZ West Superhighway operated by the Group.

Distinctive advantages of the Guangdong-Hong Kong-Macao Greater Bay Area (the “Bay Area”)

Regional development of the Guangdong-Hong Kong-Macao Greater Bay Area is driven by four core cities, namely Hong Kong, Macao, Guangzhou and Shenzhen. The Bay Area is also composed of important hub cities such as Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, with a total area of approximately 56,000 square kilometres and a total population of more than 71 million at the end of 2019. In 2019, the GDP of the area exceeded RMB11 trillion, which accounted for approximately 12% of Mainland China’s GDP. It is one of the most active regions in the PRC in terms of economy with remarkable regional advantages and great development potential.



* Include HKSAR, Macao SAR, Guangzhou, Shenzhen, Zhuhai, Dongguan, Huizhou, Zhongshan, Foshan, Zhaoqing and Jiangmen
^ Calculated based on the average exchange rate of RMB1 to HKD1.1332 in 2019 (Census and Statistics Department, HKSAR)
Calculated based on the average exchange rate of RMB1 to MOP1.1673 in 2019 (Statistics and Census Service, Macao SAR)
Source: Statistics Bureau of Guangdong Province, Census and Statistics Department, HKSAR, Statistics and Census Service, Macao SAR

Developing the Guangdong-Hong Kong-Macao Greater Bay Area is a crucial development strategy of the PRC and is formally carried out upon the launching of the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area (the “Outline Plan”) on 18 February 2019, together with the Opinion on Building Shenzhen into a Pilot Demonstration Area of Socialism with Chinese Characteristics released by the State Council in August 2019, an unprecedented opportunity with synergies of the two areas is created.

As one of the four core engines of the Bay Area, Shenzhen is proactively advancing the development of the two areas. In March 2020, the CPC Shenzhen Municipal Party Committee published the Opinions on Supporting Social Forces to Participate in the Construction of the Guangdong-Hong Kong-Macao Greater Bay Area and Construction of Pilot Demonstration Zone of Socialism with Chinese Characteristics, which expressly supports market participation in the development of the two areas in nine fields, including infrastructure construction, financial innovation, as well as innovation in science and technologies. Later, the Guidance for the Development of the Guangdong-Hong Kong-Macao Greater Bay Area (Shenzhen) was issued in June 2020, which re-emphasises the significance of social engagement in the Bay Area development, lists seven key platforms to be developed, including Qianhai Shenzhen-Hong Kong Modern Service Cooperation Zone and Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone, and specifies the positioning of various

areas in Shenzhen, with a view to fully leveraging on the distinctive advantages brought by synergies of the two areas, and taking a lead in the Bay Area development while progressively driving the objectives set out in the Outline Plan: by 2022, basically building the framework for an international first-class bay area and a world-class city cluster in the Bay Area, and by 2035, fully developing the Bay Area into an economic system and the mode of development mainly supported by innovation and an international first-class bay area.

In terms of transportation, as part of the Program of Building National Strength in Transportation issued by CPC Central Committee and the State Council in September 2019, Guangdong Province became one of the pilot regions to building of national strength in transportation in December 2019. Key tasks include expansion of expressways and achieving the target of building a modern and comprehensive traffic system in 3 to 5 years. In addition, the Department of Transportation of Guangdong Province issued the Guangdong Expressway Network Plan (2020-2035) in May 2020, which further improves the deployment of transportation network in the Bay Area and promotes synergetic development among various cities, bringing positive effect to the traffic volume on the GS Superhighway and the GZ West Superhighway in the long term.

On the other hand, apart from the connection in infrastructure among Guangdong, Hong Kong and Macao, connection in system and mechanism is also accelerated, which facilitates the integration of the three regions, while advancing the construction of the Bay Area into a new level. Among which, the People's Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and the State Administration of Foreign Exchange issued the Opinions Concerning Financial Support for the Establishment of the Guangdong-Hong Kong-Macao Greater Bay Area in May 2020, which sets out 30 financial measures, with the aim of improving a more open and innovative financial market, deepening financial cooperation between Mainland China and Hong Kong and Macao, and enhancing the financial support for the development of the Bay Area.

These policy documents demonstrate that the Bay Area, a focus area of domestic economic development, has been recognised by the government and various parties as a focal point. The short-term economic shock caused by the COVID-19 pandemic will not change the general favourable trend of the economy within the area led by the development of the Bay Area.

Latest Updates on Industry Policies

Adjustments on the Holiday Toll-free Policy for Small Passenger Vehicles with 7 seats or less during the Lunar New Year in 2020

Due to the COVID-19 pandemic, the Ministry of Transport published a notice to extend the Holiday Toll-free Policy for small passenger vehicles with 7 seats or less during the Lunar New Year in 2020 from the original 7 days (from 24 January 2020 to 30 January 2020) extended to 16 days (ended on 8 February 2020), so as to shift peak period travel of vehicles. As a result, the toll revenue of the GS Superhighway and the GZ West Superhighway for 2020 will decrease.

Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia

Pursuant to the Notice from the Ministry of Transport on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia issued by the Ministry of Transport on 15 February 2020, due to the COVID-19 pandemic, with the approval of the State Council, commenced from 00:00 a.m. on 17 February 2020 till the end of the prevention and control of the COVID-19 pandemic, tolls of toll roads is waived nationwide during the period of the prevention and control of the pandemic caused by COVID-19, and the specific end date is subject to further notice. After such period, pursuant to the Notice from the Ministry of Transport on Resumption of Toll Fees Collection on Toll Roads issued on 28 April 2020, with the approval of the State Council, toll roads nationwide have resumed toll fees collection for all vehicles legally travelling through the toll roads from 00:00 a.m. on 6 May 2020. During the aforesaid period, tolls on the GS Superhighway and the GZ West Superhighway operated by the Group were waived for 79 days in total, bringing negative impact on the business performance of the Group. Meanwhile, according to the publications on the official website of the Ministry of Transport, the PRC government will further study and issue relevant supporting security policies to safeguard the legitimate interests of the users, creditors, investors and operators of toll roads in a coordinated manner. The Group will continue to follow up on the release of relevant supporting security policies to further assess the likely impact on its business performance.

Removal of provincial boundary expressway toll stations

Guangdong Province has completed works relating to the removal of provincial boundary expressway toll stations by the end of 2019, switched the systems successfully and formally merged itself into the national network. Toll system on the GS Superhighway and the GZ West Superhighway has also been connected to the national network in standard specification as required, and enhancement has been made to revolve issues arose in the early stage of switching to the new system. The two expressways are currently capable of offering quality service of fast access to the public.

Adjustment to ETC discount

In order to accelerate the promotion of ETC usage, Guangdong Province has adjusted toll discount for vehicles using ETC payment cards on expressways within the province to align with the national standard, increasing the discount rate from 2% to 5%, effective from 1 July 2019. In June 2020, tolls collected through means of ETC payment cards on the GS Superhighway and the GZ West Superhighway accounted for approximately 56% of the overall toll revenue, while the traffic volume of vehicles using ETC payment cards accounted for approximately 63% of the overall traffic volume. In view of the convenience of ETC payment cards, it is expected that the ETC usage rate will grow further, which may have minor negative impact on the toll revenue of the Group.

New tariff standard for highway in Guangdong Province

Tariff standard for expressways within Guangdong Province has been revised based on PRC's latest industry standard on Vehicle Classification of the Toll for Highway since 1 January 2020. According to which, passenger vehicles are classified into four types, trucks and special motor vehicles are classified into six types, and the basic tariff rate remains unchanged at RMB0.6 per kilometre for each vehicle for the expressways with 6 lanes or above. Details on classification and tariff multiplier are set out in the table below. After the implementation of the new tariff standard, average toll revenue per vehicle (after considering ETC discount adjustment) of the GS Superhighway and the GZ West Superhighway in June 2020 remained basically the same as the corresponding period of last year, the overall toll revenue was not affected.

Vehicle Classification and Tariff Multiplier of the Toll for Highway in Guangdong Province

Class	Passenger vehicle		Truck		Special motor vehicle	
	No. of passengers	Tariff Multiplier	No. of axles	Tariff Multiplier ^{N2}	No. of axles	Tariff Multiplier
1	≤9	1	2 ^{N3}	1	2 ^{N3}	1
2	10-19	1.5	2 ^{N4}	2.1	2 ^{N4}	2.1
3	≤39	2	3	3.16	3	3.16
4	≥40 ^{N1}	3	4	3.75	4	3.75
5	-	-	5	3.86	5	3.86
6	-	-	6	4.09	≥6	4.09

N1: Large passenger vehicle with 40 seats above will be charged as Class 3

N2: For >6-axle truck: charge on the basis of Class 6 and tariff multiplier will increase by 0.17 for each additional axle

N3: Vehicle length <6 metres and maximum authorised weight <4.5 tonnes

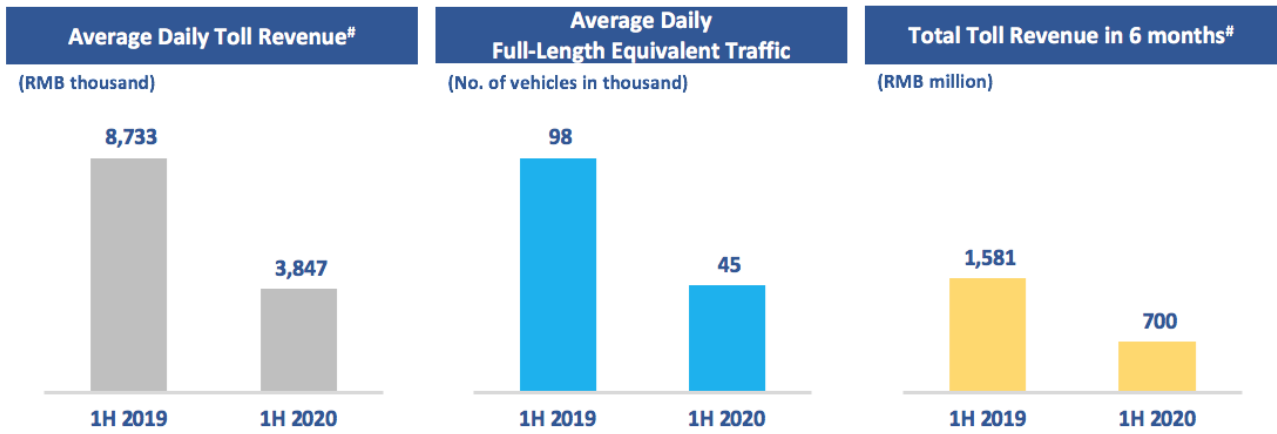
N4: Vehicle length ≥6 metres or maximum authorised weight ≥4.5 tonnes

Steady recovery of automobile sales in the PRC

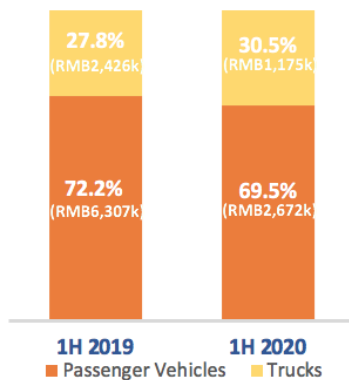
Automobile sales in the PRC market has also recovered steadily along with the recovery of the economy. During the first half of 2020, automobile sales volume was approximately 10.26 million units, representing a decrease of 17% YoY, which generally exceeded market expectation. In light of the effective control of the COVID-19 pandemic, Guangdong Province has introduced a number of policies to stabilise and expand consumption of automobiles, and to drive the recovery in market sales. For the “bringing automobiles to the countryside” special program, rural residents who purchase promotion models from 1 May 2020 to 31 December 2020 are entitled to RMB5,000 or RMB10,000 subsidies per vehicle, which has a positive impact on overall car ownerships and are in turn favourable to the highway industry.

GS Superhighway

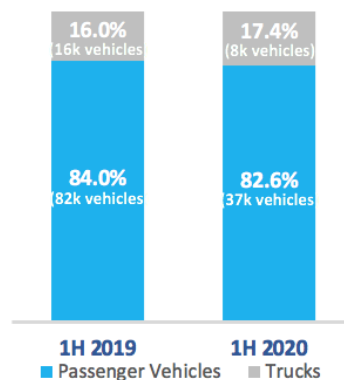
The GS Superhighway is a main expressway connecting the three major cities – Guangzhou, Dongguan and Shenzhen on the eastern bank of Bay Area to Hong Kong. The economy of cities along the expressway were affected by the COVID-19 pandemic. The GDP of Guangzhou and Dongguan decreased by 2.7% and 1.7% YoY respectively in the first half of 2020, which was narrowed significantly as compared to the contraction recorded in the first quarter; while Shenzhen has already resumed to growth, with GDP increased by 0.1% YoY in the first half of 2020. The economy is expected to revive progressively, and traffic volume of the GS Superhighway may also recover accordingly. In the first half of 2020, the average daily toll revenue and average daily full-length equivalent traffic of the GS Superhighway fell by 56% and 54% YoY to RMB3.85 million and 45,000 vehicles respectively. Its total toll revenue for the period amounted to RMB700 million. The decrease in toll revenue was greater than that in full-length equivalent traffic, mainly due to higher ETC discount, which resulted in a decrease in average toll revenue per vehicle. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 69.5% and 82.6% of the toll revenue and full-length equivalent traffic of the GS Superhighway respectively. The significant decrease in toll revenue and traffic volume for the period was mainly due to the waiver of tolls effective from 17 February 2020 to 5 May 2020 according to the notice from the Ministry of Transport. Toll revenue and traffic volume of the GS Superhighway have been recovering gradually since toll collection for toll roads nationwide resumed from 6 May 2020. In June 2020, the average daily toll revenue and average daily full-length equivalent traffic of the GS Superhighway recorded a slight decrease of 2% and 1% YoY to RMB9.06 million and 103,000 vehicles respectively.



Average Daily Toll Revenue Breakdown by Vehicle Type



Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



Including tax

Commissioned in April 2019, the Nansha Bridge is another important passage crossing the Pearl River in addition to the Humen Bridge and it has enhanced traffic connectivity and efficiency across the Pearl River. For vehicles traveling across the Pearl River, they can travel to and from the Nansha Bridge via the Houjienan interchange of the GS Superhighway and the Dongguan-Panyu Expressway, as well as to and from the Humen Bridge via the Taiping interchange of the GS Superhighway. Moreover, passing of trucks and passenger vehicles with 40 seats above is prohibited on Humen Bridge with effect from mid-August 2019 and vehicles traveling across the Pearl River shall detour through Nansha Bridge or Huangpu Bridge, thereby resulting in a slightly positive effect on the toll revenue and traffic volume of the GS Superhighway.

Expansion of GS Superhighway

Linking Guangzhou, Dongguan, Shenzhen and Hong Kong, the GS Superhighway is an important traffic passage connecting the Bay Area internally and externally. As the Outline Plan and 3-year Action Plan of Guangdong Province for Building the Guangdong-Hong Kong-Macao Greater Bay Area (2018-2020) provided clear plans to accelerate the expansion of busy sections of certain state-level expressways, such as the Beijing-Hong Kong-Macao Expressway, together with the Guangdong Province Expressway Network Plan (2020-2035) issued by the Department of Transportation of Guangdong Province in May 2020, which restates the expansion plan of expressways, including the GS Superhighway, the expansion of the GS Superhighway will be accelerated as planned.

The GS JV has already carried out a feasibility study on road expansion, so as to improve traffic efficiency as well as land utilisation by increasing the number of traffic lanes on the main alignment and optimising interchange design and land use layout. A steering committee was established by the GS JV to be responsible for related works, and has started organising and preparing the feasibility report. Aiming to complete the feasibility report by the end of 2020, it communicates closely with relevant local government authorities and departments, and listens to the opinions from all parties, so as to deepen the content of the feasibility report and ensure alignment with local government planning. Based on general procedures, the expansion works of the GS Superhighway may only commence formally upon approval of the application of the works made after completion of the feasibility report.

Potential Land Development and Utilisation of GS Superhighway

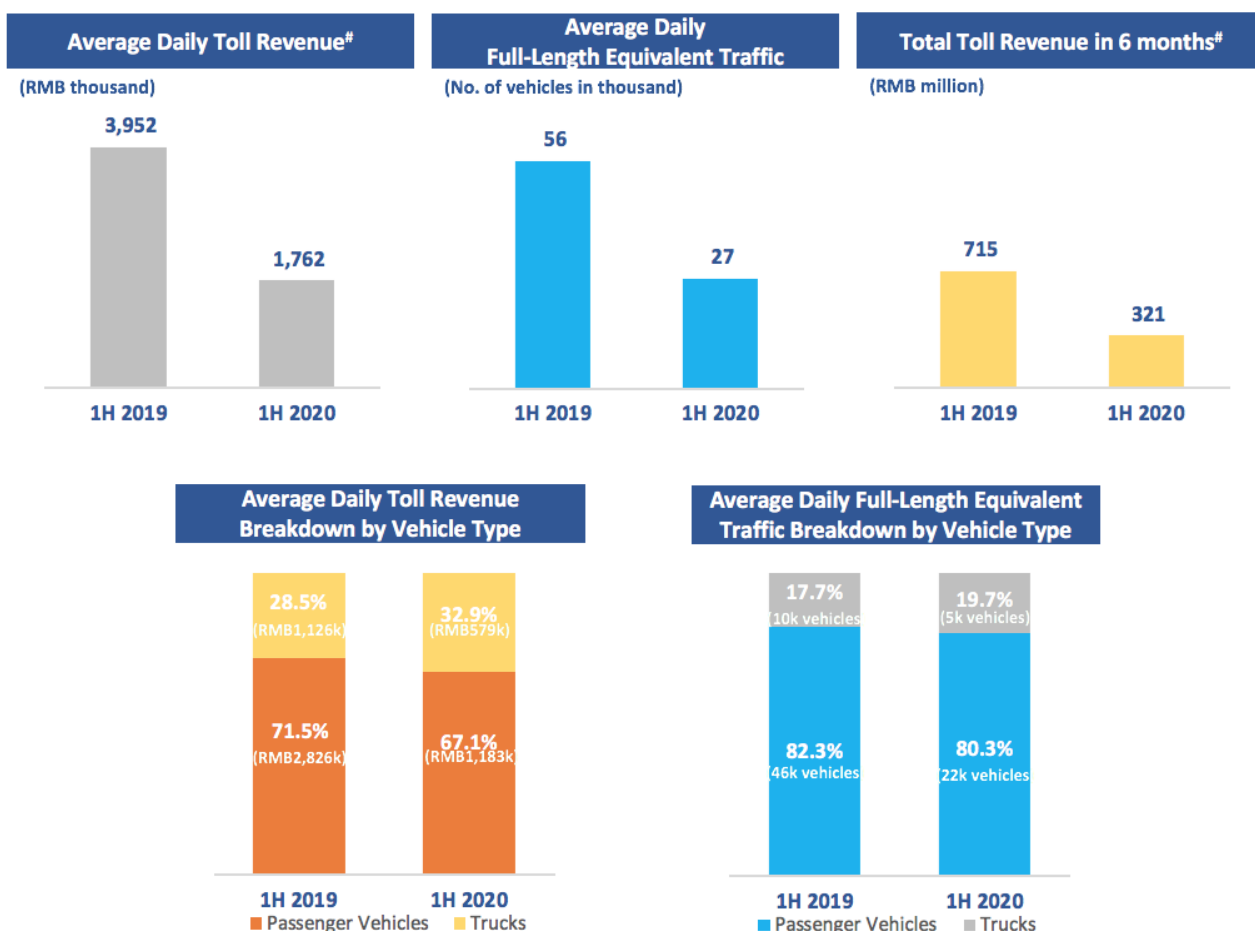
The Company has entered into a memorandum of cooperation and framework agreements with Guangdong Highway Construction, the joint venture partner of the GS JV, with respect to the principles of cooperation in relation to the development and utilisation of land along the GS Superhighway in October 2019, to jointly strive for the opportunities of integrated development and realisation of value for the GS Superhighway's stock of land alongside.

Studies on the planning of land along the GS Superhighway has been included in the feasibility studies on the expansion of the GS Superhighway as a special topic. The aim is to integrate the expansion with development and utilisation of the land, and seek a win-win solution that is in line with the land planning of the local government. However, the development and utilisation of land is subject to procedures for the change of land use and the obtaining of land use rights for future development according to relevant urban planning and regulations, which remain uncertain at the current stage.

GZ West Superhighway

The GZ West Superhighway, measured 97.9 km in length, runs from north to south along the central axis of western PRD and connects four major cities, namely Guangzhou, Foshan, Zhongshan and Zhuhai. The GZ West Superhighway is the expressway artery between the city centres of Guangzhou and Zhuhai, and offers the most convenient access to Hengqin, Macao and Hong Kong through its connection with the Second Hengqin Bridge, the Zhuhai Link Road and the HZM Bridge respectively. In order to build a high-quality living circle, we are convinced that the governments in Guangdong, Hong Kong and Macao would continue to issue policies to facilitate travel among the three areas and enhance cooperation in various fields, driving constant growth in demand for transportation and benefiting the GZ West Superhighway as a result.

In the first half of 2020, the GZ West Superhighway's average daily toll revenue and average daily full-length equivalent traffic recorded a significant decrease, falling by 55% and 52% YoY to RMB1.76 million and 27,000 vehicles respectively, which was mainly due to transportation policies implemented in response to the COVID-19 pandemic. Its total toll revenue for the period amounted to RMB321 million. The decrease in toll revenue was greater than that in full-length equivalent traffic, mainly due to higher ETC discount, which resulted in a decrease in average toll revenue per vehicle. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 67.1% and 80.3% of the GZ West Superhighway's toll revenue and full-length equivalent traffic respectively. The GZ West Superhighway runs through four major cities on the west bank of the Bay Area, namely Guangzhou, Foshan, Zhongshan and Zhuhai. The GDP of these cities decreased by 2.7%, 7.5%, 6.5% and 2.5% YoY respectively in the first half of 2020, which was narrowed significantly as compared to the contraction recorded in the first quarter. The economy is expected to see progressive revival, and traffic volume of the GZ West Superhighway may also recover accordingly. Toll revenue and traffic volume of the GZ West Superhighway have been recovering gradually since toll collection for toll roads nationwide resumed from 6 May 2020. In June 2020, the average daily toll revenue and average daily full-length equivalent traffic of the GZ West Superhighway recorded a decrease of 4% and 5% YoY to RMB4.17 million and 59,000 vehicles respectively.



Including tax

Foshan Ring Road is formerly a major local road of Foshan city located close to the northern end of the GZ West Superhighway, and has been converted from a toll-free local road into a toll expressway from 2020. With its connection with Guangzhou-Zhongshan-Jiangmen Expressway and Jiangmen-Zhuhai Expressway, an expressway corridor that runs mostly parallel to the GZ West Superhighway is then formed, linking up Foshan, Jiangmen and western Zhuhai. As it has been only a short time since it was changed to a toll expressway, the Group will continue to pay close attention to the impact of such change on the GZ West Superhighway.

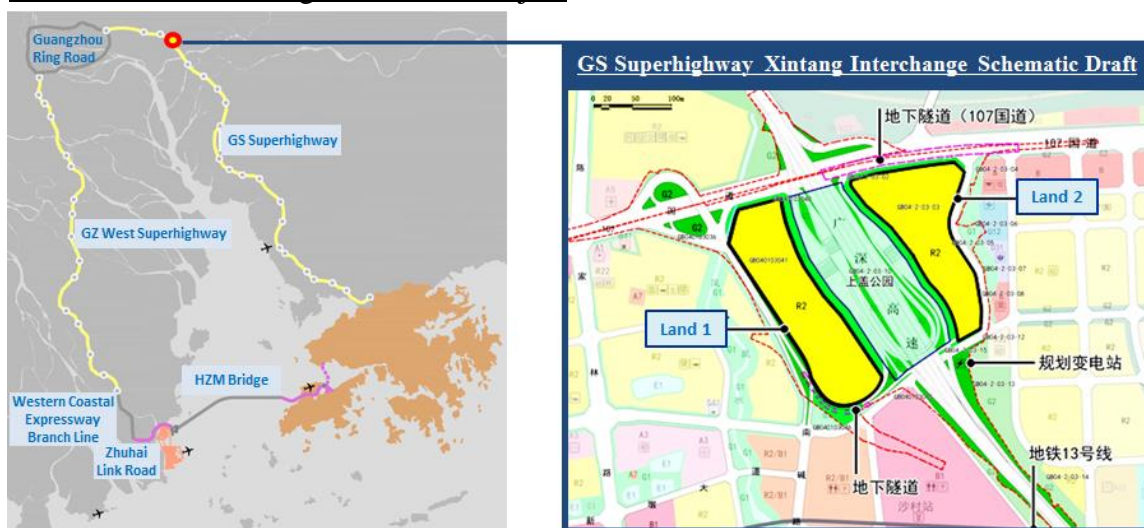
Officially commissioned on 2 April 2019, the Nansha Bridge is connected with the Guangzhou Second Ring Expressway at its western end and Dongguan-Panyu Expressway at its eastern end. Vehicles can gain quick access to the Guangzhou Second Ring Expressway and the Nansha Bridge via the Shunde East interchange of the GZ West Superhighway. Compared with another passage crossing the Pearl River – Humen Bridge, vehicles driving across the Pearl River through the Nansha Bridge can travel to and fro major cities on the west bank of Bay Area much faster via the GZ West Superhighway, which will contribute to the sustainable growth in its traffic volume.

To comply with Foshan government's plan on development of Sanlongwan area, the Shizhou toll station on the GZ West Superhighway will carry out ramp expansion, toll station transformation and landscape improvement starting from mid-August 2020 and to be closed for about five months. During such period, vehicles can access to the GZ West Superhighway through other toll stations. The closure is expected to cause minor traffic diversion from the GZ West Superhighway in the second half of 2020. The transformation will improve the capacity of the toll stations in handling traffic flow, which would benefit from the development of the area and continuous growth of traffic volume in the long run.

Guangzhou Xintang Residential Project

In November 2019, the Group and the subsidiaries of GPCG jointly established the Xintang JV, among which, 37.5% equity interest was owned by the Group, to bid for the land use rights of the Project Land for residential use of Xintang Interchange. Xintang JV successfully acquired the land use rights of the Project Land for residential use of Xintang Interchange for RMB4.124 billion through tender in December 2019 and will engage in the subsequent development of residential project on the land, which has a total land area of approximately 200,000 square metres and a gross construction area of approximately 600,000 square metres. The Company believes that the value of the land can be maximised as the Xintang JV acquired the land use rights of the Project Land through tender and engages in the subsequent development of the residential projects. By investing in the Xintang JV, the Company will benefit from the results of the Project Land development and create better returns for shareholders.

Location of the Xintang Residential Project



Source: Guangzhou Municipal Planning and Natural Resources Bureau website schematic draft (11 October 2019)

The Xintang JV will carry out the transformation work of Xintang Interchange and the GS JV will carry out the expansion work on Xintang Interchange main alignment, both works will be implemented at the same time. Please refer to the announcements of the Company dated 30 March 2020, 8 April 2020 and 22 April 2020 respectively for detailed arrangements of construction management.

Demonstration Diagram of Xintang Interchange Transformation Work and Xintang Interchange Main Alignment Expansion Work



In order to introduce professional property developer as strategic partner to jointly advance the development of the residential project, the Group and GPCG (through Guangdong Highway Construction) has published a tender notice on equity exchange centres in the PRC on 17 July 2020, intending to dispose of an aggregate of 60% equity interest in Xintang JV (representing 22.5% equity interest owned by the Group and 37.5% equity interest owned by Guangdong Highway Construction) and the corresponding shareholder's loan. The Potential Disposal is expected to be completed in September this year. If the Potential Disposal is materialised, the Group is expected to record gain on disposal, thus early locking in certain profit and strengthening the general working capital and cash flow position of the Group. The Group would still own 15% equity interest in Xintang JV upon completion of the Potential Disposal, and the Xintang project would also benefit from strategic partner's professionalism in developing large-scale premium residential project, which will enhance the overall benefit of the Xintang project.

FINANCIAL REVIEW

The Group's unaudited interim results for the six months ended 30 June 2020 were as follows:

RMB million	Six months ended 30 June									
	2019					2020				
	Revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results	Revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results
Group's share project contributions:										
Toll expressway projects										
- GS Superhighway <i>Note 1</i>	691	607	(217)	(154)	236	306	235	(200)	(44)	(9)
- GZ West Superhighway	347	313	(119)	(98)	96	156	116	(112)	(67)	(63)
Sub-total	1,038	920	(336)	(252)	332	462	351	(312)	(111)	(72)
Land development and utilisation project										
- Xintang Interchange	-	-	-	-	-	-	0	-	(22)	(22)
Total	1,038	920	(336)	(252)	332	462	351	(312)	(133)	(94)
YoY change						-55%	-62%	-7%	-47%	
Corporate:										
Bank deposits interest income					1					0
Interest income of loan to a JV					-					28
Other income					3					1
General and administrative expenses and depreciation					(21)					(19)
Finance costs					(0)					(9)
Income tax expense					(1)					(7)
Sub-total					(18)					(6)
Profit/(Loss) before net exchange loss					314					(100)
Net exchange loss					(7)					(15)
Profit/(Loss) for the period					307					(115)
Profit attributable to non- controlling interests					(4)					(0)
Profit/(Loss) attributable to owners of the Company					303					(115)

Note 1: Excluding exchange differences on US Dollar and HK Dollar loans, and related income tax.

Toll Expressway Projects

The Group's share of the net toll revenue of the expressways projects operated by two joint ventures - GS Superhighway and GZ West Superhighway - decreased by 55% to RMB462 million from RMB1,038 million for the corresponding period of last year, of which, the net toll revenue of GS Superhighway decreased by 56% to RMB306 million from RMB691 million for the corresponding period of last year; toll revenue of the GZ West Superhighway decreased by 55% to RMB156 million from RMB347 million for the corresponding period of last year. The main reasons for the decrease in toll revenue include: according to the notice from the Ministry of Transport in the PRC, in light of the COVID-19 pandemic, the policy of waiver of tolls was implemented on toll roads nationwide from 17 February 2020 to 5 May 2020 (both days inclusive), which was applicable to GS Superhighway and GZ West Superhighway (details of which were set out in the announcements of the Company dated 17 February 2020 and 29 April 2020). The GS Superhighway and the GZ West Superhighway had resumed toll fees collection for all vehicles from 00:00 a.m. on 6 May 2020; the toll-free period for small passenger vehicles during holidays had been extended from 7 days for the corresponding period of last year (24 January to 30 January 2019) to 16 days in the period under review (24 January to 8 February 2020); and from 1 July 2019, the ETC discount had been increased from 2% to 5%.

The Group's share of the aggregate EBITDA of its two toll expressways (excluding net exchange loss on the GS JV's US Dollar and HK Dollar loans) decreased by 62% to RMB351 million from RMB920 million for the corresponding period of last year. As a result, the toll revenue of the GS Superhighway and the GZ West Superhighway recorded a decrease during the period under review. The Group's share of the EBITDA of GS Superhighway decreased by 61% to RMB235 million from RMB607 million for the corresponding period of last year; the Group's share of the EBITDA of the GZ West Superhighway fell by 63% to RMB116 million from RMB313 million for the corresponding period of last year.

Despite the impact of the COVID-19 pandemic, the actual full-length equivalent traffic (including tolled and toll-free) of the GS Superhighway and the GZ West Superhighway decreased slightly as compared with the corresponding period of last year. As a result, the Group's share of depreciation and amortisation charges of the GS Superhighway decreased by 8% to RMB200 million from RMB217 million for the corresponding period of last year; depreciation and amortisation expenses of the GZ West Superhighway decreased by 6% to RMB112 million from RMB119 million for the corresponding period of last year. Driven by these two factors, the Group's share of aggregate depreciation and amortisation charges fell by 7% to RMB312 million as compared with RMB336 million for the corresponding period of last year.

During the period under review, the applicable PRC EIT rate for both the GS JV and the GZ West JV was 25%. The Group's share of tax expenses of two joint ventures also declined significantly, mainly due to the reduction in toll revenue as a result of the implementation of the policy of waiver of tolls. The Group's share of the GS JV's interest and tax expenses decreased significantly by 71% to RMB44 million from RMB154 million for the corresponding period of last year, benefiting from the four rounds of US Federal Funds Rate reduction since July 2019 with a total cut of 2.25%. In addition, the GZ West JV repaid the principal of the bank loans totalling RMB848 million (at JV level) in advance with its cash surplus in 2019, further reducing the interest expenses of the GZ West JV. The Group's share of the interest and tax expenses of the GZ West JV decreased by 32% to RMB67 million from RMB98 million for the corresponding period of last year. The Group's share of aggregate interest and tax in the two expressway projects decreased by 56% to RMB111 million from RMB252 million for the corresponding period of last year.

Affected by the decrease in toll revenue of GS Superhighway, the Group's share of net loss of the GS JV was RMB9 million, compared with a net profit of RMB236 million for the corresponding period of last year; the Group's share of net loss of the GZ West Superhighway was RMB63 million, compared with a net profit of RMB96 million for the corresponding period of last year. The total net loss of the two expressway projects (excluding net exchange loss on the GS JV's US Dollar and HK Dollar loans) was RMB72 million, compared with a net profit of RMB332 million for the corresponding period of last year.

Land Development and Utilisation Project

As set out in the announcements of the Company dated 29 November 2019 and 27 December 2019 respectively, Shenwan Infrastructure, an indirect subsidiary of the Company, Guangdong Highway Construction, Lealu Investment and Leaxin Investment entered into the JV Agreement and JV Articles, pursuant to which, the Parties agreed to jointly establish the Xintang JV to participate in the bidding for the land use rights of the Project Land and, after successful Bidding, engage in the subsequent development of residential project on the Project Land. After the successful Bidding, the land use rights of the Project Land is held by the Xintang JV which owns as to 62.5% (in aggregate) by the GPCG (through Guangdong Highway Construction, Lealu Investment and Leaxin Investment) and 37.5% by the Group (through Shenwan Infrastructure). Xintang JV won the bid for the land use rights of the Project Land for a land premium of RMB4,124 million and had entered into the grant contract for the state-owned construction land use rights of the Project Land with the Guangzhou Municipal Planning and Natural Resources Bureau on 25 December 2019. As at 30 June 2020, the Parties provided the Xintang JV with a three-year shareholders' loans based on their respective shareholding percentages in a total amount of approximately RMB2,243 million (approximately RMB841 million is attributable to the Group), which was utilised as part of the premium in the bidding for the Project Land and costs of the ancillary works. The shareholders' loans bear an interest rate of 8% per annum. During the period under review, net interest expenses incurred by the Xintang JV amounted to approximately RMB60 million, of which approximately RMB22 million was shared by the Group.

The Group

The Group's bank deposits interest income decreased from RMB1 million for the corresponding period of last year to RMB0.35 million, mainly because part of the funds was invested in the Xintang JV in the form of shareholder's loan, leading to the decrease in bank balances, and the low deposit interest rate during the period under review. Since December 2019, based on its shareholding percentage, the Group has made a three-year shareholder's loan of approximately RMB841 million (at an interest rate of 8% per annum), which was financed by its own funds and bank financing, and contributed a registered capital of RMB3.75 million to the Xintang JV. During the period under review, the Group recorded interest income of approximately RMB28 million and bank loan interest costs of approximately RMB9 million. General and administrative expenses and depreciation decreased to RMB19 million from RMB21 million for the corresponding period of last year. Overall, the Group's loss also decreased to RMB6 million from RMB18 million for the corresponding period of last year.

During the period under review, the net exchange loss (including exchange loss on the GS JV's US Dollar and HK Dollar loans shared by the Group) was RMB15 million, compared with a net exchange loss of RMB7 million for the corresponding period of last year. The loss attributable to the owner of the Company was RMB115 million, which was also the Company's first loss recorded since its listing in 2003, as compared with a profit of RMB303 million for the corresponding period of last year.

Outlook

In January 2020, the novel coronavirus pneumonia broke out and spread across Mainland China. In the period of COVID-19 pandemic prevention and control, the policy of waiver of tolls was implemented on toll roads nationwide from 17 February 2020 to 5 May 2020 (both days inclusive). During the implementation of the policy of waiver of tolls, the revenue of the GS Superhighway and the GZ West Superhighway was interrupted, which had a negative impact on the Group's business performance. The pandemic has also brought about a clear downward trend in the global economy, and the continued fluctuation of the RMB exchange rate has had a negative impact on the US Dollar and Hong Kong Dollar loans of the GS JV. Nonetheless, with the easing of the COVID-19 pandemic in Mainland China, the Group believes that the stable core business of GS Superhighway and the GZ West Superhighway will continue to support the Group's future performance enhancement. Overall, the Group remains cautiously optimistic about its future performance: (i) the GS Superhighway will benefit from favourable policies, including the economic development of the Guangdong-Hong Kong-Macao Greater Bay Area, the construction of the "Guangzhou-Shenzhen-Hong Kong-Macao" Science and Technology Innovation Corridor and the Shenzhen Pilot Demonstration Zone; (ii) the core business of the GZ West Superhighway is growing steadily and will continue to be benefited from the robust development of the economy and road network, including the Hong Kong-Zhuhai-Macao Bridge which opened in October 2018, the economic development of the Guangdong-Hong Kong-Macao Greater Bay Area, and the construction of the "Guangzhou-Shenzhen-Hong Kong-Macao" Science and Technology Innovation Corridor; (iii) the interest rate is expected to remain low for a period of time which will continue to be favourable to the Group and the GS JV in terms of interest expenses in 2020; and (iv) the Xintang project will introduce a strategic partner to optimise the shareholder structure (details of which were set out in the announcements of the Company's dated 12 June and 19 July 2020) and push ahead with the construction of residential projects, which will enhance the benefit of the project.

During the period under review, the Group recorded a loss for the first time and the Board does not declare the payment of interim dividend. Following the continued easing of the COVID-19 pandemic and recovery of the economy in Mainland China, the Board believes that the Group's full-year regular dividend payout ratio target of 100% on recurring income will be maintained, taking into account the stable dividend payment of the GS JV and the expectation that the GZ West JV will commence to pay dividends to the Group within this year, which provides solid bases for the Group's dividend payment.

Financing of the Group

As set out in the paragraphs under the “Land Development and Utilisation Project”, after the successful Bidding, the land use rights of the Project Land is held by the Xintang JV which owns as to 62.5% (in aggregate) by the GPCG (through Guangdong Highway Construction, Lealu Investment and Leaxin Investment) and 37.5% by the Group (through Shenwan Infrastructure). The maximum total amount to be contributed (whether by way of registered capital, shareholders’ loans, shareholders’ guarantee and any amount of other nature) by the Parties for the investment in the project (through the Xintang JV) is RMB6,800 million (“Total Upper Limit”), among which, each of Guangdong Highway Construction, Lealu Investment, Leaxin Investment and Shenwan Infrastructure, will contribute the respective amounts of up to RMB2,550 million, RMB1,360 million, RMB340 million and RMB2,550 million, representing 37.5%, 20%, 5% and 37.5% of the maximum total amount of contribution of the Parties, and accordingly, the registered capital of the Xintang JV owned by the Parties in the same proportion.

The Total Upper Limit was arrived with reference to the estimated cost of acquisition of the land use rights of the Project Land, the estimated costs of the ancillary works and other estimated costs and expenses in relation to the operation of the Xintang JV. The respective Party’s limit was determined based on their respective percentage of equity interest in the Xintang JV. It is intended that Shenwan Infrastructure’s commitment of up to its respective Party’s limit will be satisfied by way of external financing and internal resources of the Group. The total investment amount of the Xintang JV is not bound by the Total Upper Limit. Xintang JV may arrange financing from banks or other third parties for the cost of development of the Project Land with the use of its own credit and assets.

	Maximum total amount to be contributed by the Parties to the Xintang JV RMB million	Maximum contribution amount attributable to the Group (37.5% equity interest) RMB million	Contribution schedule
I. Land premium of the Project Land			
Shareholder's loan	2,062.80	773.55	Contributed
Shareholder's loan	2,061.20	772.95	January 2021 (Expected)
Total ^{Note 1}	4,124.00	1,546.50	
II. Ancillary works			
Shareholder's loan	150.00	56.25	Contributed
Shareholder's loan	2,341.00	877.88	2 nd half of 2020 -2022 (Expected)
Total ^{Note 2}	2,491.00	934.13	
III. Others			
Registered capital	10.00	3.75	Contributed
Shareholder's loan	30.00	11.25	Contributed
Shareholder's loan	145.00	54.37	2 nd half of 2020 -2022 (Expected)
Total	185.00	69.37	
Total Upper Limit	6,800.00	2,550.00	

Note: 1. Xintang JV won the bid for the land use rights of the Project Land for a land premium of RMB4,124 million and entered into the grant contract for the state-owned construction land use rights of the Project Land with the Guangzhou Municipal Planning and Natural Resources Bureau on 25 December 2019 (details of which were set out in the announcement of the Company dated 27 December 2019).

2. Xintang JV entered into the Ancillary Works Construction and Management Agreement with Guangdong Highway Construction for the provision of construction and management services in relation to the Ancillary Works, in accordance with the requirements of the grant contract for the state-owned construction land use rights in respect of the Project Land, at a fixed contract sum of RMB2,491 million (details of which were set out in the announcement of the Company dated 30 March 2020).

The Group has duly made arrangement to meet the capital need of the Xintang JV. On 30 June 2020, the Group contributed RMB845 million in aggregate to the Xintang JV (comprising registered capital of RMB3.75 million and shareholder's loan of RMB841 million). Approximately up to RMB1,705 million of contribution has not yet been invested and the Group still had available banking facilities of approximately RMB4,600 million in total.

The financial position of the Group comprises assets and liabilities at corporate level and the Group's share of assets and liabilities of the GS JV, the GZ West JV and the Xintang JV.

Corporate Level

	31 December 2019	30 June 2020		31 December 2019	30 June 2020
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	50	85	Bank loans	281	888
Shareholder's loan to a JV	309	841	Other liabilities	93	94
Interest receivable of shareholder's loan to a JV	2	32	Final dividend payable	-	318
Other assets	25	20			
	386	978		374	1,300
			Net assets/(liabilities) of the Group	12	(322)

The Group's share of JVs

GS JV (The Group's shared portion: 45%)

	31 December 2019	30 June 2020		31 December 2019	30 June 2020
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	218	436	Bank loans		
Concession intangible assets	3,758	3,656	- USD	1,112	1,128
Property and equipment	256	149	- HKD	95	97
Other assets	44	26	- RMB	563	506
			Other loan	10	10
			Other liabilities	558	613
	4,276	4,267		2,338	2,354
			Net assets of GS JV	1,938	1,913

GZ West JV (The Group's shared portion: 50%)

	31 December 2019	30 June 2020		31 December 2019	30 June 2020
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	47	158	Bank loans	2,641	2,638
Concession intangible assets	5,729	5,671	Balances with a JV partner	456	470
Property and equipment	183	131	Other liabilities	389	454
Balances with a JV	456	470			
Other assets	21	20			
	6,436	6,450		3,486	3,562
			Net assets of GZ West JV	2,950	2,888

Xintang JV (The Group's shared portion: 37.5%)

	31 December 2019	30 June 2020		31 December 2019	30 June 2020
	RMB million	RMB million		RMB million	RMB million
Bank balances and cash	4	3	Shareholder's loan	309	841
Project Land deposit paid	277	-	Interest payable of shareholder's loan	2	32
Project Land cost	-	1,587	Project Land premium payable	-	788
Other assets	11	12	Other liabilities	11	-
	292	1,602		322	1,661
			Net liabilities of Xintang JV	(30)	(59)
	31 December 2019	30 June 2020		31 December 2019	30 June 2020
	RMB million	RMB million		RMB million	RMB million
			Total liabilities	6,520	8,877
			Equity attributable to owners of the Company	4,846	4,396
			Non-controlling interests	24	24
			Total Shareholder's Equity and Liabilities	11,390	13,297
Total Assets	11,390	13,297	Total net assets	4,870	4,420

Liquidity and Financial Resources

The Group's share of bank loans of JV is non-recourse bank loans.

Corporate Level

	31 December 2019	30 June 2020	31 December 2019	30 June 2020
	RMB million	RMB million	RMB million	RMB million
Bank balances and cash	50	85	Bank loans	281
Shareholder's loan to a JV ^{Note 1}	309	841		888
	359	926		888
Net debt ^{Note 2}: RMB803 million (31 December 2019: RMB231 million)				
Shareholder's loan to a JV and net debt: RMB38 million (31 December 2019: RMB78 million)				

Share of JVs (including GS JV, GZ West JV and Xintang JV)

	31 December 2019	30 June 2020	31 December 2019	30 June 2020
	RMB million	RMB million	RMB million	RMB million
Bank balances and cash	269	597	Bank and other loans	
			- GS JV	1,780
			- GZ West JV	2,641
			Shareholder's loan	
			- Xintang JV	309
	269	597		4,730
				5,220
Net debt ^{Note 2}: RMB4,623 million (31 December 2019: RMB4,461 million)				

Note 1: A three-year shareholder's loan made by the Group to the Xintang JV, utilised as land premium for the bidding of the Project Land and costs of the ancillary works

Note 2: Net debt: bank and other loans together with shareholder's loan less bank balances and cash

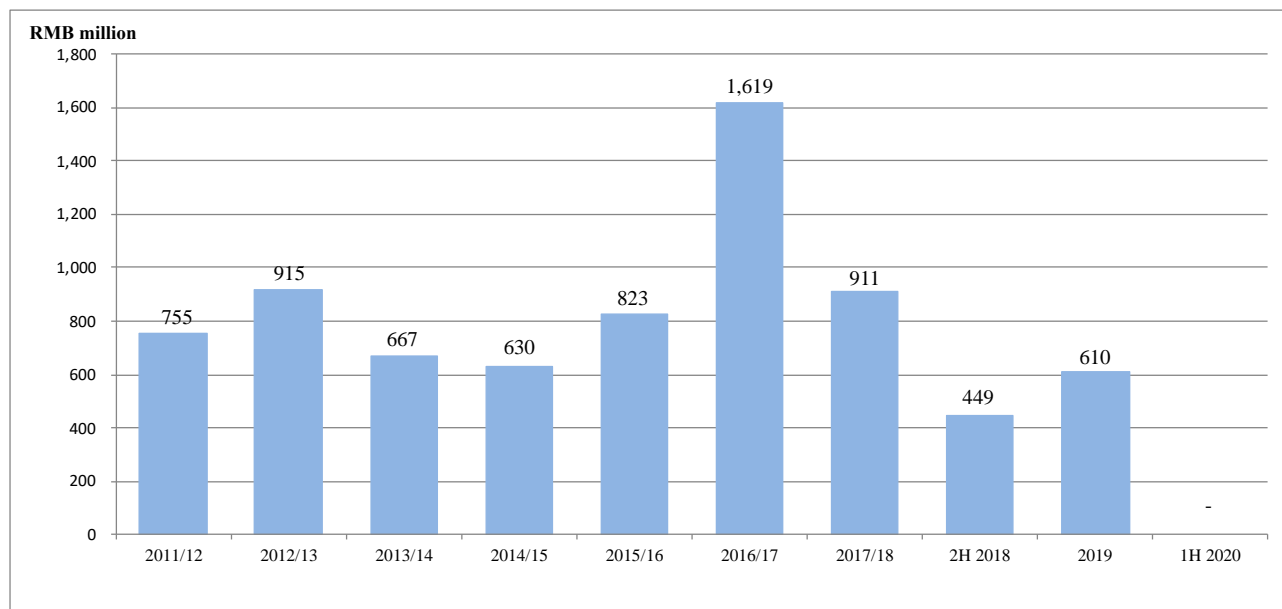
	31 December 2019 RMB million	30 June 2020 RMB million
Total debt		
- The Group	281	888
- Share of JVs ^{Note 1}	5,186	5,690
Net debt ^{Note 2}	5,148	5,896
Total assets (including share of JVs' total assets)	11,390	13,297
Equity attributable to owners of the Company	4,846	4,396
Total debt / total assets ratio	48%	49%
Gearing ratio	106%	134%

Note 1: The Group's share of JVs' debt includes bank and other loans together with balance with JV partner and shareholder's loan.

Note 2: Net debt is defined as total debt (including share of JVs) less total bank balances and cash (including share of JVs).

During the period under review, the Group's additional three-year shareholder's loan provided to the Xintang JV amounted to approximately RMB532 million, which was supported by bank financing. The Group will continue to optimise its assets and liabilities, improve its cash flow and strengthen its financial position.

Cash Dividend (Net of Tax) from the GS JV to the Group



In August 2016, the GS JV obtained an additional eight-year bank loan facility amounting to RMB2 billion to reimburse past capital expenditure advanced by its shareholders. Subsequently, the GS JV distributed post-tax net dividend of RMB912 million to the Group out of this loan. During the period under review, due to the implementation of policy of waiver of tolls on toll roads nationwide from 17 February to 5 May 2020 (both days inclusive), the two joint ventures recorded no revenue during this period and decided to postpone the payment of dividends, reserving funds for the expenses related to its daily operations.

Bank and Other Borrowings

On 30 June 2020, the Group had HK Dollar bank loan of equivalent to approximately RMB888 million, together with the bank and other borrowings of the JVs shared by the Group amounted to approximately RMB4,379 million (including US Dollar bank loans of equivalent to RMB1,128 million, HK Dollar bank loan of equivalent to RMB97 million and RMB bank and other loans of RMB3,154 million, but excluding the shareholder's loan) totalling approximately RMB5,267 million (31 December 2019: RMB4,702 million) with the following profile:

- (a) 99.8% (31 December 2019: 99.8%) consisted of bank loans and 0.2% (31 December 2019: 0.2%) of other loan; and
- (b) 60% (31 December 2019: 68%) was denominated in RMB; 21% (31 December 2019: 24%) was denominated in US Dollar and 19% (31 December 2019: 8%) was denominated in HK Dollar.

Debt Maturity Profile

As at 30 June 2020, whereas the maturity profile of the bank and other borrowings (excluding shareholder's loan) at corporate level and the Group's share of JVs were shown below, together with the corresponding comparatives as at 31 December 2019:

Corporate Level

	31 December 2019		30 June 2020	
	RMB million	%	RMB million	%
Repayable within 1 year	281	100%	100	11%
Repayable between 1 and 5 years	-	-	788	89%
	281	100%	888	100%

The Group's share of JVs

	31 December 2019		30 June 2020	
	RMB million	%	RMB million	%
Repayable within 1 year	338	8%	178	4%
Repayable between 1 and 5 years	2,890	65%	3,082	70%
Repayable beyond 5 years	1,193	27%	1,119	26%
	4,421	100%	4,379	100%

Interest Rate and Exchange Rate Exposure

The Group closely monitors its exposure to interest rates and foreign currency exchange rates and strictly controls its use of financial instruments. At present, neither the Group nor JVs has employed any financial derivative instruments to hedge their exposure to interest rates or foreign currency exchange rates.

Treasury Policies

The Group continues to adopt proactive but prudent treasury policies in its financial and funding management and closely monitors its liquidity, financial resources and the exchange rate movements, with a view to minimising its funding costs and enhance return on its financial assets. As at 30 June 2020, 94% of the Group's bank balances and cash (excluding JVs) were denominated in HK Dollar and the remaining 6% were denominated in RMB. The overall treasury yield on bank deposits at the corporate level of the Group was 1.46% during the period under review whereas 2.07% during the corresponding period of 2019.

Contingent Liability

During the year ended 30 June 2008, a subsidiary of the Company recovered the registered capital of HK\$702 million (equivalent to RMB471 million) previously injected to the GS JV. According to the Law of the PRC on Sino-foreign Equity Joint Venture Enterprise, in relation to the early repayment of registered capital to the foreign joint venture partner by the GS JV before the expiry of the operation period, the subsidiary of the Company, as the foreign joint venture partner, was required to undertake the financial obligations of the GS JV to the extent of HK\$702 million (the "Financial Obligations") when the GS JV failed to meet its financial obligations during the joint venture operation period. In March 2019, the Law of the PRC on Foreign Investment (the "Foreign Investment Law") was promulgated by the National People's Congress of the PRC. The Foreign Investment Law came into effect on 1 January 2020, according to which, the Law of the PRC on Sino-foreign Equity Joint Venture Enterprise previously applicable to the GS JV, was repealed on the same day, and the Financial Obligations were terminated accordingly.

Except for the above, the Group had no other material contingent liability as at 30 June 2020.

Material Acquisition or Disposal

The Company's subsidiaries and associated companies did not make any material acquisitions or disposals during the six months ended 30 June 2020.

The Group (through Shenwan Infrastructure) and GPCG (through Guangdong Highway Construction (a non-wholly owned subsidiary within GPCG)) intend to dispose of an aggregate of 60% equity interest in the Xintang JV (representing 22.5% equity interest owned by Shenwan Infrastructure and 37.5% equity interest owned by Guangdong Highway Construction), together with the transfer of their rights in the corresponding portion of their respective shareholders' loans advanced to the Xintang JV (including the outstanding interest accrued thereon) (the "Potential Disposal") through a public tender. A tender notice relating to the Potential Disposal has been published on the websites of Shenzhen United Property and Share Rights Exchange* (深圳聯合產權交易所), Southern United Assets and Equity Exchange* (南方聯合產權交易中心) and Guangdong United Assets and Equity Exchange* (廣東聯合產權交易中心) respectively on 17 July 2020 (details of which were set out in the announcements of the Company dated 12 June and 19 July 2020).

As disclosed in the Annual Report of the Company for the year ended 31 December 2019, the Xintang JV intends to introduce professional property developer as strategic partner to optimise its shareholder structure and to take advantage of strategic partner's professionalism in developing large-scale premium residential project. The Potential Disposal by way of a public tender provides the opportunity to the Xintang JV to select the most appropriate strategic partner among the bidders with the best available terms in the market. If the Potential Disposal is materialised, it is expected that the general working capital and cash flow position of the Group will be further strengthened.

**For identification purpose only*

OTHER INFORMATION

Review of Interim Results

The Audit Committee of the Company had reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the financial reporting matters, including the Group's unaudited interim results for the six months ended 30 June 2020.

Employees and Remuneration Policies

The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers share option and share award schemes to eligible employees in order to provide them with incentives and to recognise their contributions and ongoing efforts. In addition, discretionary bonuses are granted to employees based on their individual performance as well as the Group's business performance. It also provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 30 June 2020, the Group (excluding JV companies) had 37 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family friendly employment policies and practices. The Group also invests in human capital development by providing relevant training programs to enhance employee productivity.

The Group's training programs are designed to support its employees' continuous learning and development and fill skill gaps identified during performance appraisals. Its overall training objectives are to enhance the personal productivity of its employees and to identify their career development plan in order to prepare their future roles and enable them to make greater contributions to the success of the Group's businesses. Besides formal training programs, the Group also provides comprehensive and relevant training and self-learning opportunities to employees such as on-the-job training, educational sponsorships and examination leave.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

Corporate Governance Practices

The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the CG Code.

During the period under review, the Company complied with all the code provisions as set out in the CG Code except for the deviation from code provision A.5.1 which is explained below.

Code Provision A.5.1

The Company does not consider it necessary to have a nomination committee as the Company already has the policies and procedures for selection and nomination of Directors in place. The Board as a whole regularly reviews the plans for orderly succession for appointments to the Board and its structure, size, composition and diversity. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of Independent Non-executive Director, the independence requirements set out in the Listing Rules from time to time. Nomination of new Director(s) will normally be made by the Chairman and/or the General Manager and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

Model Code for Securities Transactions

The Company has adopted the Model Code as its model code for securities transactions by the Directors' and employees' share dealing rules (the "Share Dealing Rules") on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of inside information. Having made specific enquiry with Directors and the relevant employees, all of them have confirmed that they have fully complied with the Model Code and the Share Dealing Rules respectively throughout the period under review.

On behalf of the Board
Zhengyu LIU*
Chairman

Hong Kong, 12 August 2020

**For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
For The Six Months Ended 30 June 2020

	<u>NOTES</u>	Six months ended 30 June	
		<u>2019</u> (Unaudited) RMB'000	<u>2020</u> (Unaudited) RMB'000
Other income and other expense	4	(1,408)	28,720
Depreciation		(159)	(252)
General and administrative expenses		(20,770)	(18,742)
Finance costs	5	(324)	(9,462)
Share of results of joint ventures	6	350,259	(110,269)
Profit (loss) before tax		327,598	(110,005)
Income tax expense	7	(20,285)	(4,672)
Profit (loss) for the period		<u>307,313</u>	<u>(114,677)</u>
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on investment in equity instrument at fair value through other comprehensive income, net of tax		810	(4,320)
Item that may be reclassified subsequently to profit or loss:			
Exchange loss arising on translation of foreign operations		(3,221)	(10,125)
Total comprehensive income (expense) for the period		<u>304,902</u>	<u>(129,122)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		303,186	(114,759)
Non-controlling interests		4,127	82
		<u>307,313</u>	<u>(114,677)</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		300,775	(129,204)
Non-controlling interests		4,127	82
		<u>304,902</u>	<u>(129,122)</u>
		RMB cents	RMB cents
Earnings (loss) per share	9		
Basic		<u>9.84</u>	<u>(3.72)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	<u>NOTES</u>	31 December 2019 (Audited) RMB'000	30 June 2020 (Unaudited) RMB'000
ASSETS			
Non-current Assets			
Interests in joint ventures	10	4,858,483	4,768,307
Equity instrument at fair value through other comprehensive income	11	22,600	17,800
Property and equipment		1,546	2,106
Amount due from a joint venture		311,224	341,141
		<u>5,193,853</u>	<u>5,129,354</u>
Current Assets			
Deposits and prepayments		820	539
Other receivables		68	352
Amount due from a joint venture	12	-	511,711
Bank balances and cash		49,785	84,650
		<u>50,673</u>	<u>597,252</u>
Asset classified as held for sale	12	-	-
		<u>50,673</u>	<u>597,252</u>
Total Assets		<u>5,244,526</u>	<u>5,726,606</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	270,603	270,603
Share premium and reserves		4,575,455	4,125,444
Equity attributable to owners of the Company		4,846,058	4,396,047
Non-controlling interests		24,020	24,102
Total Equity		<u>4,870,078</u>	<u>4,420,149</u>
Non-current Liabilities			
Bank loans	14	-	787,796
Deferred tax liabilities	15	80,668	84,861
		<u>80,668</u>	<u>872,657</u>
Current Liabilities			
Payables and accruals		12,811	15,879
Dividend payable		-	317,739
Bank loans	14	280,969	100,182
		<u>293,780</u>	<u>433,800</u>
Total Liabilities		<u>374,448</u>	<u>1,306,457</u>
Total Equity and Liabilities		<u>5,244,526</u>	<u>5,726,606</u>
Cash and cash equivalents		<u>49,785</u>	<u>84,650</u>

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company's functional currency and presentation currency are RMB.

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

Pursuant to the "Notice from the Ministry of Transport on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia" (《交通運輸部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》) issued by the Ministry of Transport of the PRC on 15 February 2020 (the "Notice"), with the approval of the State Council, the Ministry of Transport determined that tolls of toll roads will be waived nationwide for all vehicles legally travelling through the toll roads during the period of the prevention and control of the epidemic caused by the novel coronavirus pneumonia. The toll-free period commences from 00:00 a.m. on 17 February 2020 till the end of the prevention and control of the epidemic, which applies to vehicles on non-networked toll expressways and common highways according to the time of passing through the toll lane of the toll station, and applies to vehicles on networked toll expressways according to the time of leaving the exit of the toll lane (the "Toll-free Period"). Pursuant to the "Notice from the Ministry of Transport on Resumption of Toll fees Collection on Toll Roads" (《交通運輸部關於恢復收費公路收費的公告》) issued by the Ministry of Transport of the PRC on 28 April 2020, with the approval of the State Council, save for the designated vehicles which are subject to the statutory free passage policy prior to the implementation of the Notice for which the toll-free policy will continue to be applied, toll roads nationwide (including toll bridges and tunnels) will resume toll fees collection for all vehicles legally travelling through the toll roads from 00:00 on 6 May 2020.

According to the above, the Notice is applicable to Guangzhou - Shenzhen Superhighway ("GS Superhighway") and Guangzhou - Zhuhai West Superhighway ("GZ West Superhighway") operated by the Group's joint ventures. All vehicles legally travelling through those expressways during the Toll-free Period shall be waived from tolls. Since toll income constitutes the primary source of revenue of the Group's joint ventures, the implementation of the Notice resulted in a negative impact on the business performance of the Group during the current period.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Accounting policy newly applied by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within twelve months from the date of classification.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

3. SEGMENT INFORMATION

The Group's reportable and operating segments are determined based on information reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment.

Information reported to the CODM, including segment revenue, the Group's share of joint ventures' earnings before interest, tax, depreciation and amortisation before net exchange gain/loss ("EBITDA"), the Group's share of joint ventures' depreciation and amortisation including amortisation of additional cost of investments in joint ventures ("depreciation and amortisation"), the Group's share of joint ventures' interest and tax before tax on exchange gain/loss and including withholding tax on earnings distributed by a joint venture ("interest and tax"), and segment results. During the second half of 2019, the Group commenced the business engaging in new land development and utilisation project along with the establishment of Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司) ("Xintang JV"), a company established in the PRC to engage in the development of residential project on the Xintang interchange ("Xintang Interchange"), and it is considered as a new reportable and operating segment by the CODM. The CODM is more specifically focused on individual toll expressway projects and new land development and utilisation project jointly operated and managed by the Group and the relevant joint venture partners during the current period. Accordingly, the Group's reporting and operating segments under IFRS 8 "Operating Segments" are therefore as follows:

- GS Superhighway
- GZ West Superhighway
- Xintang Interchange

Information regarding the above segments is reported below.

Segment revenue and results

	Six months ended 30 June									
	2019					2020				
	Segment revenue RMB'000	EBITDA RMB'000	Depreciation and amortisation RMB'000	Interest and tax RMB'000	Segment results RMB'000	Segment revenue RMB'000	EBITDA RMB'000	Depreciation and amortisation RMB'000	Interest and tax RMB'000	Segment results RMB'000
Toll expressway projects										
GS Superhighway	690,606	607,166	(216,966)	(154,002)	236,198	305,865	235,523	(200,461)	(44,373)	(9,311)
GZ West Superhighway	347,264	312,846	(119,602)	(97,646)	95,598	155,661	115,835	(111,728)	(66,832)	(62,725)
	<u>1,037,870</u>	<u>920,012</u>	<u>(336,568)</u>	<u>(251,648)</u>	<u>331,796</u>	<u>461,526</u>	<u>351,358</u>	<u>(312,189)</u>	<u>(111,205)</u>	<u>(72,036)</u>
Land development and utilisation project										
Xintang Interchange	-	-	-	-	-	-	65	-	(22,022)	(21,957)
Total	<u>1,037,870</u>	<u>920,012</u>	<u>(336,568)</u>	<u>(251,648)</u>	<u>331,796</u>	<u>461,526</u>	<u>351,423</u>	<u>(312,189)</u>	<u>(133,227)</u>	<u>(93,993)</u>
Corporate interest income from bank deposits					1,101					354
Corporate interest income from loans made by the Group to a joint venture					-					28,221
Other income					3,251					621
Corporate general and administrative expenses and depreciation					(20,929)					(18,994)
Corporate finance costs					(324)					(9,462)
Corporate income tax expense					(312)					(7,018)
Net exchange loss (net of related income tax) (Note)					(7,270)					(14,406)
Profit (loss) for the period					307,313					(114,677)
Profit for the period attributable to non-controlling interests					(4,127)					(82)
Profit (loss) for the period attributable to owners of the Company					<u>303,186</u>					<u>(114,759)</u>

Note: Net exchange loss (net of related income tax) is composed of the Group's share of the net exchange loss (net of related income tax) of a joint venture of RMB13,930,000 (six months ended 30 June 2019: RMB1,510,000) and the net exchange loss of the Group of RMB476,000 (six months ended 30 June 2019: RMB5,760,000).

The segment revenue represents the Group's share of the joint ventures' toll revenue received and receivable (net of valued-added tax) from the operations of toll expressways in the PRC based on the profit-sharing ratios specified in the relevant joint venture agreements. All of the segment revenue reported above is earned from external customers.

The segment results represent (i) the Group's share of joint ventures' results from the operations of toll expressways and land development and utilisation in the PRC before net exchange gain/loss (net of related income tax) based on the profit-sharing ratios and shareholding percentage specified in the relevant joint venture agreements; (ii) net of the withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures; and (iii) amortisation of additional cost of investments in joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The total segment results can be reconciled to the share of results of joint ventures as presented in condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	<u>2019</u> (Unaudited) RMB'000	<u>2020</u> (Unaudited) RMB'000
Total segment results	331,796	(93,993)
Add:		
Net exchange loss (net of related income tax)	(1,510)	(13,930)
Withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures	<u>19,973</u>	<u>(2,346)</u>
Share of results of joint ventures as presented in condensed consolidated statement of profit or loss and other comprehensive income	<u>350,259</u>	<u>(110,269)</u>

4. OTHER INCOME AND OTHER EXPENSE

	Six months ended 30 June	
	<u>2019</u> (Unaudited) RMB'000	<u>2020</u> (Unaudited) RMB'000
Interest income from:		
Bank deposits	1,101	354
Amount due from a joint venture	-	28,221
Net exchange loss	(5,760)	(476)
Dividend income from equity instrument at fair value through other comprehensive income	3,120	-
Others	<u>131</u>	<u>621</u>
	<u>(1,408)</u>	<u>28,720</u>

5. FINANCE COSTS

The amounts represent the interest on bank loans and bank charges for both periods.

6. SHARE OF RESULTS OF JOINT VENTURES

	Six months ended 30 June	
	<u>2019</u> (Unaudited) RMB'000	<u>2020</u> (Unaudited) RMB'000
Share of results of joint ventures before share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group and amortisation of additional cost of investments in joint ventures	394,586	(69,275)
Amortisation of additional cost of investments in joint ventures	(44,327)	(40,994)
Share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(25,454)	(27,045)
Imputed interest income recognised by the Group on interest-free registered capital contributions made by the Group	<u>25,454</u>	<u>27,045</u>
	<u>350,259</u>	<u>(110,269)</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	<u>2019</u> (Unaudited) RMB'000	<u>2020</u> (Unaudited) RMB'000
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")	14,037	-
Deferred tax	<u>6,248</u>	<u>4,672</u>
	<u>20,285</u>	<u>4,672</u>

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong for both periods.

The EIT charge of the Group for the six months ended 30 June 2019 included an amount of RMB13,725,000 representing the 5% withholding tax imposed on dividends declared by a joint venture of the Group of which the corresponding amount had already been provided for deferred tax in prior periods in respect of undistributed earnings of a joint venture (six months ended 30 June 2020: Nil).

8. DIVIDENDS

	Six months ended 30 June	
	<u>2019</u> (Unaudited) RMB'000	<u>2020</u> (Unaudited) RMB'000
Dividends paid and recognised as a distribution during the period:		
Final dividend for the year ended 31 December 2019 of RMB10.1 cents (equivalent to HK11.320989 cents) (six months ended 30 June 2019: for the six months ended 31 December 2018 paid of RMB9.9 cents (equivalent to HK11.615472 cents)) per share	<u>307,573</u>	<u>320,807</u>

The board of directors of the Company does not declare interim dividend in respect of the year ending 31 December 2020.

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	<u>2019</u> (Unaudited) RMB'000	<u>2020</u> (Unaudited) RMB'000
Earnings (loss) for the purposes of basic earnings (loss) per share	<u>303,186</u>	<u>(114,759)</u>

	Six months ended 30 June	
	<u>2019</u> Number of shares	<u>2020</u> Number of shares
Number of ordinary shares for the purpose of basic earnings (loss) per share	<u>3,081,690,283</u>	<u>3,081,690,283</u>

No diluted earnings (loss) per share have been presented as there was no potential ordinary shares in issue during both periods.

10. INTERESTS IN JOINT VENTURES

	31 December 2019 (Audited) RMB'000	30 June 2020 (Unaudited) RMB'000
Unlisted investments:		
At cost		
Cost of investments in joint ventures	2,024,539	2,022,289
Additional cost of investments	2,520,218	2,520,218
Share of results of joint ventures before share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group (net of dividend received)	1,582,767	1,535,835
Less: Unrealised profit on disposal of land	(32,611)	(32,611)
Less: Share of accumulated imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(483,895)	(510,940)
Less: Accumulated amortisation of additional cost of investments	(1,665,141)	(1,706,135)
	<u>3,945,877</u>	<u>3,828,656</u>
At amortised cost		
Registered capital contribution, at nominal amount	2,449,500	2,449,500
Fair value adjustment on initial recognition	(2,020,789)	(2,020,789)
Accumulated imputed interest income recognised by the Group	483,895	510,940
	<u>912,606</u>	<u>939,651</u>
	<u>4,858,483</u>	<u>4,768,307</u>

11. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The investment represents interest in unlisted company with limited liability incorporated in the PRC.

12. ASSET CLASSIFIED AS HELD FOR SALE

On 12 June 2020, the directors of the Company resolved to dispose 22.5% equity interest of Xintang JV owned by Shenwan Bay Area Infrastructure (Shenzhen) Company Limited (深灣基建(深圳)有限公司), an indirect non-wholly owned subsidiary of the Company, together with the transfer of its rights in the corresponding portion of its shareholders' loans advanced to Xintang JV and the outstanding interests accrued thereon, through a public tender process in the PRC (the "Potential Disposal"). On 17 July 2020, a tender notice relating to the Potential Disposal has been published on the websites of relevant equity exchange centres.

The asset attributable to the interest in a joint venture that is expected to be sold within twelve months from the end of the current interim reporting period has been classified as an asset held for sale and is separately presented in the condensed consolidated statement of financial position.

The sale proceeds are expected to exceed the carrying amount of the relevant asset and, accordingly, no impairment loss has been recognised.

Major classes of asset at the end of the current interim period are as follows:

	30 June 2020 RMB\$'000
Interest in a joint venture	2,250
Share of result of a joint venture	<u>(2,250)</u>
Total asset classified as held for sale	<u><u>-</u></u>

The amount due from a joint venture, representing the corresponding portion of its shareholders' loans advanced to Xintang JV together with outstanding interests accrued thereon, is expected to be recovered within twelve months from the end of the current interim reporting period and is classified as current asset in the condensed consolidated statement of financial position

13. SHARE CAPITAL

	<u>Number of shares</u>	<u>Nominal amount HK\$'000</u>	
Ordinary shares of HK\$0.1 each			
Authorised:			
As at 1 January 2019, 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	<u>10,000,000,000</u>	<u>1,000,000</u>	
	<u>Number of shares</u>	<u>Nominal amount</u>	
		HK\$'000	Equivalent to RMB'000
Issued and fully paid:			
As at 1 January 2019, 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	<u>3,081,690,283</u>	<u>308,169</u>	<u>270,603</u>

Share Option Scheme

There were no share options granted, forfeited, vested, lapsed or outstanding in both periods presented.

Share Award Scheme

There were no awarded shares granted, forfeited, vested, lapsed or outstanding in both periods presented.

14. BANK LOANS

	31 December <u>2019</u> (Audited) RMB'000	30 June <u>2020</u> (Unaudited) RMB'000
Unsecured (Note)	<u>280,969</u>	<u>887,978</u>
The bank loans comprises:		
Variable rate loans	<u>280,969</u>	<u>887,978</u>

Note: As at 31 December 2019 and 30 June 2020, the bank loans are guaranteed by the Company.

Included in bank loans are following amounts denominated in currencies other than functional currency of the group entities which it relates:

	31 December <u>2019</u> (Audited) RMB'000	30 June <u>2020</u> (Unaudited) RMB'000
HKD	<u>280,969</u>	<u>887,978</u>

The borrowings are repayable as follows:

On demand or within one year	280,969	100,182
In the third to fifth years inclusive	<u>-</u>	<u>787,796</u>
	280,969	887,978
Less: Amounts due for settlement within one year (shown under current liabilities)	<u>(280,969)</u>	<u>(100,182)</u>
Amounts due for settlement after one year	<u>-</u>	<u>787,796</u>

15. DEFERRED TAX LIABILITIES

The amounts represent the deferred tax liabilities associated with fair value change on investment in equity instrument at fair value through other comprehensive income and the undistributed earnings of the joint ventures and a subsidiary.

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<u>Financial assets</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>Fair value hierarchy</u>	<u>Valuation technique and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Equity instrument at fair value through other comprehensive income	Unlisted equity investment: RMB22,600,000	Unlisted equity investment: RMB17,800,000	Level 3	Market Approach	Price-to-earnings multiples of several comparable companies Enterprise value-to-earnings before interest, taxes, depreciation and amortisation multiples of several comparable companies Risk adjustment for a discount on lack of marketability	The higher the multiples, the higher the fair value The higher the multiples, the higher the fair value The higher the discount, the lower the fair value

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate their fair values.

Appendix – Unaudited Condensed Consolidated Financial Information (Prepared Under Proportionate Consolidation Method)

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

(FOR INFORMATION PURPOSE ONLY)

	<u>Six months ended 30 June</u>			
	<u>2019</u> RMB'000	<u>2020</u> RMB'000	<u>2019</u> HK\$'000	<u>2020</u> HK\$'000
Toll revenue	1,037,870	461,525	1,199,878	506,841
Revenue on construction	12,703	8,563	14,443	9,402
Turnover	1,050,573	470,088	1,214,321	516,243
Other income and other expense (Note i)	37,459	46,776	44,277	51,342
Construction costs	(12,703)	(8,563)	(14,443)	(9,402)
Provision for resurfacing charges	(12,061)	(9,782)	(13,953)	(10,741)
Toll expressway operation expenses	(108,194)	(86,544)	(125,098)	(95,064)
General and administrative expenses	(46,526)	(55,624)	(53,753)	(61,139)
Depreciation and amortisation charges	(336,728)	(312,441)	(389,267)	(342,298)
Finance costs (Note ii)	(119,538)	(144,229)	(138,282)	(158,467)
Profit (loss) before tax	452,282	(100,319)	523,802	(109,526)
Income tax expense	(144,969)	(14,358)	(167,873)	(15,823)
Profit (loss) for the period	<u>307,313</u>	<u>(114,677)</u>	<u>355,929</u>	<u>(125,349)</u>
Profit (loss) for the period attributable to:				
Owners of the Company	303,186	(114,759)	351,146	(125,447)
Non-controlling interests	4,127	82	4,783	98
	<u>307,313</u>	<u>(114,677)</u>	<u>355,929</u>	<u>(125,349)</u>

Notes:

(i) OTHER INCOME AND OTHER EXPENSE

	<u>Six months ended 30 June</u>			
	<u>2019</u> RMB'000	<u>2020</u> RMB'000	<u>2019</u> HK\$'000	<u>2020</u> HK\$'000
Interest income from:				
Bank deposits	3,607	3,422	4,145	3,760
Loan made by the Group to a joint venture	-	28,221	-	31,029
Imputed interest income on interest-free registered capital contributions made by the Group to a joint venture	12,726	13,522	14,722	14,848
Net exchange loss	(7,774)	(19,049)	(7,970)	(20,899)
Rental income	14,595	12,836	16,887	14,040
Others	14,305	7,824	16,493	8,564
	<u>37,459</u>	<u>46,776</u>	<u>44,277</u>	<u>51,342</u>

(ii) FINANCE COSTS

	<u>Six months ended 30 June</u>			
	<u>2019</u> RMB'000	<u>2020</u> RMB'000	<u>2019</u> HK\$'000	<u>2020</u> HK\$'000
Interest on:				
Bank loans	106,450	99,497	123,141	109,299
Loans made by joint venture partners	-	29,970	-	32,954
Imputed interest on interest-free registered capital contributions made by a joint venture partner	12,726	13,522	14,722	14,848
Others	294	314	340	344
	<u>119,470</u>	<u>143,303</u>	<u>138,203</u>	<u>157,445</u>
Other financial expenses	68	926	79	1,022
	<u>119,538</u>	<u>144,229</u>	<u>138,282</u>	<u>158,467</u>

Appendix – Unaudited Condensed Consolidated Financial Information (Prepared Under Proportionate Consolidation Method)

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

(FOR INFORMATION PURPOSE ONLY)

	31 December 2019 RMB'000	30 June 2020 RMB'000	31 December 2019 HK\$'000	30 June 2020 HK\$'000
ASSETS				
Non-current Assets				
Property and equipment	440,724	282,429	490,966	310,107
Concession intangible assets	9,487,517	9,327,841	10,569,094	10,241,969
Balance with a joint venture	456,303	469,825	508,322	515,868
Loans made by the Group to a joint venture	311,224	872,945	346,704	958,493
Equity instrument at fair value through other comprehensive income	22,600	17,800	25,176	19,544
	<u>10,718,368</u>	<u>10,970,840</u>	<u>11,940,262</u>	<u>12,045,981</u>
Current Assets				
Inventories	11,858	1,587,244	13,210	1,742,794
Deposits and prepayments	310,525	12,194	345,924	13,388
Other receivables	31,411	45,764	34,992	50,249
Pledged bank balances and deposits of joint ventures	258,395	576,950	287,852	633,491
Bank balances and cash				
- The Group	49,785	84,650	55,461	92,946
- Joint ventures	10,098	19,621	11,249	21,544
	<u>672,072</u>	<u>2,326,423</u>	<u>748,688</u>	<u>2,554,412</u>
Total Assets	<u>11,390,440</u>	<u>13,297,263</u>	<u>12,688,950</u>	<u>14,600,393</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	270,603	270,603	308,169	308,169
Share premium and reserves	4,575,455	4,125,444	5,090,339	4,518,690
Equity attributable to owners of the Company	4,846,058	4,396,047	5,398,508	4,826,859
Non-controlling interests	24,020	24,102	26,758	26,463
Total Equity	<u>4,870,078</u>	<u>4,420,149</u>	<u>5,425,266</u>	<u>4,853,322</u>
Non-current Liabilities				
Bank and other loans				
- The Group	-	787,796	-	865,000
- Joint ventures	4,083,492	4,201,287	4,549,010	4,613,013
Balance with a joint venture partner	456,252	469,775	508,265	515,813
Loans made by joint venture partners	311,224	872,945	346,704	958,493
Resurfacing obligations	236,207	245,989	263,134	270,096
Deferred tax liabilities	280,952	284,193	312,981	312,044
Other non-current liabilities	37,160	193,982	41,396	212,992
	<u>5,405,287</u>	<u>7,055,967</u>	<u>6,021,490</u>	<u>7,747,451</u>
Current Liabilities				
Provision, other payables, accruals and deposits received	411,942	1,124,036	458,904	1,234,192
Dividend payable	-	317,739	-	348,878
Bank loans				
- The Group	280,969	100,182	313,000	110,000
- Joint ventures	337,510	178,203	375,986	195,667
Other interest payable	5,926	93,772	6,601	102,961
Tax liabilities	78,728	7,215	87,703	7,922
	<u>1,115,075</u>	<u>1,821,147</u>	<u>1,242,194</u>	<u>1,999,620</u>
Total Liabilities	<u>6,520,362</u>	<u>8,877,114</u>	<u>7,263,684</u>	<u>9,747,071</u>
Total Equity and Liabilities	<u>11,390,440</u>	<u>13,297,263</u>	<u>12,688,950</u>	<u>14,600,393</u>

GLOSSARY

“2011/12”	the year ended 30 June 2012
“2012/13”	the year ended 30 June 2013
“2013/14”	the year ended 30 June 2014
“2014/15”	the year ended 30 June 2015
“2015/16”	the year ended 30 June 2016
“2016/17”	the year ended 30 June 2017
“2017/18”	the year ended 30 June 2018
“2H 2018”	the six months ended 31 December 2018
“1H 2019”	the six months ended 30 June 2019
“1H 2020”	the six months ended 30 June 2020
“Bay Area”	Guangdong-Hong Kong-Macao Greater Bay Area, a national development strategy of the PRC
“Bidding”	the bidding for the land use rights of the Project Land by the Xintang JV, as disclosed in the Company’s announcement dated 29 November 2019
“Board”	the board of Directors of the Company
“CG Code”	Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Shenzhen Investment Holdings Bay Area Development Company Limited (formerly known as Hopewell Highway Infrastructure Limited), a company incorporated in the Cayman Islands with limited liability
“COVID-19 pandemic”	coronavirus disease (COVID-19) pandemic
“Director(s)”	director(s) of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortisation (before net exchange gain/loss)
“EIT”	enterprise income tax
“full-length equivalent traffic”	the total distance travelled by all vehicles on the expressway divided by the full length of the expressway
“GDP”	gross domestic product
“GPCG”	Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司) and its subsidiaries collectively (including Guangdong Highway Construction, Lealu Investment and Leaxin Investment)
“Guangdong Highway Construction”	Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司), the PRC joint venture partner of GS Superhighway JV and a company established in the PRC with limited liability and a non wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), being a state-owned enterprise established in the PRC
“Group”	the Company and its subsidiaries
“GS JV”	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture established for the GS Superhighway
“GS Superhighway”	Guangzhou-Shenzhen Superhighway

“GZ West JV	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the GZ West Superhighway
“GZ West Superhighway”	Guangzhou-Zhuhai West Superhighway, also known as the Western Delta Route
“HK\$”, “HKD” or “HK Dollar(s)” “Hong Kong” or “HKSAR”	Hong Kong Dollars, the lawful currency of Hong Kong the Hong Kong Special Administrative Region of the PRC
“HZM Bridge”	the Hong Kong-Zhuhai-Macao Bridge
“JV(s)”	joint venture(s)
“JV Agreement”	the joint venture agreement dated 29 November 2019 entered into among the Parties in respect of the establishment, management and operation of the Xintang JV, as disclosed in the Company’s announcement dated 29 November 2019
“JV Articles”	the articles of the Xintang JV dated 29 November 2019 entered into and adopted by the Parties, in conjunction with the JV Agreement, as disclosed in the Company’s announcement dated 29 November 2019
“km”	kilometre(s)
“Lealu Investment”	Guangzhou Lealu Investment Company Limited* (廣州利路實業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Highway Construction
“Leatop Real Estate”	Guangdong Leatop Real Estate Investment Co., Ltd.* (廣東利通置業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), being a state-owned enterprise established in the PRC
“Leaxin Investment”	Guangzhou Leaxin Investment Company Limited* (廣州利新實業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Leatop Real Estate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macao” or “Macao SAR”	the Macao Special Administrative Region of the PRC
“Mainland China”	the PRC, excluding Hong Kong and Macao
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“net toll revenue”	toll revenue after related tax
“Outline Plan”	the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area
“Parties”	collectively, Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment, and each a “Party”

“Potential Disposal”	the potential disposal of an aggregate of 60% equity interest in Xintang JV (representing 22.5% equity interest owned by Shenwan Infrastructure and 37.5% equity interest owned by Guangdong Highway Construction) and the rights in the corresponding portion of the shareholders’ loans advanced by Shenwan Infrastructure and Guangdong Highway Construction respectively to Xintang JV (including the outstanding interests accrued thereon) by Shenwan Infrastructure and Guangdong Highway Construction by way of the Public Tender, as disclosed in the Company’s announcement dated 19 July 2020
“PRC”	the People’s Republic of China
“PRD”	Pearl River Delta
“Project Land”	the land (plot number: 83101203A19206) located at the Xintang interchange on both sides of the GS Superhighway, as disclosed in the Company’s announcement dated 29 November 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Award Scheme”	the share award scheme adopted by the Board on 25 January 2007
“Shenwan Infrastructure”	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司), a company established in the PRC with limited liability established by the Company for the purpose of investing into the Xintang JV
“Shenzhen Pilot Demonstration Area”	“Guidelines on Supporting Shenzhen in Building a Pilot Demonstration Area of Socialism with Chinese Characteristics” * 《關於支持深圳建設中國特色社會主義先行示範區的意見》 released by the State Council in August 2019, a national development strategy of the PRC
“toll revenue”	toll revenue including tax

“Total Upper Limit”	The maximum total amount of contribution (whether by way of registered capital, shareholders’ loans, shareholders’ guarantee and any amount of other nature) by the Parties to Xintang JV shall not exceed RMB6.8 billion, as disclosed in the Company’s announcement dated 29 November 2019
“US”	the United States of America
“USD” or “US Dollar(s)”	United States Dollars, the lawful currency of the United States of America
“Xintang JV”	Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司), a joint venture established in the PRC to participate in the Bidding and, after successful Bidding, engage in the subsequent development of residential project on the Project Land, and its equity interest will be held as to 37.5%, 37.5%, 20% and 5% by Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment respectively, as disclosed in the Company’s announcement dated 29 November 2019
“YoY”	year-on-year

As at the date of this announcement, the Board comprises three Executive Directors namely, Mr. Tianliang ZHANG (General Manager), Mr. Cheng WU* (Deputy General Manager) and Mr. Ji LIU* (Deputy General Manager and secretary to the Board); three Non-executive Directors namely, Mr. Zhengyu LIU* (Chairman), and Mr. Junye CAI* and Mr. Weiguo ZONG*; and three Independent Non-executive Directors namely, Mr. Brian David Man Bun LI, Mr. Yu Lung CHING and Mr. Tony Chung Nin KAN.*

** For identification purpose only*