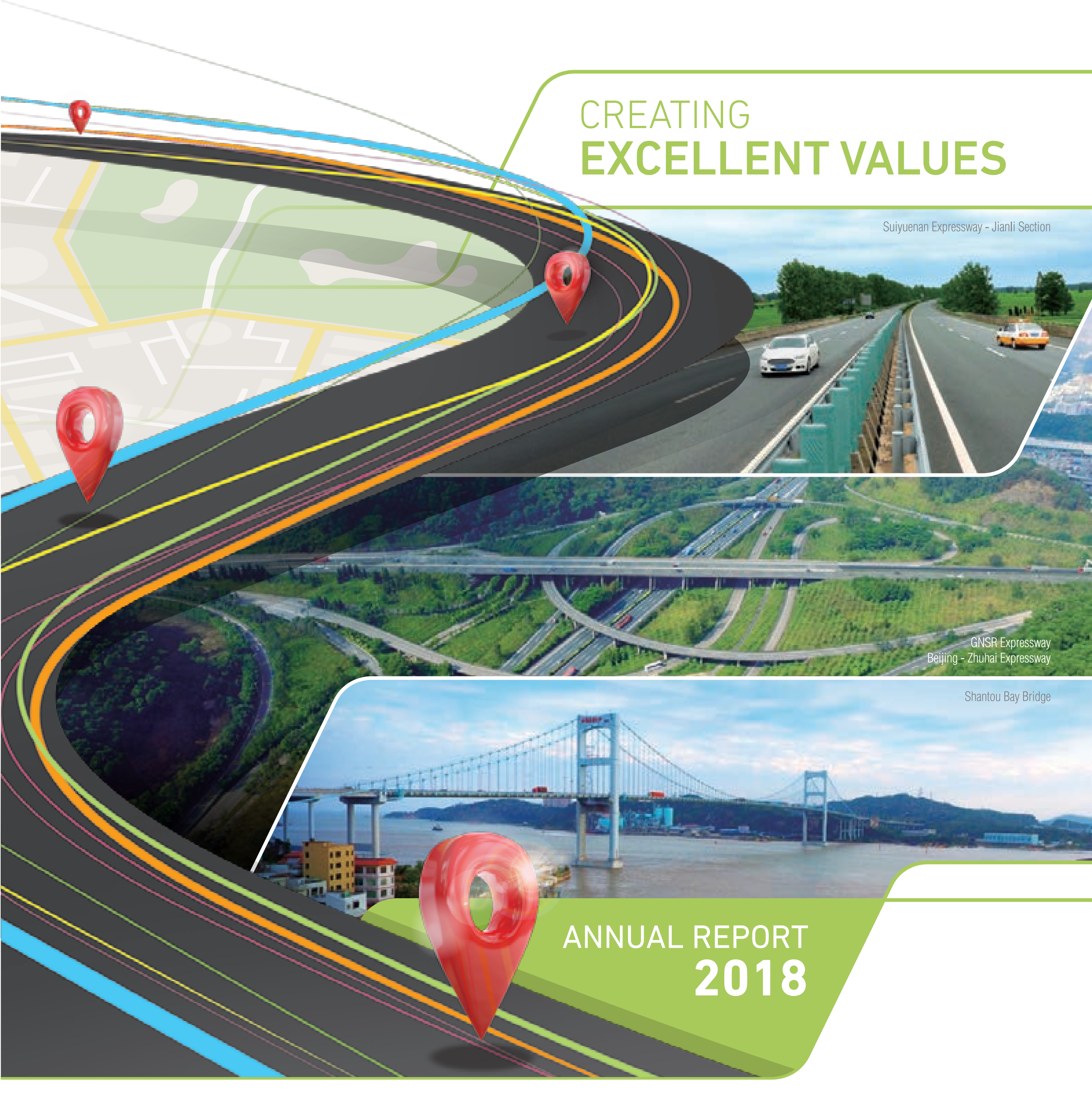
越秀交通基建有限公司

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

Stock Code: 01052

CREATING EXCELLENT VALUES



ANNUAL REPORT 2018

CONTENTS

FIVE YEARS FINANCIAL SUMMARY

INCOME STATEMENT

Year ended 31 December

(RMB'000)	**2018**	2017	2016	2015	2014
Income from operations	**2,847,073**	2,702,844	2,519,003	2,226,023	1,858,706
Earnings before interests, tax, depreciation and amortisation ("EBITDA")[1]	**2,855,785**	2,722,179	2,356,181	2,037,563	1,670,146
Profit before income tax	**1,891,655**	1,638,417	1,520,564	869,932	1,014,240
Profit for the year	**1,411,681**	1,267,222	1,166,477	653,022	777,730
Profit attributable to:					
Shareholders of the Company	**1,054,135**	947,942	918,817	532,086	609,370
Non-controlling interests	**357,546**	319,280	247,660	120,936	168,360
Basic earnings per share for profit attributable to the shareholders of the Company	**RMB0.6300**	RMB0.5666	RMB0.5491	RMB0.3180	RMB0.3642
Dividend per share	**RMB0.3375**	RMB0.297	RMB0.2885	RMB0.2296	RMB0.222

BALANCE SHEET

As at 31 December

(RMB'000)	**2018**	2017	2016	2015	2014
Total Assets	**22,739,750**	23,918,489	22,568,556	23,419,273	17,509,960
Total Liabilities	**10,332,171**	12,101,085	11,264,254	12,590,180	7,065,391
Total Equity	**12,407,579**	11,817,404	11,304,302	10,829,093	10,444,569
Equity attributable to:					
Shareholders of the Company	**10,071,871**	9,544,848	9,081,958	8,571,746	8,527,595
Non-controlling interests	**2,335,708**	2,272,556	2,222,344	2,257,347	1,916,974
Net assets per share to shareholders of the Company	**RMB6.02**	RMB5.70	RMB5.43	RMB5.12	RMB5.10

FINANCIAL RATIOS

Year ended 31 December

	2018	2017	2016	2015	2014
Return on equity attributable to shareholders of the Company	**10.47%**	9.93%	10.12%	6.21%	7.15%
EBITDA Interest Coverage	**8.2 times**	8.4 times	5.8 times	5.8 times	5.6 times
Gearing ratio[2]	**29.6%**	36.0%	40.0%	43.9%	27.6%
Total liabilities/Total assets ratio[3]	**45.4%**	50.6%	49.9%	53.8%	40.4%

1: EBITDA includes profit from associates and joint venture, but excludes non-cash gains and losses.

2: net debts ÷ total capitalization

3: total liabilities ÷ total assets

FINANCIAL HIGHLIGHTS

RESULTS HIGHLIGHTS FOR 2018

Revenue
RMB2,847 million
▲ 5.3%

Gross Profit
RMB2,013 million
▲ 5.1%

Gross Margin*
70.7%
▼ 0.1 percentage point

Operating Profit
RMB1,829 million
▲ 10.9%

Profit before income tax
RMB1,892 million
▲ 15.5%

Profit attributable to shareholders of the company
RMB1,054 million
▲ 11.2%

Earnings per share
RMB0.6300
▲ 11.2%

Total Assets
RMB22.7 billion
▼ 4.9%

Net assets per share
RMB6.02
▼ 5.5%

* Gross Margin = Gross profit/Revenue

CORPORATE PROFILE

廣州越秀集團有限公司
GUANGZHOU YUE XIU HOLDING LIMITED
100%

↓

YUE XIU ENTERPRISES (HOLDINGS) LIMITED 48.91%

PUBLIC 51.09%

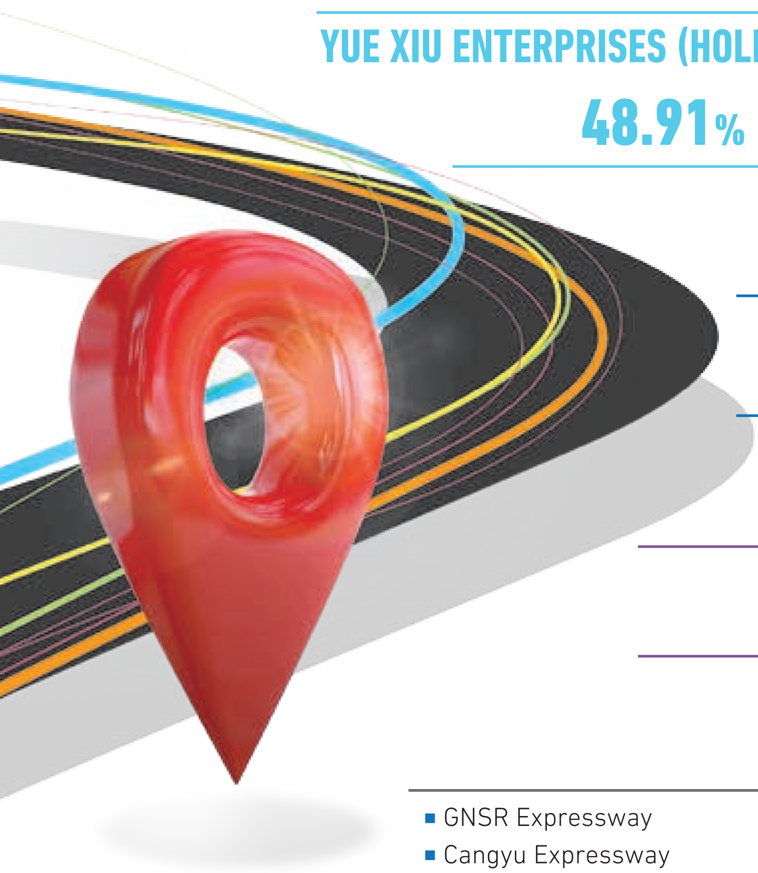
↓

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

↓

EXPRESSWAY / BRIDGE

↓



■ GNSR Expressway	60%
■ Cangyu Expressway	100%
■ Jinbao Expressway	60%
■ Han-Xiao Expressway	100%
■ Changzhu Expressway	100%
■ Weixu Expressway	100%
■ Suiyuenan Expressway	70%

• Northern Ring Road	24.3%
• Humen Bridge	27.78%*
• Shantou Bay Bridge	30%
• GWSR Expressway	35%
• Qinglian Expressway	23.63%

■ subsidiaries ● associates and joint venture

* The Group's profit sharing ratio in Humen Bridge could be referred to notes of 'Business Review' in page 26.

Yuexiu Transport Infrastructure Limited ("Company") and its subsidiaries (collectively, "Group") are principally engaged in investment, operation and management of toll expressways and bridges in Guangdong Province and other high growth provinces in the People's Republic of China ("PRC"), The Company's substantial shareholder, Guangzhou Yue Xiu Holding Limited is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission ("SASAC") of the Guangzhou Municipal People's Government.

As at 31 December 2018, the Group had a total of 12 investments in its operating expressways and bridge projects which included Guangzhou Northern Second Ring Expressway ("GNSR Expressway"), Guangzhou Western Second Ring Expressway ("GWSR Expressway"), Guangzhou Northern Ring Road ("Northern Ring Road"), Guangdong Humen Bridge ("Humen Bridge"), Shantou Bay Bridge and Qinglian Expressway, all of which are located within Guangdong Province; Cangyu Expressway in Guangxi Zhuang Autonomous Region ("Cangyu Expressway"); Jinbao Expressway in Tianjin Municipality; Han-Xiao Expressway and Suiyuenan Expressway in Hubei Province; Changzhu Expressway in Hunan Province; Weixu Expressway in Henan Province. As at 31 December 2018, the attributable toll length of the Group's subsidiaries is approximately 281.1 km (total toll length is approximately 337.1 km), attributable toll length of the Group's associates and joint venture is approximately 77.3 km, the total attributable toll length of expressways and bridges is approximately 358.4 km.


GNSR Expressway

LOCATION MAPS OF PROJECTS

	LOCATION	PROJECTS NAME
GUANGDONG	Dongguan City	Humen Bridge
	Guangzhou City	GNSR Expressway
	Guangzhou City	Northern Ring Road
	Guangzhou City	GWSR Expressway
	Qingyuan City	Qinglian Expressway
	Shantou City	Shantou Bay Bridge
GUANGXI	Wuzhou City	Cangyu Expressway
TIANJIN	Tianjin City	Jinbao Expressway
HUBEI	Wuhan City	Han-Xiao Expressway
	Wuhan City	Suiyuenan Expressway
HUNAN	Changsha City	Changzhu Expressway
HENAN	Xuchang City	Weixu Expressway

Jinbao Expressway


TIANJIN
HENAN
HUBEI
HUNAN
GUANGDONG
GUANGXI

LOCATION MAPS OF PROJECTS

1 HUMEN BRIDGE

It is a six-lane suspension highway bridge with a toll length of approximately 15.8 km linking Nansha District of Guangzhou City and Humen District of Dongguan City. Its two ends are connected to the Guangzhou Macau Expressway, Guangshen Yanjiang Expressway and GS Superhighway.

2 GNSR EXPRESSWAY

It is a six-lane expressway of approximately 42.5 km for toll length, with 10 flyovers in total. GNSR Expressway also connects with GWSR Expressway, Guangqing Expressway, Airport Expressway, G4 Expressway, Huanan Expressway, Guanghe Expressway, Guanghui Expressway, GS Superhighway, GESR Expressway and Fenghuangshan Tunnel, National Highway 105, 106, 324 and Provincial Highway 114 and so on.

3 NORTHERN RING ROAD

It is located within Guangzhou City with a toll length of approximately 22.0 km with six lanes. It is a part of Guangzhou Second Ring Expressway, Guangzhou section of Shenhai Expressway and Fukun section of National Highway, linking with GS Superhighway and Guangzhou Foshan Expressway.

4 QINGLIAN EXPRESSWAY

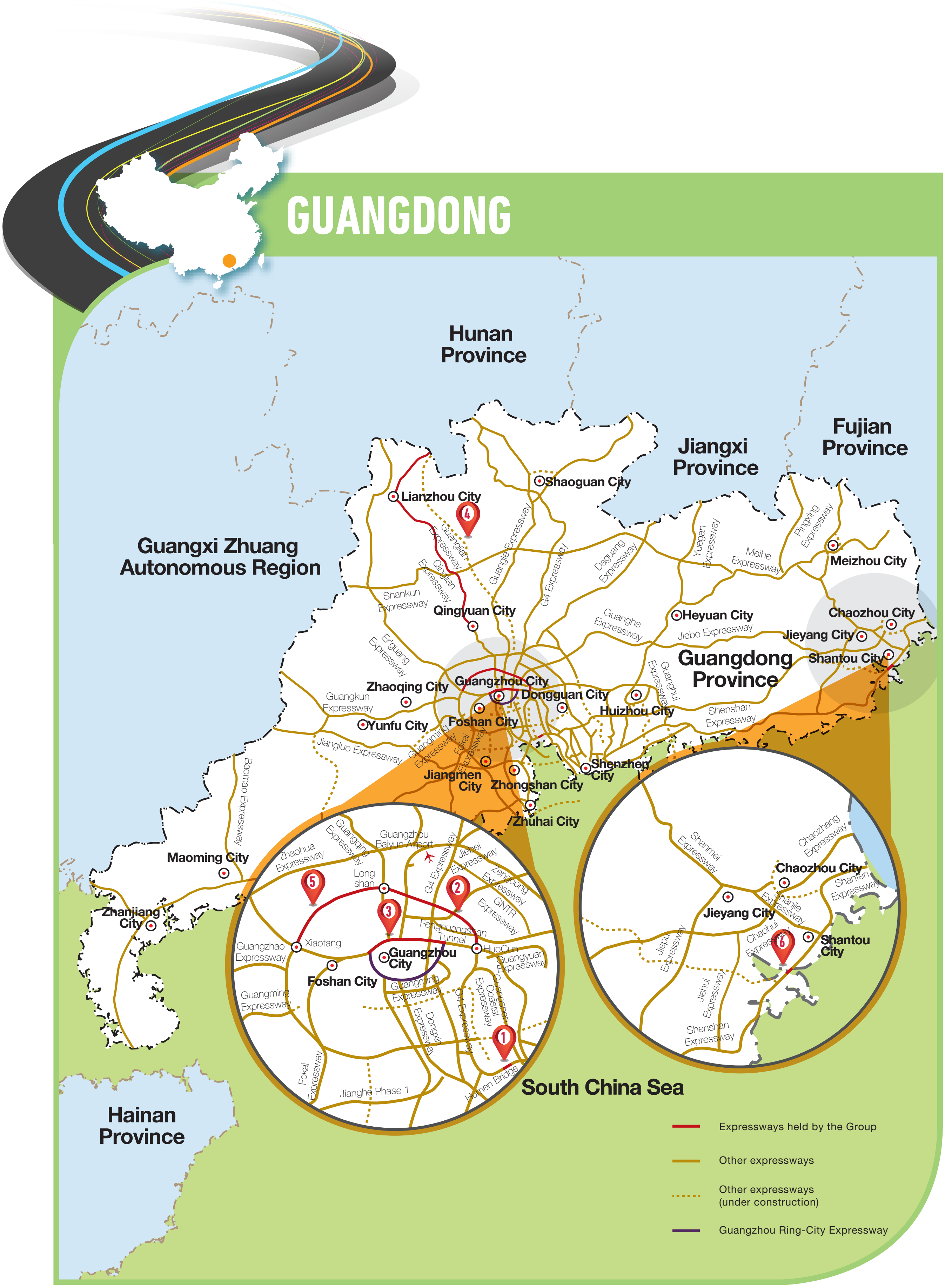
It is located in the northwestern part of Guangdong as a significant linkage between Guangdong and Hunan. The toll length is approximately 215.2 km with four lanes.

5 GWSR EXPRESSWAY

The toll length is approximately 42.1 km with six lanes which is connected to GNSR Expressway, Guangqing Expressway, southern part of GWSR Expressway and Guangsan Expressway.

6 SHANTOU BAY BRIDGE

It is located in the eastern entrance of Shantou Harbour which connects Shenshan Expressway in the south, stretches over Shantou Harbour Huangsha Bay Sea and connects with Shanfen Expressway. The project's toll length is approximately 6.5 km with six lanes.


GUANGDONG
Hunan Province
Jiangxi Province
Fujian Province
Guangxi Zhuang Autonomous Region
Guangdong Province
Hainan Province
South China Sea
Shaoguan City
Lianzhou City
Meizhou City
Qingyuan City
Heyuan City
Chaozhou City
Jieyang City
Shantou City
Zhaoqing City
Guangzhou City
Dongguan City
Huizhou City
Yunfu City
Foshan City
Shenzhen City
Jiangmen City
Zhongshan City
Zhuhai City
Maoming City
Zhanjiang City
Guangle Expressway
G4 Expressway
Daguang Expressway
Yuegan Expressway
Meihe Expressway
Pingxing Expressway
Shankun Expressway
Guanghe Expressway
Jiebo Expressway
Er'guang Expressway
Guangkun Expressway
Guanghui Expressway
Shenshan Expressway
Jiangluo Expressway
Guangming Expressway
Fokai Expressway
Baomao Expressway
Guangzhou Baiyun Airport
Zhaohua Expressway
Guangqing Expressway
Jiekai Expressway
Zengcong Expressway
GNTR Expressway
Long shan
Fenghuangshan Tunnel
Xiaotang
HuoCun
Guangzhao Expressway
Guangyuan Expressway
Guangming Expressway
Coastal Expressway
Dongxin Expressway
Jianghe Phase 1
Humen Bridge
Shanmei Expressway
Chaozhang Expressway
Shanfen Expressway
Shanjie Expressway
Chaohui Expressway
Jiepu Expressway
Jiehui Expressway
Shenshan Expressway
1
2
3
4
5
6
Expressways held by the Group
Other expressways
Other expressways (under construction)
Guangzhou Ring-City Expressway

LOCATION MAPS OF PROJECTS

7 CANGYU EXPRESSWAY

It is located in Longxu District, which was originally in Cangwu County, of Wuzhou City in Guangxi Zhuang Autonomous Region, linking Longxu District of Guangxi with the Yunan County of Guangdong Province. The toll length is approximately 23.3 km with four lanes, forming a part of Guangkun Expressway (G80).

TIANJIN

8 JINBAO EXPRESSWAY

It is located in the west of Tianjin Municipality, and Hebei Province at the junction, and linking the Jinbao Expressway (Hebei section), Jinghu Expressway and Tianjin Waihuan Lane etc. with a toll length of approximately 23.9 km with four lanes.

LOCATION MAPS OF PROJECTS

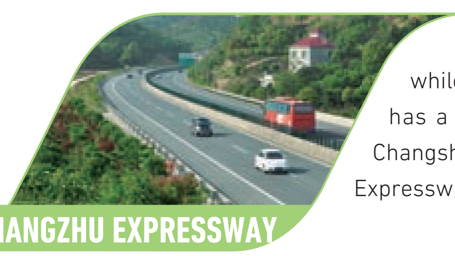
9 HAN-XIAO EXPRESSWAY

It starts from Huangpi District, Wuhan city and ended at Xiaonan District, Xiaogan City. The toll length is approximately 38.5 km with four lanes. Han-Xiao Expressway also connects with Wuhan Airport Expressway, G4 Expressway, Wuhan Ring Road, Daijiashan-Huangpi Expressway and Xiaoxiang Expressway.

10 SUIYUENAN EXPRESSWAY

It starts from Hanyi Expressway Zhuji Interchange and ended at north shore of Jinyue Yangtze River Highway Bridge. It is an important expressway in the central region of Hubei for connecting passenger and freight transportation among regions such as Henan and Hunan. The toll length is approximately 98.1 km with four lanes.

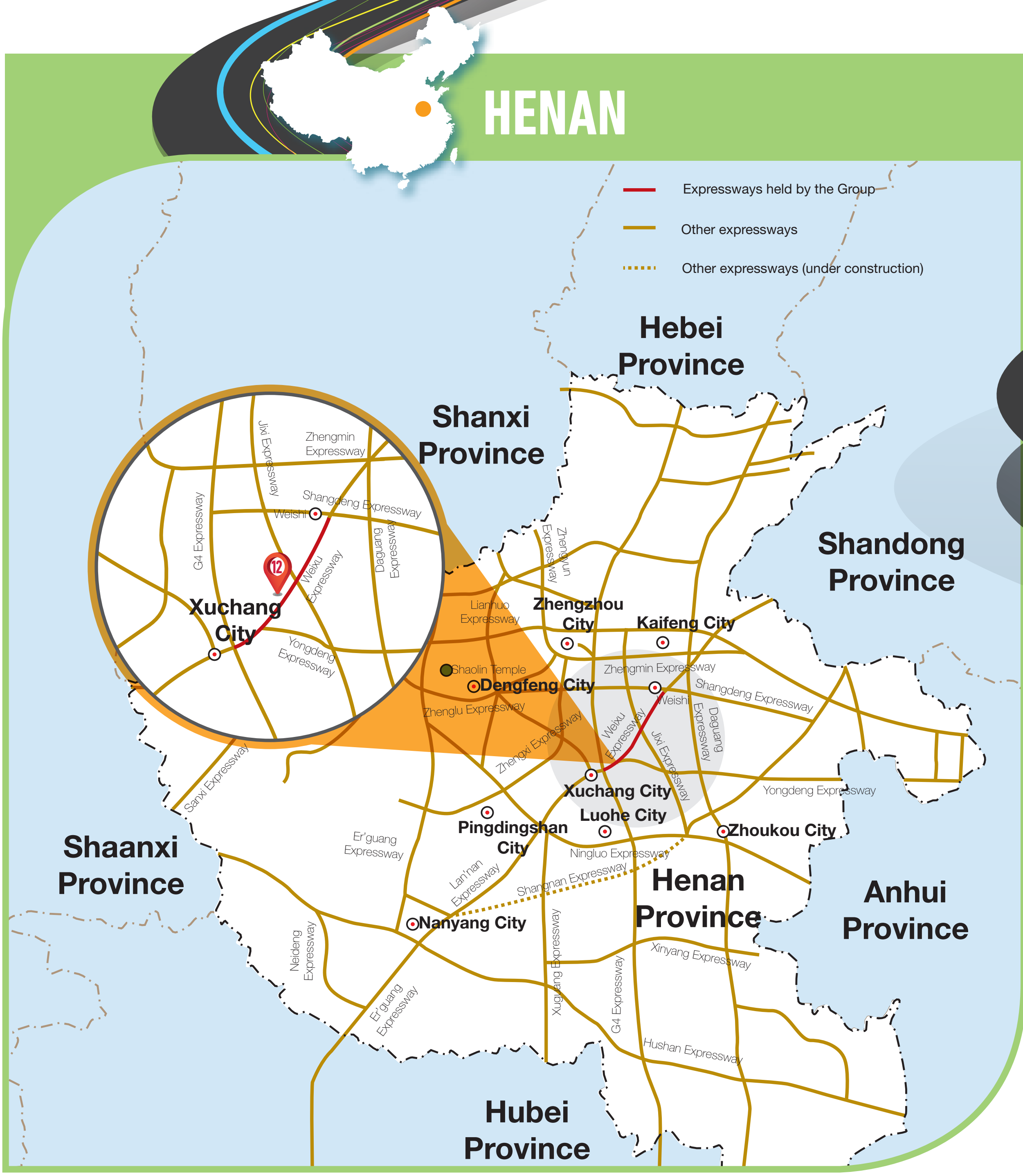
HUNAN



11 CHANGZHU EXPRESSWAY

It starts from Huanghua Village in the Changsha County, Changsha City, while ending at northwest of Zhuzhou Electric Factory. Changzhu Expressway has a toll length of approximately 46.5 km with four lanes. It connects with Changsha City Ring Road, Chang-Liu Expressway, Airport Expressway and Hukun Expressway.

LOCATION MAPS OF PROJECTS



12 WEIXU EXPRESSWAY

Located in Henan Province, Weixu Expressway is an important part of Lan-nan Expressway as well as the significant linkage between G4 Expressway, Daguang Expressway (G45), Xuguang Expressway (G0421), Er'guang Expressway (G55), Ningluo Expressway (G36) and Lianhuo Expressway (G30). The toll length is approximately 64.3 km with four lanes.


Qinglian Expressway

GNSR Expressway

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

MR ZHU CHUNXIU
Chairman

On behalf of the Board, I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2018.

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2018 (the "Reporting Year"), the Group recorded revenue of RMB2.85 billion, representing a year-on-year increase of 5.3%. Profit attributable to shareholders amounted to RMB1,054 million, representing a year-on year increase of 11.2%, reaching a record high in terms of operation performance.

The Board has recommended the payment of a final dividend for 2018 of HK$0.24 per share, together with the paid interim dividend of HK$0.15 per share, the total dividends for the Reporting Year amounted to HK$0.39 per share which is equivalent to RMB0.337463 per share, representing an annual dividend payout ratio of 53.6%.

Han-Xiao Expressway

CHAIRMAN'S STATEMENT

ANNUAL REVIEW

Macro-Economy and Regulatory Environment of the Sector

Looking back on 2018, the global economic environment was complicated and volatile under a markedly slackened rate of economic growth. The outlook for recovery was shrouded in uncertainty as the global boom started in 2016 showed signs of slowing down in 2018. On one hand, the US economy recovery remained strong, which was driven by tax cuts and other favorable factors. On the other hand, developed economies such as Japan and Europe continued their staggering pace while emerging market economies showed uneven rate of recovery. Signs of unbalanced global recovery are more distinct. Meanwhile, intensified protectionism and populism coupled with escalation in geopolitical conflicts have amplified the risk factors. Steady rate hikes by the Federal Reserve have strengthened the dollar, forcing many central banks, especially those of emerging market economies, to tighten their monetary policies to stem the outflow of capital. As a result, there are multiple challenges to the global economic outlook and volatility in the financial market increases.

Amid such a complex and uncertain external environment, China's economy has showed its resilience and generally attained both progress and stability. In the meantime, "Stable growth, risk prevention, and structural adjustment" have become the direction of China's macro-control. The State Council issued several documents calling for the strengthening of points of weakness in the infrastructure of Central and Western China. The People's Bank of China implemented four "Targeted Cut of the Reserve Requirement Ratio" and optimized the liquidity structure of commercial banks and financial institution to minimize the potential risks resulting from insufficient liquidity. In addition, the establishment of the private enterprise bailout fund and the launch of private enterprise financing bonds as a supporting tool indicate that the government aims to take effective measures to reduce the financing costs of SMEs through a series of measures in order to support the growth of real economy. According to the statistics released by the National Bureau of Statistics, China's gross domestic product (GDP) reached RMB90.0309 trillion in 2018 with a year-on-year growth rate of 6.6%, and the overall economy is still operating within a reasonable range.

As shown in the statistics released by the Ministry of Transport of China, the transportation economy maintained a stable development trend from January to November 2018. National highway passenger traffic fell by 6.4% year-on-year while cargo volume recorded an increase of 7.5% year-on-year. Road freight traffic continued to grow faster than passenger traffic. Moreover, fixed assets investment on transportation remained at a high level with completed investment totaling RMB2.93 trillion in the first 11 months, representing a 1.0% annual growth. On 20 December 2018, National Ministry of Transport once again published the Toll Road Management Law (revised draft) (the "Revised Draft"), seeking opinion from the public. According to the relevant person in charge of the Ministry of Transport, in light of the need of adapting to new requirements of deepened fiscal and taxation system reform as well as the investment and financing system reform, and taking into account a number of factors such as solving the toll road debt issues and facilitating long-term maintenance management of expressways, the design of the current system can no longer meet the requirements to ensure a sustainable development of the transportation industry, and a comprehensive revision is direly needed. The Revised Draft is now in the process of soliciting public opinion and relevant amendments are still ongoing, and the Group will pay close attention to related developments.

Business Development

During the Reporting Year, a diversion of traffic due to the commencement of GNTR Expressway has fully reflected its impact on GNSR Expressway, and the toll revenue for the year basically remained the same. The rate of growth of core projects in Central China such as Weixu Expressway and Suiyuenan Expressway was slowing down during the second half of 2018, but still managed to grow by 30.2% and 16.5% year-on-year. Some mature associated/joint venture projects within the province, benefiting from their superior locations and robust development of regional economy, have maintained a steady overall performance. Toll revenue and attributable profit of GWSR Expressway grew by 23.1% and 34.7% year-on-year due to prohibition of truck passage into the expressway during the renovation of Foshan First Ring Road. In recent years, the Group has actively seized the development opportunities brought by the national strategy of "Rise of Central China", and implemented aggressive expansion into Central China provinces with large populations of labors, such as Hubei, Hunan and Henan, with acquisition of a number of quality highway projects. Diversification of investment regions disperses business risks and allows us to seize more development opportunities. This strategy has gradually paid off. As the projects are getting mature, Central China projects are growing steadily into important profit centers for the Group.

The Group adheres to a prudent and steady financial policy, continues to optimize the debt structure and controls the financing costs. During the Reporting Year, the RMB exchange rate fluctuated significantly in both directions, while the exchange rate of the RMB against the currencies of major developed economies, such as the US dollar, has appreciated during the fourth quarter, and the cumulative decrease in the RMB exchange rate index has narrowed compared with that by the end of the third quarter. The Group continues to strengthen the management of foreign exchange risk exposure. After repayment of 200 million euro medium-term notes, the portion of liabilities in RMB rose to 94.2% from 83.3% and impact from exchange rate fluctuation has decreased. The Group has sound financial position and maintains good cooperating relationships with a number of onshore and offshore commercial banks. With the investment-grade credit rating granted by the three major international rating agencies, i.e. Moody's(Baa2), Standard & Poor's(BBB-) as well as Fitch(BBB-), the Group continues to enjoy low-cost financing, ensure the liquidity of funds and provide reserve resources for business development.

FUTURE PROSPECT AND OUTLOOK

Macroeconomic Prospects and Outlook of the Development of the Sector

On 21 January 2019, the International Monetary Fund (IMF) released the updated World Economic Outlook Report, which lowered the global annual economic growth rate to 3.5% and 3.6% for 2019 and 2020 respectively, of which the growth rate for 2019 has been adjusted to the lowest point in three years. IMF noted that economic growth is slowing in both developed and emerging market countries. In addition to the escalation of trade tensions, factors such as the Brexit may lead to further deterioration of market risk sentiment, and increase the risk of downturn of global economic growth.

In the coming future, the Central Government will remain committed to the underlying principle of "making progress while maintaining stability", and endeavour to develop and strengthen the real economy. Through the measures of deepening supply-side structural reform, encouraging the upgrade of manufacturing industry through innovations and implementing regional coordinated development, the domestic demand potential continues to be released and the domestic market is strengthened so as to propel the Chinese economy further toward the stage of high quality development. Overall speaking, the long-term upward trend of Chinese economy is expected to remain unchanged, and economic growth will remain steady.

Expressway is an important part of modern integrated transportation system, characterized by its high efficiency, safety and flexibility, and is of great significance to the long-term development of the domestic economy. While highway transportation is susceptible to influence of macroeconomic activities, it has the characteristics of having rigid demand. Driven by favorable factors such as the sustained increase in car ownership in the society, the flourishing of e-commerce and express delivery service, as well as rapid development of local tourism, highway transportation sector has the momentum for continuous growth. Taking into account the above factors, the Group is still optimistic about the development prospects of the industry, and anticipates a sustained long-term growth of its toll expressways/bridges projects in the future.

Outlook of Development Strategies

According to the "13th Five-year Plan for Promoting the Rise of the Central China Region" promulgated by the National Development and Reform Commission (NDRC), it is made clear that the central region is a key area under the new round of industrialization, urbanization, digitalization and agricultural modernization in China. Measures of promoting the upgrade and renovation of manufacturing industry, promoting industrial cluster development and accelerating the construction of urban agglomerations will continue to be strengthened, and the regional economic development will enter into a new phase. In addition, according to the Guangdong Provincial Development and Reform Commission ("Guangdong DRC"), it is expected to release its opinions and phased plans for the implementation of the Guangdong-Hong Kong-Macao Greater Bay Area Plan, with a focus on the construction of International Science and Technology Innovation Center, as well as the interconnection of infrastructure in Guangdong, Hong Kong and Macao, which aims at creating a first-class international bay area.

In this regard, the "Rise of the Central Region" and the "Guangdong, Hong Kong and Macao Greater Bay Area" will be the two regional strategies taken into account during the course of the Group's business expansion. By grasping the investment opportunities in the two main regions, the Group will focus on the business development of expressways and bridges, promote mergers and acquisitions of quality projects, enhance asset scale and profitability, and create long-term stable and reasonable returns for its shareholders. In the process of implementing M&A proposals, the Group will fully assess and consider the impact of such M&A on the credit metrics, so as to ensure a steady and sound financial position on the whole alongside our business development.

With a steady business operation, the Group strengthens its advantage in consolidation of financing capability with focus on maintaining its investment-grade credit ratings. The Group obtained a RMB2.0 billion medium-term note registration notice issued by the National Association of Financial Market Institutional Investors during the year and has further expanded domestic direct financing channels. Taking into account an increasingly obvious trend of two-way volatility of RMB, and the fact that the People's Bank of China will continue to implement steady monetary policies, and maintain a reasonable domestic capital liquidity to support the stable development of the real economy, which is expected to keep the domestic financing interest rate at a reasonable level benefiting financing entities with good financial qualifications, the Group will focus more on local currency financing in the future. The Group shall maintain prudent attitude towards foreign currency financing and strengthen the control of foreign exchange risk, matching the currency and term structure of assets and liabilities.

APPRECIATION

During the Reporting Year, our directors, senior management officers and all our staff continued to adhere to their pragmatic, diligent and resolute working attitude, in pursuit of excellence in performance and quality of work. On behalf of all members of our Group, I would like to express my gratitude and appreciation to all our shareholders, banks, business community and partners for their dedicated support over the years.

Zhu Chunxiu
Chairman

Hong Kong, 18 February 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Suiyuenan Expressway

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Remaining Operating Term (year)
Subsidiaries						
GNSR Expressway	42.5	6	5	Expressway	60.00	14
Cangyu Expressway	23.3	4	1	Expressway	100.00	12
Jinbao Expressway	23.9	4	3	Expressway	60.00	12
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	18
Changzhu Expressway	46.5	4	5	Expressway	100.00	22
Weixu Expressway	64.3	6	2	Expressway	100.00	17
Suiyuenan Expressway	98.1	4	4	Expressway	70.00	22
Associates and Joint Venture						
GWSR Expressway	42.1	6	4	Expressway	35.00	12
Humen Bridge	15.8	6	4	Suspension Bridge	27.78(1)	11
Northern Ring Road	22.0	6	8	Expressway	24.30	5
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	10
Qinglian Expressway	215.2	4	16	Expressway	23.63	16

Notes:

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

Toll Summary of Toll Roads and Bridges

For the year ended 31 December 2018

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll revenue per vehicle	
	2018 (Vehicle/day)	Y-O-Y Change %	2018 (RMB/day)	Y-O-Y Change %	(RMB)	Y-O-Y Change %
Subsidiaries						
GNSR Expressway	233,210	1.4%	3,179,674	-1.9%	13.6	-3.2%
Cangyu Expressway	10,857	-11.2%	214,059	-8.8%	19.7	2.8%
Jinbao Expressway(1)	37,345	7.9%	261,956	6.4%	7.0	-1.4%
Han-Xiao Expressway	26,719	0.0%	465,833	-14.2%	17.4	-14.2%
Changzhu Expressway(1)	59,329	-2.0%	679,843	1.4%	11.5	3.4%
Weixu Expressway	31,928	36.0%	1,170,869	30.2%	36.7	-4.3%
Suiyuenan Expressway	22,903	14.8%	1,827,965	16.5%	79.8	1.4%
Associates and Joint Venture						
GWSR Expressway	73,237	2.9%	1,653,165	23.1%	22.6	19.6%
Humen Bridge	121,747	2.8%	4,583,065	3.7%	37.6	0.9%
Northern Ring Road	348,447	3.9%	2,109,430	-0.6%	6.1	-4.3%
Shantou Bay Bridge	26,175	-0.8%	582,672	-12.4%	22.3	-11.8%
Qinglian Expressway	43,477	5.6%	2,084,099	3.4%	47.9	-2.1%

Note:

(1) According to the upgrade of traffic data collection technology and related work arrangements of the local network centers in Hunan Province and Tianjin City, the statistical calibers for the toll traffic volumes of Changzhu Expressway and Jinbao Expressway have been adjusted from May 2018. The statistical caliber for the toll traffic volume of Changzhu Expressway has been changed from the entrance and exit traffic volume to the sum of the entrance and exit traffic volume and the passing through traffic volume, while that of Jinbao Expressway has been changed from MTC (Manual Toll Collection) traffic volume to the sum of MTC (Manual Toll Collection) and ETC (Electronic Toll Collection) traffic volume. The aforesaid adjustment to the statistical calibers for the toll traffic volumes of Changzhu Expressway and Jinbao Expressway has no influence on the toll revenues as the previous statistical calibers for toll revenues have included the entrance and exit traffic volume and the passing through traffic volume (including MTC (Manual Toll Collection) and ETC (Electronic Toll Collection)). Thereafter the statistical calibers of toll traffic volumes for all projects of the Group's subsidiaries, associates and joint ventures are the entrance and exit traffic volume and the passing through traffic volume (including MTC (Manual Toll Collection) and ETC (Electronic Toll Collection)).

MANAGEMENT DISCUSSION AND ANALYSIS

Toll Roads and Bridges

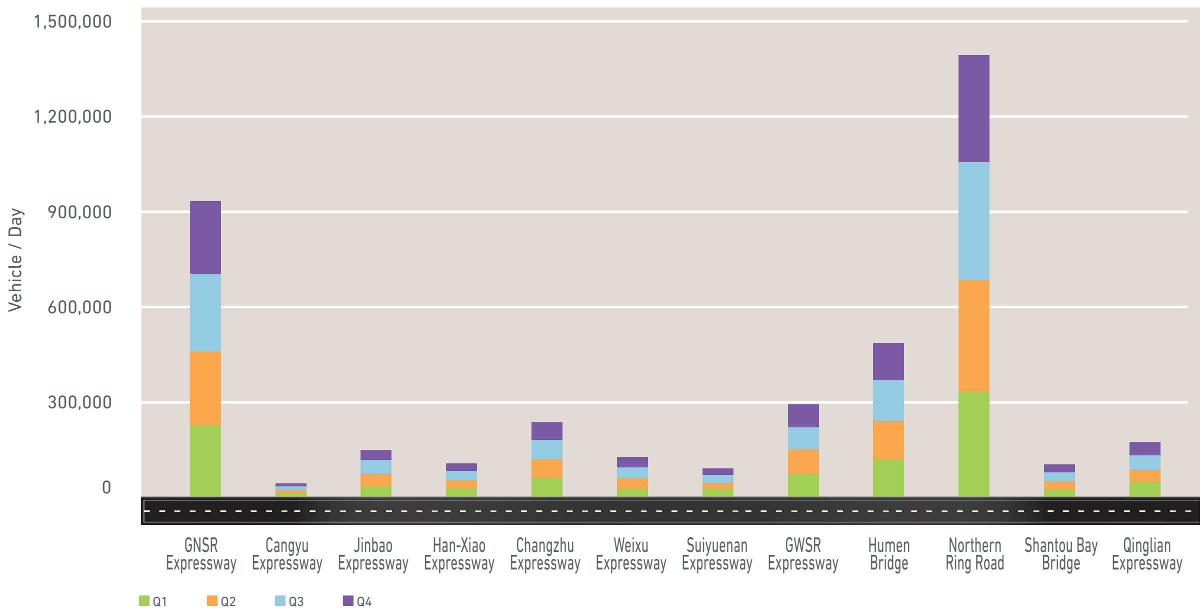
Quarterly analysis of average daily toll traffic volume for 2018

	Average daily toll traffic volume of the First quarter (vehicle/day)	Average daily toll traffic volume of the Second quarter (vehicle/day)	Average daily toll traffic volume of the Third quarter (vehicle/day)	Average daily toll traffic volume of the Fourth quarter (vehicle/day)
Subsidiaries				
GNSR Expressway	227,123	232,720	245,526	227,336
Cangyu Expressway(1)	14,110	9,866	11,030	8,483
Jinbao Expressway	34,821	39,661	43,065	31,803
Han-Xiao Expressway	28,309	25,901	28,442	24,251
Changzhu Expressway	61,646	57,625	61,949	56,128
Weixu Expressway	27,164	31,808	34,937	33,699
Suiyuenan Expressway(1)	26,152	20,157	24,223	21,119
Associates and Joint Venture				
GWSR Expressway	74,642	76,489	69,023	72,860
Humen Bridge	119,499	121,819	127,637	117,984
Northern Ring Road	333,008	351,305	370,981	338,190
Shantou Bay Bridge	24,552	25,441	28,533	26,133
Qinglian Expressway(1)	48,565	38,454	45,684	41,263

Note:

(1) The traffic volumes are usually peak during the Spring Festival on the inter-provincial roads. Therefore, the average daily toll traffic volumes of these roads were higher in the First quarter than the other three quarters.

Quarterly analysis of average daily toll traffic volume for 2018

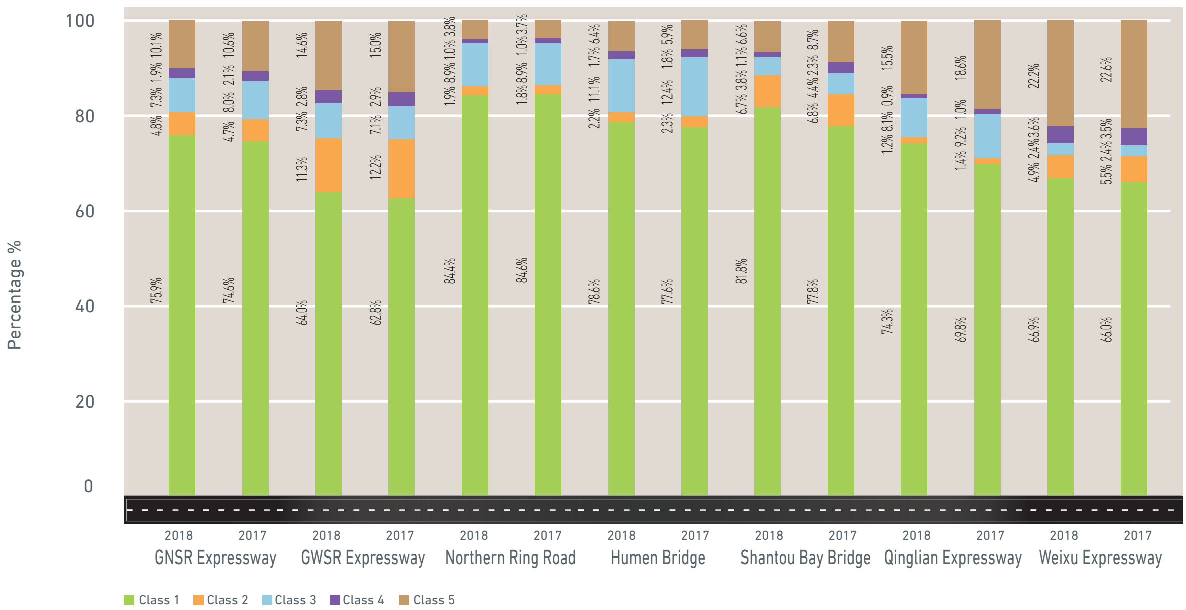


MANAGEMENT DISCUSSION AND ANALYSIS

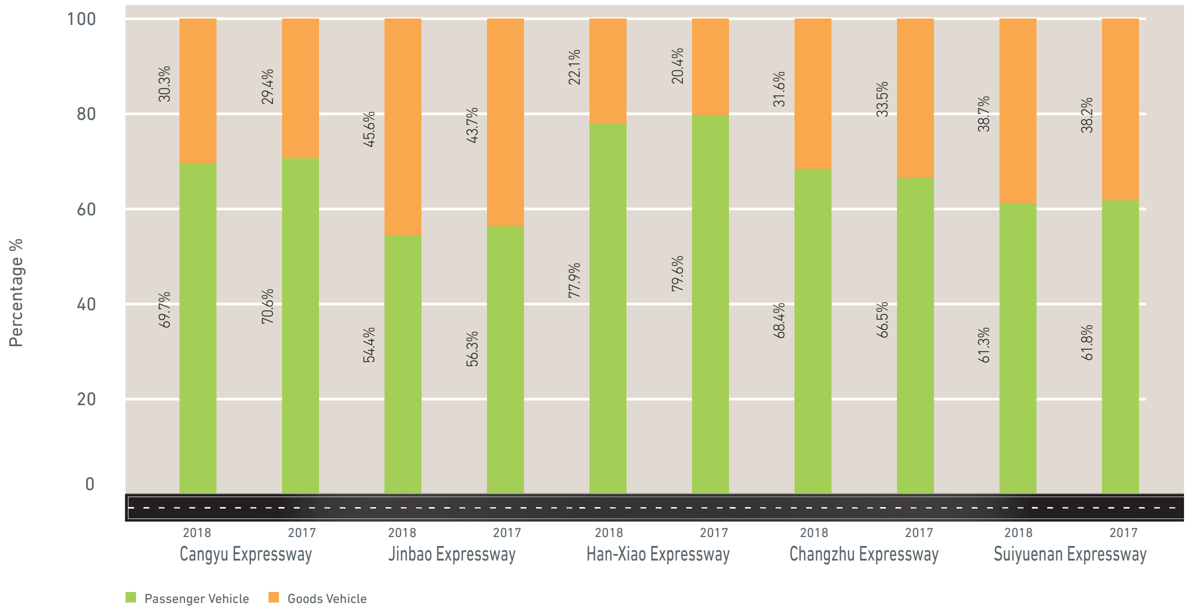
Vehicle type analysis (by traffic volume)

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

Vehicle type analysis on projects operated in the provinces of Guangdong and Henan for 2018 (based on statistics of traffic volume)



Vehicle type analysis on projects operated in other regions for 2018
(based on statistics of traffic volume)



SUMMARY OF OPERATING PERFORMANCE

Macroeconomic environment

During the Reporting Year, global economic activities are still expanding but the growth momentum is weakening. The domestic economy is stable and progressing. In 2018, the gross domestic product (GDP) increased by 6.6% year-on-year to RMB90.0309 trillion. The transportation industry remained stable, and the scale of transportation infrastructure construction remained at a high level. Car ownership still grew by 10.5% year-on-year to 240 million units.

The projects invested and operated by the Group are distributed over Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The total output value of these regions in 2018 increased by 6.8%, 3.6%, 6.8%, 7.8%, 7.8% and 7.6%, respectively.

(Unit: RMB100 million)

	National	Guangdong Province	Tianjin Municipality	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
2018 GDP	900,309	97,278	18,810	20,353	36,426	39,367	48,056
2018 GDP Growth	6.6%	6.8%	3.6%	6.8%	7.8%	7.8%	7.6%
2017 GDP Growth	6.9%	7.5%	3.6%	7.3%	8.0%	7.8%	7.8%

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

MANAGEMENT DISCUSSION AND ANALYSIS

Regulatory Environment of the Sector

During the Reporting Year, the regulatory environment of the transportation industry remained stable as a whole. The Ministry of Transport is currently seeking comments on the "Toll Road Management Law (revised draft)". The revised draft has revised the relevant systems of the current regulations to meet the needs of comprehensive reforms and to ensure the sustainable development of toll roads. The Group will continue to closely monitor its revisions.

During the Reporting Year, the new "Green Passage Toll Free Policy" was implemented on the expressways and bridges of the Group in accordance with the relevant national requirements. The implementation of this policy led to a decrease in the toll income of the Group by approximately RMB329.39 million (2017: approximately RMB288.56 million).

During the Reporting Year, the "Toll Free Policy for Passenger Cars with Seven Seats or Less during Major Holidays" was implemented on the expressways and bridges of the Group in compliance with the relevant national requirements. There were a total of 20 days of major holidays during the year that falls under the requirements. Based on preliminary estimation, the implementation of this policy resulted in a decrease in the toll income of the Group by approximately RMB90.33 million [(1)] (2017: approximately RMB89.37 million [(1)]).

Note:

(1) The estimation result is based on the simulated calculation based on data available to subsidiaries of the Group and historical data and is for reference purpose only.

Policies on Environmental Protection

During the Reporting Year, the Group actively promoted the use of new technologies, new processes, new materials and new products to maximize material savings, environmental protection and pollution reduction while saving costs and improving highway performance, so as to make contributions to green travel.

The Group continued to focus on the greening of highway. Its project companies regularly arranged for the pruning of the flowers and trees along the highways, around the interchanges and toll station areas, strengthened the daily management of green conservation and enhanced the quality of the overall landscape of the Group's highway to create a good traffic environment for drivers and passengers. Meanwhile, the Group ensured the quality of the living environment of the residents along the periphery by effectively controlling noise and siltation with installation of noise control facilities and drainage facilities.

In addition, the Group actively advocated a paperless office and encouraged employees to develop good habits, conserve resources and energy to build a green and comfortable office environment.

Business Improvements and Innovations

During the Reporting Year, the Group continued to smoothen traffic flow, enhance operational management and standardize safety management, and strived to improve the traffic services capability. Great efforts was made to develop comprehensive maintenance and renovation as well as construction project management and control capabilities, and expand on the research and the application of new material, technologies, skills and equipment. The road condition and performance was improved, and the overall road maintenance management level was enhanced. The traffic efficiency was effectively enhanced by actively applying new scan-and-pay technologies such as non-inductive payment. The Group continued to enhance our staff development system, implement the talent management system, and provide a solid foundation for the Company's long-term development.

Progress of investment

During the Reporting Year, the Group continued to look for high-quality expressway projects of large and medium sizes in order to strengthen its core business. With its base in Guangdong Province, the Group would actively look for and acquire expressways which have a balanced operating cash flow from economically strong provinces in the central and western parts of the country so as to expand its business scale and would also seek for development opportunities of infrastructure facility projects with stable cash flows.

POSSIBLE RISK EXPOSURE

During the Reporting Year, the Group further improved the comprehensive risk management system which covered all aspects of corporate strategies, operation and finance. In future developments, the Group will be highly aware of the following risks and will adopt effective tackling measures proactively.

Risks of Changes in the Planning of Road Networks

Risk analysis: As the road network of expressways continue to improve, it is possible that parallel roads or alternative routes may continue to increase, coupled with peripheral road segments construction work and improvement in road condition of local highways. As a result, there may have uncertain impact on the growth of toll revenue in individual projects.

Counter measures: Actively communicate with the competent authorities of the industry, utilize such information gathered through the Internet and on-site visits, and conduct timely assessments and analysis, so as to come up with the corresponding strategies in response.

Risk of Investment Decisions

Risk analysis: According to the Group's development strategies, there may be acquisition of new projects in the future. Whether high quality projects will be selected and scientific investment decisions is made will have far-reaching effects on the Group's development.

Counter measures: In line with the Group's strategies, further improve the management of investment reserves, continue to optimize the indicator system, keep up with latest updates, while at the same time conduct regional and road network scanning and analysis, and continue to improve the scientific and systematic support of the decision process.

MANAGEMENT DISCUSSION AND ANALYSIS

Risks of Sectoral and Economic Policies

Risk analysis: Relevant ministries and local governments are invited to give their views during the second round of consultation on the "Regulation on the Administration of Toll Roads", which will further strengthen the reform of the toll road system. The downward pressure on the domestic macro economy has increased, and the adjustment of the transportation structure has continued, which may affect the transportation demand, particularly the freight demand. In order to further lower the costs of logistics, certain local governments had launched highway toll reduction measures, for example, some provinces had implemented the pilot program of differentiated highway toll collection at different times, while others had implemented concessionary toll reduction policy for freight vehicles on state-owned highways.

Counter measures: Pay close attention to the conditions of the province where the project companies operate, including transportation industry policies, regional economic policies and macroeconomic changes, collect and collate the relevant information regularly to establish a database for carrying out analysis and research to formulate tackling measures; strengthen interaction between peer entities and supervising authorities to understand the most recent direction of the industry, exchange management experience and establish good cooperation relationship. Pay close attention to the changes in the toll road policies of various regions, conduct timely measurement and analysis, and formulate countermeasures to maximize the Company's core interests.

Investment Exit Risks

Risk analysis: Failure to implement the investment disposal and exit mechanism may result in not being able to cut the losses of certain investment projects effectively.

Counter measures: Step up the asset assessment efforts, formulate feasible acquisition and disposal proposal; maintain communication with strategic partners, promote feasible acquisition and disposal proposal, and ensure that such efforts are conducted in a systematic and scientific manner under a solid and comprehensive decision-making process.

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll traffic volume was 233,210 vehicles and the average daily toll revenue was RMB3,180,000, representing an increase of 1.4% and a decrease of 1.9% respectively, when compared with 2017.

Benefiting from the growth of car ownership (in particular small vehicles), the average daily toll traffic volume maintained a growing trend year-on-year, yet the toll revenue slightly decreased year-on-year, which is mainly attributable to the commencement of operation of GNTR on 29 January 2018, which resulted in certain diversion impact of goods vehicles.

Cangyu Expressway

During the Reporting Year, the average daily toll traffic volume was 10,857 vehicles and the average daily toll revenue was RMB214,000, representing a decrease of 11.2% and 8.8%, respectively, when compared with 2017.

The commencement of operation of Liuwu Expressway and Wuzhou Ring Expressway, as well as the completion of upgrade and renovation of the X184 County Road resulted in certain diversion impact of vehicles. As such, the average daily toll traffic volume and average daily toll revenue decreased year-on-year.

Jinbao Expressway

During the Reporting Year, the average daily toll traffic volume was 37,345 vehicles and the average daily toll revenue was RMB262,000, representing an increase of 7.9% and 6.4% respectively, when compared with 2017.

Benefiting from the increased efforts in overload control implemented on local roads, coupled with the construction of the peripheral road networks, some vehicles were diverted to Jinbao Expressway. The average daily toll traffic volume and average daily toll revenue maintained a growing trend year-on-year. (Note: Please refer to the note in the paragraph headed "Toll Summary of Toll Roads and Bridges" for the changes in the statistical caliber for the toll traffic volume.)

Han-Xiao Expressway

During the Reporting Year, the average daily toll traffic volume was 26,719 vehicles, which remained steady when compared with 2017, and the average daily toll revenue was RMB466,000, representing a decrease of 14.2%, when compared with 2017.

As the transfer effect resulting from the maintenance of Wuhan Junshan Yangtze River Bridge of the G4 National Expressway was diminishing since September 2018 when a temporary traffic control measure was implemented in respect of the construction work of Fuhe Bridge (府河大橋) neighbouring to the Han-Xiao Expressway, the average daily toll traffic volume remained steady and the average daily toll revenue has decreased year-on-year.

Changzhu Expressway

During the Reporting Year, the average daily toll traffic volume was 59,329 vehicles and the average daily toll revenue was RMB680,000, representing a decrease of 2.0% and an increase of 1.4% respectively, when compared with 2017.

The average daily toll traffic volume decreased year-on-year, mainly due to the shifting effect of the implementation of heavy-duty truck restrictions for the Changsha section of the G4 National Expressway last year, which resulted in a higher base and a year-on-year increase in toll revenue, mainly due to the improvement of the expressway network and the increase of long-haul traffic. (For changes in statistic figures in toll traffic flow, please refer to "Summary Information of Operating Toll Roads and Bridges").

Weixu Expressway

During the Reporting Year, the average daily toll traffic volume was 31,928 vehicles and the average daily toll revenue was RMB1,171,000, representing an increase of 36.0% and 30.2%, respectively, when compared with 2017.

Benefiting from an increased traffic flow brought by the improving regional economy, coupled with diversion of goods vehicles to Weixu Expressway due to the measures combating oversize and overload transport on the local roads, the average daily toll traffic volume and average daily toll revenue maintained a relatively rapid growing trend year-on-year.

Suiyuenan Expressway

During the Reporting Year, the average daily toll traffic volume was 22,903 vehicles and the average daily toll revenue was RMB1,828,000, representing an increase of 14.8% and 16.5%, respectively, when compared with 2017.

Benefiting from the traffic control during maintenance of Wuhan Junshan Yangtze River Bridge of the G4 National Expressway from 30 July 2017 onwards which caused certain trucks to be diverted to Suiyuenan Expressway, the average daily toll traffic volume and average daily toll revenue maintained a relatively rapid growing trend year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

Associates and Joint Venture

GWSR Expressway

During the Reporting Year, the average daily toll traffic volume was 73,237 vehicles and the average daily toll revenue was RMB1,653,000, representing an increase of 2.9% and 23.1%, respectively, when compared with 2017.

Benefiting from the traffic control during the transformation and construction of Foshan First Ring Road from 1 August 2017 onwards which caused certain trucks to be diverted to GWSR Expressway, the average daily toll traffic volume and average daily toll revenue maintained a relatively rapid growing trend year-on-year.

Humen Bridge

During the Reporting Year, the average daily toll traffic volume was 121,747 vehicles and the average daily toll revenue was RMB4,583,000, representing an increase of 2.8% and 3.7%, respectively, when compared with 2017.

Benefiting from the growth of car ownership as well as the implementation of the policy of suspension at Humen Ferry Pier, of which the suspension time between 22:30 pm each day and 6:30 am on the following day was changed to time between 18:30 pm. each day and 6:30 am on the following day, with effect from 1 January 2018, the average daily toll traffic volume and average daily toll revenue maintained a growing trend year-on-year.

Northern Ring Road

During the Reporting Year, the average daily toll traffic volume was 348,447 vehicles and the average daily toll revenue was RMB2,109,000, representing an increase of 3.9% and a decrease of 0.6%, respectively, when compared with 2017.

Benefiting from the growth of car ownership, the average daily toll traffic volume maintained a growing trend year-on-year, while the average daily toll revenue has decreased year-on-year, mainly due to the stringent restriction of usage for vehicles weighted 15 tonnes or above during certain time frame (7am to 22pm) effective from 1 August 2018.

Shantou Bay Bridge

During the Reporting Year, the average daily toll traffic volume was 26,175 vehicles and the average daily toll revenue was RMB583,000, representing a decrease of 0.8% and 12.4% respectively, when compared with 2017.

Affected by the commencement of operation of Chaozhang Expressway on 28 December 2017, vehicles were diverted away to a certain extent. As a result, the average daily toll traffic volume and average daily toll revenue decreased year-on-year.

Qinglian Expressway

During the Reporting Year, the average daily toll traffic volume was 43,477 vehicles and the average daily toll revenue was RMB2,084,000, representing an increase of 5.6% and 3.4%, respectively, when compared with 2017.

Benefiting from the growth of car ownership, coupled with commencement of operation of the expressway network connections brought about by the Qingxi Bridge connected to the Qinglian Expressway and the connection works opened on 28 September 2018, the average daily toll traffic volume and average daily toll revenue maintained a growing trend year-on-year.

FINANCIAL REVIEW

Key operating results figures

	Reporting Year RMB'000	2017 RMB'000	Change %
Revenue	**2,847,073**	2,702,844	5.3
Gross profit	**2,012,981**	1,914,392	5.1
Operating profit	**1,828,503**	1,649,202	10.9
Earnings before interests, tax, depreciation and amortisation ("EBITDA")[1]	**2,855,785**	2,722,179	4.9
Finance costs	**(477,235)**	(440,577)	8.3
Share of result of a joint venture	**87,023**	64,599	34.7
Share of results of associates	**324,453**	338,423	-4.1
Profit attributable to shareholders of the Company	**1,054,135**	947,942	11.2
Basic and diluted earnings per share	**RMB0.6300**	RMB0.5666	11.2
Dividend	**564,628**	496,845	13.6

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW OF OPERATING RESULTS

The Group's revenue increased by 5.3 percent to RMB2,847.1 million and profit attributable to shareholders of the Company increased by 11.2 percent to RMB1,054.1 million in 2018 ("Reporting Year"). The Directors have recommended the payment of final dividend for 2018 of HK$0.24 which is equivalent to approximately RMB0.206928 (2017: HK$0.23 which was equivalent to approximately RMB0.185291) per share. Together with the interim dividend of HK$0.15 which was equivalent to approximately RMB0.130535 (2017: HK$0.13 which was equivalent to approximately RMB0.111659) per share, the total dividends for the year ended 31 December 2018 amounts to HK$0.39 which is equivalent to approximately RMB0.337463 (2017: HK$0.36 which was equivalent to approximately RMB0.296950) per share, representing a dividend payout ratio of 53.6 percent (2017: 52.4 percent).

The revenue in the Reporting Year increased by RMB144.2 million or 5.3 percent as compared with 2017. The increase was mainly attributed to the toll revenue increment in Weixu Expressway and Suiyuenan Expressway. Toll revenue of Weixu Expressway increased by RMB99.1 million or 30.2 percent, mainly due to favorable regional economic condition and the measures combating oversize and overload transport on the local roads, resulting in certain trucks diverted to the Weixu Expressway. Toll revenue of Suiyuenan Expressway grew by RMB94.3 million or 16.5 percent, mainly because the traffic control implemented for the maintenance in the Wuhan Junshan Yangtze River Bridge of the G4 National Expressway since 30 July 2017 caused certain trucks to be diverted to the Suiyuenan Expressway. For the details of the toll revenue performance of each expressway, please refer to the subsection of "revenue" under the section "Analysis of operating results".

The profit attributable to shareholders of the Company in the Reporting Year increased by RMB106.2 million or 11.2 percent as compared with 2017. The controlled projects contributed a net profit of RMB968.4 million in the Reporting Year, representing an increase of RMB51.2 million or 5.6 percent compared to 2017. The increase was mainly attributed to the higher toll revenue in Weixu Expressway and Suiyuenan Expressway and there was one-off impairment loss (after tax impact and non-controlling interest) in intangible operating rights of RMB48.3 million in 2017. In addition, the share of result of GWSR Expressway increased by RMB22.4 million due to the diversion of certain trucks to GWSR Expressway in response to the traffic control implemented for transformation and construction in the Foshan First Ring Road since 1 August 2017.

At the corporate level, the withholding tax on PRC dividends/income increased by RMB33.5 million mainly due to the accrual of the withholding tax of RMB35.0 million due to the direct reinvestment with its PRC subsidiary's distributed profit made by the Company. Besides, the corporate expenses increased by RMB18.1 million mainly due to the increase in salaries and staff welfare of RMB16.1 million. For the increase in corporate finance income of RMB101.6 million, it was mainly due to the increase in exchange gain of RMB80.5 million. The corporate income/gains, net and corporate finance cost remained at a similar level as 2017.

II. ANALYSIS OF OPERATING RESULTS

Revenue

The Group recorded total revenue of RMB2,847.1 million in the Reporting Year, representing an increase of 5.3 percent as compared with 2017.

Analysis of revenue by each controlled project

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2017 RMB'000	Percentage of total %	Change %
GNSR Expressway	**1,160,580**	**40.8**	1,183,250	43.8	-1.9
Suiyuenan Expressway	**667,207**	**23.4**	572,933	21.2	16.5
Weixu Expressway	**427,367**	**15.0**	328,221	12.1	30.2
Changzhu Expressway	**248,143**	**8.7**	244,732	9.1	1.4
Han-Xiao Expressway	**170,030**	**6.0**	198,216	7.3	-14.2
Jinbao Expressway	**95,614**	**3.4**	89,845	3.3	6.4
Cangyu Expressway	**78,132**	**2.7**	85,647	3.2	-8.8
Total	**2,847,073**	**100.0**	2,702,844	100.0	5.3

GNSR Expressway accounted for 40.8 percent (2017: 43.8 percent) of the toll revenue of the Group's controlled projects in the Reporting Year. Excluding the fact that the toll revenue in 2017 included a lag amount of split in 2016 of approximately RMB10.0 million, toll revenue of GNSR Expressway decreased by 1.0 percent to RMB1,160.6 million in the Reporting Year mainly due to the impact of truck diversion upon the commencement of operation of GNTR Expressway on 29 January 2018.

Suiyuenan Expressway, ranked second in terms of toll revenue and accounted for 23.4 percent (2017: 21.2 percent) among controlled projects. Toll revenue of Suiyuenan Expressway grew by 16.5 percent to RMB667.2 million mainly because the traffic control implemented for the maintenance in the Wuhan Junshan Yangtze River Bridge of the G4 National Expressway since 30 July 2017 caused certain trucks to be diverted to the Suiyuenan Expressway.

Weixu Expressway, ranked third in terms of toll revenue and accounted for 15.0 percent (2017: 12.1 percent) among controlled projects. Benefiting from the favorable regional economic condition and the measures combating oversize and overload transport on the local roads, causing certain trucks to be diverted to the Weixu Expressway, the toll traffic volume recorded an increase and toll revenue increased by 30.2 percent to RMB427.4 million in the Reporting Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Changzhu Expressway, ranked fourth in terms of toll revenue and accounted for 8.7 percent (2017: 9.1 percent) among controlled projects. Toll revenue of Changzhu Expressway increased 1.4 percent to RMB248.1 million in the Reporting Year, mainly attributed to the improvement of the expressway network and the increase of long-haul traffic.

Han-Xiao Expressway, ranked fifth in terms of toll revenue and accounted for 6.0 percent (2017: 7.3 percent) among controlled projects. Toll revenue of Han-Xiao Expressway decreased by 14.2 percent to RMB170.0 million, mainly because as the transfer effect resulted from the maintenance of Wuhan Junshan Yangtze River Bridge of the G4 National Expressway was diminishing since September 2018 when a temporary traffic control measure was implemented in respect of the construction work of Fuhe Bridge (府河大橋) neighbouring to the Han-Xiao Expressway.

Jinbao Expressway, ranked sixth in terms of toll revenue and accounted for 3.4 percent (2017: 3.3 percent) among controlled projects. Toll revenue of Jinbao Expressway increased by 6.4 percent to RMB95.6 million in the Reporting Year mainly due to the enhanced efforts of the local road authorities on overload control and the construction of the peripheral road networks resulting in diversion of certain trucks to Jinbao Expressway.

Cangyu Expressway, ranked seventh in terms of toll revenue and accounted for 2.7 percent (2017: 3.2 percent) among controlled projects. Toll revenue of Cangyu Expressway dropped by 8.8 percent to RMB78.1 million in the Reporting Year mainly due to the decrease in the traffic flow of vehicles upon the commencement of operation of Liuwu Expressway and Wuzhou Ring Expressway, as well as the completion of upgrade and renovation of the X184 County Road.

Cost of services

In the Reporting Year, the total cost of services of the Group amounted to RMB834.1 million (2017: RMB788.5 million), representing an increase of RMB45.6 million or 5.8 percent as compared with 2017. Cost ratio (cost of services/toll revenue) was 29.3 percent in the Reporting Year which was similar to 2017. The increase was mainly due to the fact that (i) there was an increase in amortisation of intangible operating rights of RMB28.9 million during the Reporting Year; (ii) the increase in toll highways and bridges operating expenses of RMB35.7 million was mainly attributed to the increase in technology input for the continuous improvement of toll highways conditions and enhance maintenance effect, net off with (iii) the decrease in toll highways and bridges maintenance expenses of RMB20.1 million.

Analysis of cost of services by each controlled project

Controlled Projects	**Reporting Year RMB'000**	**Percentage of total %**	2017 RMB'000	Percentage of total %	Change %
GNSR Expressway	**295,804**	**35.4**	267,476	33.9	10.6
Suiyuenan Expressway	**149,109**	**17.9**	152,615	19.4	-2.3
Weixu Expressway	**120,138**	**14.4**	105,131	13.3	14.3
Changzhu Expressway	**95,905**	**11.5**	93,971	11.9	2.1
Han-Xiao Expressway	**69,967**	**8.4**	69,077	8.8	1.3
Jinbao Expressway	**65,068**	**7.8**	67,699	8.6	-3.9
Cangyu Expressway	**38,101**	**4.6**	32,483	4.1	17.3
Total	**834,092**	**100.0**	788,452	100.0	5.8

Analysis of cost of services by nature

	Reporting Year RMB'000	**Percentage of total %**	2017 RMB'000	Percentage of total %	Change %
Amortisation of intangible operating rights	**557,882**	**66.8**	528,970	67.1	5.5
Staff costs	**95,096**	**11.4**	94,707	12.0	0.4
Toll highways and bridges operating expenses	**82,397**	**9.9**	46,728	5.9	76.3
Toll highways and bridges maintenance expenses	**76,772**	**9.2**	96,891	12.3	-20.8
Taxes and surcharges	**13,806**	**1.7**	12,244	1.6	12.8
Depreciation of other fixed assets	**8,139**	**1.0**	8,912	1.1	-8.7
Total	**834,092**	**100.0**	788,452	100.0	5.8

Gross profit

Gross profit in the Reporting Year increased by 5.1 percent to RMB2,013.0 million. Gross profit margin in the Reporting Year was 70.7 percent which was similar to 2017.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year Gross Profit RMB'000	Reporting Year Gross Margin[1]	2017 Gross Profit RMB'000	2017 Gross Margin[1]
GNSR Expressway	**864,776**	**74.5%**	915,774	77.4%
Suiyuenan Expressway	**518,098**	**77.7%**	420,318	73.4%
Weixu Expressway	**307,229**	**71.9%**	223,090	68.0%
Changzhu Expressway	**152,238**	**61.4%**	150,761	61.6%
Han-Xiao Expressway	**100,063**	**58.9%**	129,139	65.2%
Cangyu Expressway	**40,031**	**51.2%**	53,164	62.1%
Jinbao Expressway	**30,546**	**31.9%**	22,146	24.6%
Total	**2,012,981**	**70.7%**	1,914,392	70.8%

1. Gross margin = Gross profit/toll revenue

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB225.1 million, representing an increase of 14.7 percent from RMB196.2 million in 2017 and such increase is mainly attributable to the increase in salaries and staff welfare.

Other income, gains and losses – net

The Group's other income, gains and losses – net was a gain of RMB40.6 million in the Reporting Year (2017: loss of RMB69.0 million). In 2017, the amount included an impairment loss on intangible operating rights of RMB107.2 million; it was a net gain of RMB38.2 million in 2017 when excluding the impairment loss. The amount in the Reporting Year mainly represented (i) income from service area and gas station and (ii) compensation for expressways and bridges damage caused by users.

Finance income/Finance costs

The Group's finance income in the Reporting Year amounted to RMB128.9 million which was 381.6 percent higher than 2017, mainly due to the Group recorded the exchange gain of RMB80.5 million in the Reporting Year and the increase in average cash and cash equivalents during the Reporting Year led to an increase in interest income of RMB25.0 million.

The Group's finance costs in the Reporting Year increased by 8.3 percent to RMB477.2 million as compared with RMB440.6 million in 2017, mainly due to an increase in interest expense of RMB23.6 million resulting from the increase in average bank borrowings during the Reporting Year. The Group's overall weighted average interest rate in the Reporting Year was 3.97 percent (2017: 3.77 percent).

Share of results of associates and a joint venture

The Group's share of results of associates and a joint venture has increased by 2.1 percent to RMB411.5 million in the Reporting Year.

Share of post-tax profit of Humen Bridge in the Reporting Year increased by 2.5 percent to RMB196.0 million. Toll revenue at the project company level has increased by 3.7 percent to RMB1,672.8 million in the Reporting Year, mainly due to the growth in car ownership and the extension of the suspension policy implemented at Humen Ferry Pier with effect from 1 January 2018.

Share of post-tax profit of Northern Ring Road in the Reporting Year decreased by 20.0 percent to RMB74.3 million. The decrease was mainly due to the increase in repair and maintenance expense during the Reporting Year. Toll revenue at the project company level decreased by 0.6 percent to RMB769.9 million mainly due to the stringent restriction of usage for vehicles weighted 15 tonnes or above during certain time frame effective from 1 August 2018.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year decreased by 17.2 percent to RMB33.8 million. Toll revenue at the project company level decreased by 12.4 percent to RMB212.7 million in the Reporting Year mainly due to the traffic diversion upon the commencement of operation of Chaozhang Expressway on 28 December 2017.

Share of post-tax profit of Qinglian Expressway in the Reporting Year increased by 50.0 percent to RMB20.4 million. The increase was mainly attributed to the decrease in interest expenses due to repayment of debt during the Reporting Year. Toll revenue at the project company level grew 3.4 percent to RMB760.7 million benefiting from the increase in car ownership, coupled with the expressway network connections brought about by the Qingxi Bridge connected to the Qinglian Expressway and the connection works opened on 28 September 2018.

Share of post-tax profit of GWSR Expressway in the Reporting Year increased by 34.7 percent to RMB87.0 million. Toll revenue at the project company level grew 23.1 percent to RMB603.4 million mainly due to the diversion of certain trucks to GWSR Expressway in response to the traffic control implemented for transformation and construction of Foshan First Ring Road since 1 August 2017.

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

		Toll revenue		Share of results	
	Profit Sharing ratio %	**Reporting Year RMB'000**	YoY change %	**Reporting Year RMB'000**	YoY change %
Associates					
Humen Bridge	18.446	**1,672,819**	3.7	**195,986**	2.5
Northern Ring Road	24.3	**769,942**	-0.6	**74,250**	-20.0
Shantou Bay Bridge	30.0	**212,675**	-12.4	**33,830**	-17.2
Qinglian Expressway	23.63	**760,696**	3.4	**20,387**	50.0
Sub-total		**3,416,132**	1.5	**324,453**	-4.1
Joint venture					
GWSR Expressway	35.0	**603,405**	23.1	**87,023**	34.7
Total		**4,019,537**	4.2	**411,476**	2.1

Income tax expense

Total income tax expense of the Group in the Reporting Year increased by 29.3 percent to RMB480.0 million. The increase was mainly due to the recognition of deferred tax assets of RMB38.9 million in relation to tax losses in 2017 and the accrual of the withholding tax of RMB35.0 million owing to the direct reinvestment with its PRC subsidiary's distributed profit made by the Company during the Reporting Year.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB1,054.1 million in the Reporting Year, representing an increase of 11.2 percent as compared with 2017. The increase was mainly due to toll revenue increment in Weixu Expressway and Suiyuenan Expressway; and there was one-off impairment loss (after tax impact and non-controlling interest) in intangible operating rights of RMB48.3 million in 2017. Besides, the share of result of GWSR Expressway also increased by RMB22.4 million due to the diversion of certain trucks to GWSR Expressway in response to the traffic control implemented for transformation and construction in the Foshan First Ring Road since 1 August 2017.

Given the management team's continuous effort in optimizing the overall debt structure of the Group and as part of this process, there were inter-company loan interests incurred on the controlled projects level and the corporate entities level which would be eliminated ultimately at the consolidated level.

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

	Reporting Year RMB'000	Percentage of total %	2017 RMB'000	Percentage of total %	Change %
Net profit from controlled projects	**968,426**	**70.2**	917,244	69.5	5.6
Net profit from non-controlled projects[1]	**411,476**	**29.8**	403,022	30.5	2.1
Net profit from projects	**1,379,902**	**100.0**	1,320,266	100.0	4.5
Withholding tax on PRC dividends/income	**(70,379)**		(36,867)		90.9
Corporate expenses	**(140,868)**		(122,784)		14.7
Corporate income/gains, net	**3,261**		3,296		-1.1
Corporate finance income	**120,388**		18,830		539.3
Corporate finance costs	**(238,169)**		(234,799)		1.4
Profit attributable to shareholders of the Company	**1,054,135**		947,942		11.2

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

Net profit derived from controlled projects amounted to RMB968.4 million in the Reporting Year, accounting for 70.2 percent (2017: 69.5 percent) of net profit from projects. The net profit from non-controlled projects amounted to RMB411.5 million in the Reporting Year, accounting for 29.8 percent (2017: 30.5 percent) of net profit from projects.

In the Reporting Year, net profit from controlled projects (after elimination of inter-company loan interests) recorded an increase of RMB51.2 million or 5.6 percent compared to 2017. Affected by the truck diversion upon commencement of operation of GNTR Expressway, GNSR Expressway's net profit decreased by 5.2 percent to RMB383.5 million in the Reporting Year. Benefited from the toll revenue increment in the Reporting Year, Suiyuenan Expressway and Weixu Expressway have recorded double digit increase in net profit, 10.0 percent and 47.0 percent respectively. The net profit for the Reporting Year of Suiyuenan Expressway and Weixu Expressway were RMB207.9 million and RMB211.2 million respectively. Changzhu Expressway's net profit decreased 23.4 percent to RMB77.0 million in the Reporting Year. Han-Xiao Expressway's net profit in the Reporting Year decreased by 50.7 percent to RMB40.4 million, mainly due to (i) as the transfer effect resulted from the maintenance of Wuhan Junshan Yangtze River Bridge of the G4 National Expressway was diminishing since September 2018 when a temporary traffic control measure was implemented in respect of the construction work of Fuhe Bridge (府河大橋) neighbouring to the Han-Xiao Expressway, and (ii) the fact that Han-Xiao Expressway has obtained bank borrowings in 2017 to repay the inter-company shareholder loan (inter-company shareholder loan interests were eliminated at the consolidated level) which led to an increase in finance cost of Han-Xiao Expressway for the Reporting Year. Cangyu Expressway's net profit decreased by 20.7 percent to RMB34.1 million mainly due to the combined effect of the drop in revenue and increase in maintenance expense. Jinbao Expressway recorded net profit growth of 46.0 percent to RMB15.4 million. Xian Expressway recorded a loss of RMB1.1 million mainly related to expense incurred during winding up process.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2017 RMB'000	Percentage of total %	Change %
GNSR Expressway	**383,525**	**27.8**	404,392	30.6	-5.2
Suiyuenan Expressway	**207,862**	**15.1**	189,006	14.3	10.0
Weixu Expressway	**211,156**	**15.3**	143,640	10.9	47.0
Changzhu Expressway	**76,988**	**5.6**	100,523	7.6	-23.4
Han-Xiao Expressway	**40,427**	**2.9**	81,940	6.2	-50.7
Cangyu Expressway	**34,119**	**2.5**	43,030	3.3	-20.7
Jinbao Expressway					
– operation	**15,416**	**1.1**	10,561	0.8	46.0
– impairment loss	—	—	(48,255)	-3.6	N/A
Xian Expressway	**(1,067)**	**-0.1**	(7,593)	-0.6	-85.9
Total	**968,426**	**70.2**	917,244	69.5	5.6

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

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2017 RMB'000	Percentage of total %	Change %
GNSR Expressway	**383,525**	**27.5**	404,392	31.8	-5.2
Suiyuenan Expressway	**220,754**	**15.8**	180,298	14.2	22.4
Weixu Expressway	**211,156**	**15.2**	143,640	11.3	47.0
Changzhu Expressway	**64,270**	**4.6**	70,095	5.5	-8.3
Han-Xiao Expressway	**54,456**	**3.9**	73,653	5.8	-26.1
Cangyu Expressway	**34,107**	**2.5**	41,869	3.3	-18.5
Jinbao Expressway					
– operation	**15,416**	**1.1**	10,561	0.8	46.0
– impairment loss	—	—	(48,255)	-3.8	N/A
Xian Expressway	**(1,067)**	**-0.1**	(7,593)	-0.6	-85.9
Total	**982,617**	**70.5**	868,660	68.3	13.1

In the Reporting Year, net profit from non-controlled projects (which were all toll projects with analysis shown in the aforementioned table "Analysis of share of results of associates and a joint venture and respective toll revenue") has increased 2.1 percent to RMB411.5 million as compared with 2017.

Profits attributable to the shareholders of the Company from Humen Bridge, Northern Ring Road, Shantou Bay Bridge, Qinglian Expressway and GWSR Expressway accounted for 14.2 percent (2017: 14.5 percent), 5.4 percent (2017: 7.0 percent), 2.4 percent (2017: 3.1 percent), 1.5 percent (2017: 1.0 percent) and 6.3 percent (2017: 4.9 percent) of the net profit from projects respectively.

At the corporate level, the withholding tax on PRC dividends/income increased by RMB33.5 million mainly due to the accrual of the withholding tax of RMB35.0 million due to the direct reinvestment with its PRC subsidiary's distributed profit made by the Company. Besides, the corporate expenses increased by RMB18.1 million mainly due to the increase in salaries and staff welfare of RMB16.1 million. For the increase in corporate finance income of RMB101.6 million, it was mainly due to the increase in exchange gain of RMB80.5 million. The corporate income/gains, net and corporate finance cost remained at a similar level as 2017.

Final dividend

The Directors have recommended the payment of final dividend for 2018 of HK$0.24 which is equivalent to approximately RMB0.206928 (2017: HK$0.23 which was equivalent to approximately RMB0.185291) per share payable to shareholders whose names appear on the register of members of the Company on 6 June 2019. Subject to the approval of shareholders at the Annual General Meeting to be held on 27 May 2019, the final dividend will be paid on or about 28 June 2019. Together with the interim dividend of HK$0.15 which was equivalent to approximately RMB0.130535 (2017: HK$0.13 which was equivalent to approximately RMB0.111659) per share, total dividends for the year ended 31 December 2018 amounts to HK$0.39 which is equivalent to approximately RMB0.337463 (2017: HK$0.36 which was equivalent to approximately RMB0.296950) per share, representing a dividend payout ratio of 53.6 percent (2017: 52.4 percent).

Dividend payable to shareholders will be paid in Hong Kong dollars ("HK$"). The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK$ to RMB, as announced by the People's Bank of China, for the five business days preceding the date of declaration of dividends.

III. ANALYSIS OF FINANCIAL POSITION

Key financial position figures

	Reporting Year RMB'000	2017 RMB'000	Change %
Total assets	**22,739,750**	23,918,489	-4.9
Total liabilities	**10,332,171**	12,101,085	-14.6
Short-term bank deposits, cash and cash equivalents	**2,393,222**	2,958,818	-19.1
Total debts	**7,613,062**	9,496,449	-19.8
Of which: bank borrowings	**5,399,276**	5,750,163	-6.1
Corporate bond	**1,995,622**	1,993,263	0.1
Notes payable	—	1,557,953	N/A
Current ratio	**1.6 times**	1.3 times	
EBITDA interest coverage	**8.2 times**	8.4 times	
Equity attributable to the shareholders of the Company	**10,071,871**	9,544,848	5.5

Assets, Liabilities and Equity

As at 31 December 2018, the Group's total assets amounted to RMB22.7 billion which was 4.9 percent lower than the balance as at 31 December 2017. The decrease was mainly due to the amortisation of intangible operating rights and decrease in cash and cash equivalents. The Group's total assets comprised mainly of intangible operating rights of RMB17.4 billion (31 December 2017: RMB17.9 billion), investments in a joint venture and associates of RMB1.93 billion (31 December 2017: RMB1.98 billion) and short-term bank deposits, cash and cash equivalents of RMB2.4 billion (31 December 2017: RMB3.0 billion).

As at 31 December 2018, the Group's total liabilities amounted to RMB10.3 billion which has dropped 14.6 percent from the balance as at 31 December 2017. The decrease was mainly due to the repayment of notes payable. The Group's total liabilities comprised mainly of bank borrowings of RMB5.4 billion (31 December 2017: RMB5.8 billion); corporate bonds of RMB2.0 billion (31 December 2017: RMB2.0 billion); loans from non-controlling interests of RMB98.5 million (31 December 2017: RMB103.0 million); loan from a joint venture of RMB94.5 million (31 December 2017: Nil); and deferred income tax liabilities of RMB2.09 billion (31 December 2017: RMB1.99 billion).

As at 31 December 2018, the Group's total equity increased by RMB590.2 million to RMB12.4 billion (31 December 2017: RMB11.8 billion), of which RMB10.1 billion was attributable to the shareholders of the Company (31 December 2017: RMB9.5 billion).

Analysis of major assets, liabilities and equity items

Items		Reporting Year RMB'000	2017 RMB'000	Change %
Total assets		**22,739,750**	23,918,489	-4.9
Approximately 90.0 % of which:				
Intangible operating rights		**17,419,156**	17,915,044	-2.8
Investments in a joint venture and associates		**1,929,118**	1,983,851	-2.8
Short-term bank deposits, cash and cash equivalents		**2,393,222**	2,958,818	-19.1
Of which: Cash and cash equivalents		**2,393,222**	2,842,452	-15.8
Total liabilities		**10,332,171**	12,101,085	-14.6
Approximately 90.0 % of which:				
Bank borrowings	– due within 1 year	**511,249**	319,724	59.9
	– long-term portion	**4,888,027**	5,430,439	-10.0
Corporate bonds	– due within 1 year	**498,068**	—	N/A
	– long-term portion	**1,497,554**	1,993,263	-24.9
Notes payable		**—**	1,557,953	N/A
Loans from non-controlling interests		**98,469**	103,020	-4.4
Loan from a joint venture		**94,500**	—	N/A
Deferred income tax liabilities		**2,086,455**	1,988,483	4.9
Total equity		**12,407,579**	11,817,404	5.0
Of which: Attributable to the shareholders of the Company		**10,071,871**	9,544,848	5.5

Cash flows

It has been the primary objective of the Group to focus on preventing risk and improving liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to RMB2,393.2 million which was 15.8 percent lower than the level at 31 December 2017. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of cash flow movement

	Reporting Year RMB'000	2017 RMB'000
Net cash generated from operating activities	**2,096,870**	1,943,311
Net cash generated from investing activities	**472,444**	144,717
Net cash used in financing activities	**(3,069,896)**	(289,855)
(Decrease)/increase in cash and cash equivalents	**(500,582)**	1,798,173
Cash and cash equivalents at 1 January	**2,842,452**	1,045,922
Effect of exchange rate changes on cash and cash equivalents	**51,352**	(1,643)
Cash and cash equivalents at 31 December	**2,393,222**	2,842,452

Net cash generated from operating activities during the Reporting Year amounted to RMB2,096.9 million (2017: RMB1,943.3 million) which was arrived from cash generated from operations of RMB2,456.6 million (2017: RMB2,279.3 million) less China enterprise income tax and withholding tax paid of RMB359.7 million (2017: RMB336.0 million).

Net cash generated from investing activities during the Reporting Year amounted to RMB472.4 million (2017: RMB144.7 million). The inflow mainly consisted of dividend distributions from associates of RMB384.6 million (2017: RMB280.9 million); cash proceed of RMB115.7 million (2017: Nil) originally placed to bank for fixed deposits with original maturity over 3 months; interest received in aggregate of RMB43.6 million (2017: RMB18.6 million) and proceeds from compensation arrangement of RMB23.5 million (2017: RMB21.9 million). The outflow was mainly attributable to the capital expenditures of RMB95.3 million (2017: RMB120.8 million).

Net cash used in financing activities during the Reporting Year amounted to RMB3,069.9 million (2017: RMB289.9 million). The outflow mainly included repayment of notes payable amounted to RMB1,523.0 million (2017: Nil); repayment of bank borrowings amounted to RMB1,255.9 million (2017: RMB1,395.8 million); payment of finance costs and related fees of RMB390.5 million (2017: RMB344.5 million); dividends paid to the shareholders of the Company of RMB528.4 million (2017: RMB483.2 million); dividends paid to non-controlling interests of RMB294.4 million (2017: RMB269.1 million); and repayments of loans from non-controlling interest of subsidiaries in the Reporting Year of RMB5.7 million (2017: RMB1.8 million). The inflow mainly included the drawdown of bank borrowings amounted to RMB833.5 million (2017: RMB2,204.5 million) and addition of loan from a joint venture amounted to RMB94.5 million (2017: Nil).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2018 was 1.6 times (31 December 2017: 1.3 times). The current assets balance as at 31 December 2018 was RMB2,591.1 million (31 December 2017: RMB3,197.4 million) and current liabilities balance was RMB1,584.1 million (31 December 2017: RMB2,498.8 million). Cash and cash equivalents were the major components of the Group's current assets with a balance as at 31 December 2018 of RMB2,393.2 million (31 December 2017: RMB2,842.4 million). Included in the Group's current liabilities as at 31 December 2018 were short-term borrowings (i.e. maturities within one year) of approximately RMB1,009.3 million (31 December 2017: RMB1,877.7 million), including bank borrowings of RMB511.2 million and corporate bonds of RMB498.1 million. Management will continue to take a prudent approach to effectively match the existing cash, future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the year ended 31 December 2018 was 8.2 times (31 December 2017: 8.4 times) which was measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the year ended 31 December 2018 was 38.6 percent (31 December 2017: 29.3 percent) which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings, notes payable and corporate bonds ("total external debts").

Profit before interest and income tax interest coverage for the year ended 31 December 2018 was 6.5 times (31 December 2017: 6.7 times) which was measured as the ratio of profit before interest and tax to interest expenses (profit and loss impact).

Cash interest coverage for the year ended 31 December 2018 was 7.6 times (31 December 2017: 7.6 times) which was measured as the ratio of cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB95.3 million (2017: RMB120.8 million). Capital expenditures related to intangible operating rights and fixed assets included: (1) payments of construction costs of toll highways and bridges upgrade services of RMB77.5 million (2017: RMB88.8 million), (2) purchase of property, plant and equipment of RMB15.5 million (2017: RMB20.4 million) and (3) capital injection in an associate of RMB2.3 million (2017: RMB2.3 million). There was no payment of consideration to acquisition of subsidiary (2017: RMB9.3 million) in the Reporting Year. Apart from the aforementioned, no material capital expenditure was incurred during the Reporting Year. Going forward, the management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

Capital structures

It is also one of the Group's financial policies to maintain a rational capital structure which aims to enhance profitability on one hand while ensuring financial leverage ratios to remain at safe levels on the other hand.

Analysis of capital structures

	Reporting Year RMB'000	2017 RMB'000
Total external debts		
Bank borrowings	**5,399,276**	5,750,163
Corporate bonds[1]	**1,995,622**	1,993,263
Notes payable	**—**	1,557,953
Loans from non-controlling interests	**98,469**	103,020
Loan from a joint venture	**94,500**	—
Amount due to a joint venture	**25,195**	92,050
Total debts	**7,613,062**	9,496,449
Less: cash and cash equivalents	**(2,393,222)**	(2,842,452)
Net debt	**5,219,840**	6,653,997
Total Equity	**12,407,579**	11,817,404
Of which: Equity attributable to the shareholders of the Company	**10,071,871**	9,544,848
Total capitalization (Net debt + Total equity)	**17,627,419**	18,471,401
Financial ratios		
Gearing ratio (net debt/total capitalization)	**29.6%**	36.0%
Debt to Equity ratio (net debt/total equity)	**42.1%**	56.3%
Total liabilities/Total assets ratio	**45.4%**	50.6%

(1) Basic summary information of corporate bonds:

	RMB300 million five-year corporate bonds (Phase 1)	**RMB700 million seven-year corporate bonds (Phase 1)**	**RMB200 million five-year corporate bonds (Phase 2)**	**RMB800 million seven-year corporate bonds (Phase 2)**
Drawdown date:	22 March 2016	22 March 2016	28 October 2016	28 October 2016
Principal:	RMB300 million	RMB700 million	RMB200 million	RMB800 million
Principal repayment date:	21 March 2021	21 March 2023	26 October 2021	26 October 2023
Coupon rate (per annum):	2.85%	3.38%	2.90%	3.18%
Upcoming interest payment date:	21 March 2019	21 March 2019	26 October 2019	26 October 2019
Stock Exchange:	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange

Financing structures

In a way to ensure the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively maintain a cost-efficient funding to its overall funding needs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by, and to take advantage of the cost differentials, not only of these two markets but also of international markets; and on the other hand, strike a balance between lowering the interest rate and mitigating exchange risk exposure. As at the end of the Reporting Year, the Group's total debts comprised of bank borrowings, corporate bonds, loans from non-controlling interests, loan from a joint venture and amount due to a joint venture. Debt with foreign exchange risk exposure as at 31 December 2018 was approximately RMB0.4 billion (31 December 2017: approximately RMB1.6 billion).

As at 31 December 2018, the Group's total external debts in aggregate was approximately RMB7.4 billion (31 December 2017: RMB9.3 billion) composed of bank borrowings amounted to RMB5.4 billion (31 December 2017: RMB5.8 billion) and corporate bonds of RMB2.0 billion (31 December 2017: RMB2.0 billion). The Group had fully repaid the outstanding principal of Euro 200 million notes payable in May 2018 and all the interest accrued thereunder. Onshore and offshore debts ratio was 94.2 percent and 5.8 percent (31 December 2017: 83.3 percent and 16.7 percent). Secured external debt ratio was 63.1 percent (31 December 2017: 58.6 percent). The effective interest rate of total external debt at 31 December 2018 was 4.09 percent (31 December 2017: 3.83 percent). Regarding bank borrowings RMB4.9 billion which was at floating rates and RMB545.0 million of which was at fixed rates with the overall effective interest rate of 4.37 percent at 31 December 2018 (31 December 2017: 4.46 percent). Corporate bonds (in four tranches) were at fixed rates with coupon rates of 2.85 percent, 3.38 percent, 2.90 percent and 3.18 percent respectively with overall effective interest rate at 3.36 percent as at 31 December 2018 where notes payable and corporate bonds (in four tranches) were at overall effective interest rate of 2.81 percent as at 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Reporting Year Percentage of total	2017 Percentage of total
Source		
Onshore	**94.2%**	83.3%
Offshore	**5.8%**	16.7%
	100.0%	100.0%
Repayment term		
Within 1 year	**13.6%**	20.2%
1 to 2 year	**3.1%**	11.9%
More than 2 years and less than 5 years	**38.9%**	26.6%
Above 5 years	**44.4%**	41.3%
	100.0%	100.0%
Currency		
RMB	**94.2%**	83.3%
HKD	**5.8%**	—
EURO	**—**	16.7%
	100.0%	100.0%
Interest rate		
Fixed	**34.4%**	44.1%
Floating	**65.6%**	55.9%
	100.0%	100.0%
Terms of credit		
Secured	**63.1%**	58.6%
Unsecured	**36.9%**	41.4%
	100.0%	100.0%

Loans from non-controlling interests of certain subsidiaries were unsecured, interest-free, long-term and denominated in RMB. The carrying amounts of these loans approximate their fair values which were calculated based on cash flows discounted at a rate of 4.35 percent (2017: 4.35 percent) per annum.

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

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

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and approximately 94.2 percent (2017: 83.3 percent) of its external debts are denominated in RMB. As at the end of the Reporting Year, the Group's foreign-currency denominated assets and liabilities mainly includes cash and cash equivalent of HK$36.2 million (equivalent to approximately RMB31.7 million); and has an external debt of HK$492.3 million (equivalent to approximately RMB431.3 million). Given this foreign currency exposure position, the impact to the Group's profit and loss will be approximately RMB4.0 million for every 1.0 percent of exchange rate change against RMB (with all other variables held constant) as at 31 December 2018. As the foreign exchange market is still volatile, the Group will continue to review and assess closely its currency risk.

IV. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Group had capital commitments related to intangible operating rights and property, plant and equipment, of which approximately RMB17.7 million being contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2018. There were no significant contingent liabilities as at 31 December 2018.

V. EMPLOYEES

As at 31 December 2018, the Group had approximately 1,491 employees of whom about 1,238 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

VI. CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

A facility agreement of the Company includes a condition that imposes one or more of the following specific performance obligations on Yue Xiu Enterprises (Holdings) Limited, the controlling shareholder of the Company:

(i) remains as the single largest shareholder of the Company;

(ii) maintains a direct or indirect shareholding interest of not less than 35% in the issued voting share capital of the Company;

(iii) maintains an effective management control over the Company.

As at 31 December 2018, the balance of the facility agreement subject to the above conditions was HK$500,000,000, such facility agreement will expire on 29 March 2023.

Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become immediately due and payable.

These obligations have been duly complied with for the year ended 31 December 2018.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS AND COMMUNICATIONS

The Group is committed to maintain a high standard of corporate governance, as well as good and effective communication with capital markets. Thus, the Group has been maintaining open dialogues with investors and industry analysts and, subject to compliance with disclosure requirements, will proactively provide timely and accurate information, including monthly operational statistics of all projects and the development of strategic business.

On the basis of strictly following the requirements of the regulatory authorities, the Group including executive directors and senior management personnel, continue to actively communicate through various platforms and channels, including performance announcements, roadshows and various industry seminars, etc., as well as regularly meet and communicate with our shareholders, industry researchers and investors who are interested in the Group, and convey positive indications to stabilize market confidence. In addition, the investor relations team organizes reverse roadshow on regular basis to invite investors and industry analysts to attend site visits to expressway projects, enhancing the market's understanding on our project operations and management as well as our development strategies. During the Reporting Year, investment banks such as HSBC, Essence International, and ICBC International released research coverage reports on the Group successively, and institutions such as JP Morgan Chase, Mizuho Securities and Guangzheng Hang Seng also organized market briefings on the Group successively and arranged for meetings with international institutional investors. The Group also collected feedbacks from the market during the process of communicating with investors and other groups to use as a reference for improving our governance and management.

During the Reporting Year, major investor relations activities of the Group included the following:

- We gave timely response to enquiries of investors through emails and telephone communication, and released monthly operational statistics to investors on regular basis.
- We organized receptions for visiting investors, on-site research visits for industry analysts, including telephone conferences. We have received a total of more than 100 persons.
- We launched activities such as news conferences for results announcements, post results non-deal roadshows (NDRs) and industry seminars to facilitate face-to-face interflows with domestic and worldwide institutional investors, including:

Month	Place	Event	Remarks
Feb	Hong Kong	2017 Results announcement	
Feb	Hong Kong	Results announcement roadshow	HSBC organizations
Mar	Shenzhen	Industry seminar	HSBC organizations
Apr	Changsha and Yueyang	Analysts reverse roadshow	
Jun	Beijing	Industry seminar	JP Morgan Chase organizations
Jun	Guangzhou	Industry seminar	Guangzheng Hang Seng organizations
Aug	Hong Kong	2018 Interim results announcement	
Aug	Hong Kong	2018 Interim results roadshow	HSBC organizations
Aug	Shenzhen	Industry seminar	Essence International organizations
Sept	Shenzhen and Guangzhou	2018 Interim results roadshow	Guangzheng Hang Seng organizations
Oct	Hong Kong	2018 Interim results roadshow	Mizuho Securities organizations

During the Reporting Year, the Group was awarded the following honours for listed companies by renowned media outlets such as Bloomberg Business Weekly, Economic Digest, and Quamnet.com, which demonstrate the performance, corporate governance and investor relations efforts of the Company as well as market recognition:

Economic Digest:
Hong Kong Outstanding Enterprise 2018
Outstanding Enterprise Award

Quamnet.com:
Outstanding Enterprise Award 2018

Bloomberg Business Weekly:
Listed Enterprises of the Year 2018

LACP2017 Vision Awards of USA:
Infrastructure Industry: Platinum Winner
Commercial Construction: Silver Award
Top 100 Reports Worldwide
Best Report Narrative, Asia-Pacific region: Silver
Top 80 Reports, Asia-Pacific region
Top 60 Chinese Reports

South China Morning Post:
BDO ESG Report award 2018 – Best Report Award

INVESTOR RELATIONS REPORT

CONSISTENT INVESTOR RETURN

While leveraging on the capital market for rapid development, the Group also understands that a positive return to shareholders should be regarded as an important mission and the operation philosophy for an enterprise. Since listing, the Group has distributed cash dividends for over 20 consecutive years, which served as a continuous return to our shareholders while we recorded consistent growth of our operating results.

	2013	2014	2015	2016	2017	2018
Earnings per share (RMB)	0.3314	0.3642	0.318	0.5491	0.5666	0.6300
Dividend per share (HKD)	0.26	0.28	0.28	0.33	0.36	0.39
Dividend payout ratio	62.1%	61.0%	72.2%	52.5%	52.4%	53.6%

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Zhu Chunxiu, aged 56, was appointed an executive director and Chairman of the Company on 19 March 2014. He is also vice chairman and general manager of Guangzhou Yue Xiu Holding Limited ("Guangzhou Yue Xiu"), the ultimate holding company of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"). Mr Zhu was a non-executive director of Yuexiu Financial Holdings Limited, and vice chairman and an executive director of Yuexiu Property Company Limited ("Yuexiu Property")(Stock Code: 123) and a non-executive director of Chong Hing Bank Limited (Stock Code: 1111), both being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Prior to joining Yue Xiu in 2013, Mr Zhu was vice chairman and general manager of Guangzhou Finance Holdings Group Co., Ltd. He was also a director of Guangzhou Rural Commercial Bank. Mr Zhu was awarded the Degree in Executive Master of Business Administration by Sun Yat-Sen University. Mr Zhu holds the economist qualification in China and has extensive experience in the operation and management of large financial institutions and banks. He is a deputy of the 14th and 15th session of the Guangzhou City People's Congress.

Mr He Baiqing, aged 54, was appointed an executive director of the Company on 19 March 2014 and a Deputy Chairman on 31 July 2014. He has been General Manager of the Company since January 2013. He was appointed deputy general manager in 2009 and senior deputy general manager in 2011. Mr He graduated from Changsha Transport Institute in China with a Bachelor's Degree majoring in Highway and City Roads. Mr He had held position of the head of Guangzhou Highway Prospecting and Design Institute. He is a senior engineer of Highway and Bridge, and a chartered civil engineer in China. Mr He was in charge of the thirty-year plan of Guangzhou highway network between 1997 and 1998. He has participated in surveying and designing of Guangzhou Northern Second Ring Expressway, Guangzhou Western Second Ring Expressway and has extensive experience in the industry. He previously served as a director of the Company from April 2005 to April 2007.

DIRECTORS' PROFILES

Mr Li Feng, aged 50, was appointed an executive director of the Company on 13 April 2018. He is the chief capital officer of Guangzhou Yue Xiu and Yue Xiu. He oversees the capital department, customer resource management and synergy department, and the information centre of Guangzhou Yue Xiu and Yue Xiu. He is mainly responsible for formulating and implementing major capital management plans, organizing and coordinating the investor relationship of the listed companies, optimizing and synergizing the customer resources, and enhancing the development of information technology system. Mr Li is an executive director of Yuexiu Property and a director of Guangzhou City Construction & Development Co. Ltd., chairman and a non-executive director of Yuexiu Financial Holdings Limited ("YFHL"), a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)), a non-executive director of Chong Hing Bank, a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen Stock Code: 987).

Mr Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in naval architecture, and obtained a master of business administration degree from Jinan University. He holds the qualification of a Senior Engineer in China and the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government, he is also president of Association of Guangzhou Belt and Road Investment Enterprises, secretary-general of Council for the Promotion of Guangzhou-HongKong-Macao Cooperation, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association. Mr Li joined Yue Xiu in December 2001 and has successively held positions in Guangzhou Yue Xiu and Yue Xiu including the assistant to general manager, assistant manager of corporate management department, assistant to general manager of supervision and auditing department, deputy general manager of capital department, and deputy general manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu and Yue Xiu. Before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

Ms Chen Jing, aged 47, was appointed an executive director of the Company on 13 April 2018. Ms Chen is the chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu. She is an executive director and chief financial officer of Yuexiu Property, a director of GCCD and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited. She is also a non-executive director of YFHL and Chong Hing Bank. Ms Chen graduated from the Xi'an Jiaotong University in audit studies, and holds a master of business administration degree of the School of Management and Economics of the Beijing Institute of Technology and the qualification of auditor and certified internal auditor. Ms Chen joined Guangzhou Yue Xiu in July 2004 and was the deputy general manager of the supervisory (audit) office and the general manager of the audit department. Ms Chen has participated in building systems to monitor the major risks and finance of Guangzhou Yue Xiu. Ms Chen is well versed in risk and internal control management, financial management of listed companies and has extensive experience in establishing a sound system for risk management and internal control, financial management for enterprises. Prior to joining Guangzhou Yue Xiu, Ms Chen worked in school of business of the Hubei University and Hisense Kelon Electrical Holdings Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Fung Ka Pun, aged 73, has been an independent non-executive director of the Company since 20 November 1996. Mr Fung is the founder and chairman of the Goodwill International (Holdings) Limited. Mr Fung has over 30 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. Mr Fung is also an independent non-executive director of Lee Hing Development Limited, the shares of which are listed on the Stock Exchange (Stock Code: 68).

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 71, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr Lau is currently an independent non-executive director of China Jinmao Holdings Group Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property, Joy City Property Limited (Stock Code: 207) and Brightoil Petroleum (Holdings) Limited (Stock Code: 933). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Sun Hon Investment & Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominees & Secretarial Services Limited, Helicoin Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

Mr Cheung Doi Shu, aged 57, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his Bachelor's and Master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors.

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of The Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Company has complied throughout the year ended 31 December 2018 with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term under Code Provision A.4.1, details of which will be explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance and transparency and accountability of Company operations.

The key corporate governance principles and practices of the Company are summarised below.

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company. The Board focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall strategies and budgets, corporate governance, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary or external legal advisors, where appropriate, with a view to ensuring compliance of all Board procedures and applicable rules and regulations.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. As at 31 December 2018, the Board comprised four executive directors and three independent non-executive directors.

For a list of directors during the year ended 31 December 2018 and up to the date of this annual report, please refer to page 75 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

Selection of Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision is based on merit and contribution that the selected Board members could bring to the Board, with due regard for the benefits of diversity on the Board. The Board diversity policy is available on the website of the Company. The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

None of the members of the Board is related to one another.

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent in accordance with the independence guidelines set out in Listing Rules.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors made valuable contributions to the effective direction of the Company.

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

Shareholders may propose a candidate for election as Director in accordance with the Bye-Laws of the Company. The procedures for such proposal are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Training for Directors

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all Directors and senior executives are encouraged to participate in continuous professional development relating to the Listing Rules, companies ordinance/act and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

During the year, the Company arranged training programmes and provided training materials to the Directors with an emphasis on national economic landscape and financial regulatory trends, latest updates of the Listing Rules regarding corporate governance, newly development of financial technology and safety operation etc. According to the records maintained by the Company, the Directors received trainings in the following areas:

	Corporate Governance/ Updates on Laws, Rules & Regulations	
Directors	**Read Materials**	**Attended Seminars/ Briefings**
Executive Directors		
Zhu Chunxiu	✓	✓
He Baiqing	✓	✓
Qian Shangning (resigned on 13 April 2018)	✓	✓
Li Feng (appointed on 13 April 2018)	✓	✓
Chen Jing (appointed on 13 April 2018)	✓	✓
Independent Non-Executive Directors		
Fung Ka Pun	✓	✓
Lau Hon Chuen Ambrose	✓	✓
Cheung Doi Shu	✓	✓

Board Meetings

Number of Meetings and Directors' Attendance

In year 2018, the Board held 13 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below:

Directors	Attendance/ Number of Board meetings	Written Resolutions	Annual General Meeting and Special General Meeting
Executive Directors			
Zhu Chunxiu	4/5	8/8	✓
He Baiqing	5/5	8/8	✓
Qian Shangning (resigned on 13 April 2018)	1/1	3/3	—
Li Feng (appointed on 13 April 2018)	3/4	5/5	✓
Chen Jing (appointed on 13 April 2018)	4/4	5/5	✓
Independent Non-Executive directors			
Fung Ka Pun	5/5	8/8	✓
Lau Hon Chuen Ambrose	5/5	8/8	✓
Cheung Doi Shu	4/5	8/8	✓

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-Laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has arranged directors and officer liability insurances for its directors and officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and General Manager to ensure a balance of power and authority.

The position of the Chairman is held by Mr Zhu Chunxiu while the position of General Manager is held by Mr He Baiqing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The full terms of reference of these committees are available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Lau Hon Chuen Ambrose is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(b) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2018 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditor. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

Members	Meetings Attended
Independent Non-Executive Directors	
Fung Ka Pun	2/2
Lau Hon Chuen Ambrose	2/2
Cheung Doi Shu	2/2

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu, and Mr Lau Hon Chuen Ambrose is the chairman of the committee.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure and remuneration packages of the executive directors and the senior management, including benefits in kind, pension rights and compensation payments such as compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The composition of the Remuneration Committee and attendance record of each Remuneration Committee member are set out below:

Members	Meetings Attended
Independent Non-Executive Directors	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

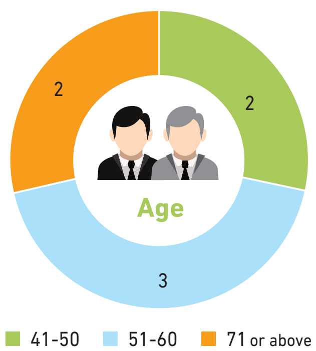
CORPORATE GOVERNANCE REPORT

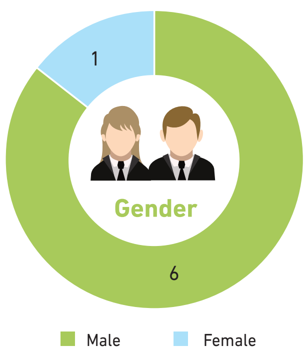
The Remuneration Committee met once during the year ended 31 December 2018 with 100% attendance to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

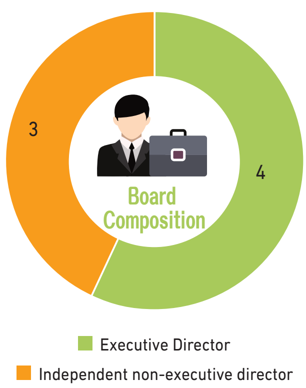
Nomination Committee

The Nomination Committee comprises one executive director, namely Mr Zhu Chunxiu and three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu. The committee is chaired by Mr Zhu Chunxiu, the Chairman of the Board.

The role and function of the Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship, the appointment or re-appointment of directors and succession planning for directors. In assessing the Board composition and the candidate proposed to the Nomination Committee for consideration, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board is currently comprised of diversified members, including 7 directors, one of whom is female (2017: nil). Four directors are experienced in finance, toll road construction/operation, financial and capital operations, and the other three directors, being the independent non-executive directors, contribute extensive experiences in the legal and compliance, acquisition and mergers as well as financial businesses to the Board. In order to ensure that the Board possesses experiences and skills relevant to its strategy and the ability and mindset to manage changes from time to time in new generation, the Nomination Committee formulates the following measurable objectives: gender, age, length of tenure, professional experience and knowledge (e.g. legal, accounting, establishment/ operation of highways, finance and capital management, etc.), reviews the diversity of the Board and makes proposal to the Board if necessary.







Process of appointment of directors

In accordance with the strategic needs of the Board, suitable candidates are identified for consideration by the Nomination Committee. The Nomination Committee would consider such candidates based on various factors such as the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service set out in the Board Diversity Policy. Board members' appointment will be based on meritocracy and recommendation will be made to the Board based on objective criteria, having due regard for the benefits of diversity on the Board. The Board will ultimately decide on the merits of the candidate and their potential contributions to the Board. New directors so appointed shall be re-elected at the Company's general meeting as required by the Articles of Association.

The composition of the Nomination Committee and the attendance record of each Nomination Committee member are set out below:

Members	Meetings Attended
Executive Director	
Zhu Chunxiu	1/1
Independent Non-Executive Directors	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

The Nomination Committee met once during the year ended 31 December 2018 to review the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

Specific employees who are likely to be in possession of unpublished price sensitive information of the Group have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is the Group General Counsel of Yue Xiu, and also the company secretary of Yue Xiu, Yuexiu Property and Yue Xiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2018, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

Responsibilities in Respect of the Financial Statements and Auditor's Remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2018.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report".

During the year ended 31 December 2018, the remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit related services amounted to approximately RMB2,818,000 and non-audit services fees amounted to RMB2,287,000 have been incurred.

RISK MANAGEMENT AND INTERNAL CONTROLS

Role of the Board

The Board has overall responsibility for evaluating and determining the nature and extent of the risks taken by the Group to achieve its strategic business objectives. The Board, through its Audit Committee, regularly reviews the effectiveness of the risk management and internal control systems and monitors the corporate governance practices and compliance procedures on an ongoing basis. To assist the Audit Committee to fulfill its responsibilities, the management has formed a task force, comprising representatives from major departments of the Company, to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board quarterly. The possible risk exposure of the Group is set out on pages 33 to 34 of this Annual Report.

The Board has reviewed the risk management and internal control systems of the Company and considered it to be effective and adequate and did not note any material deviation during the Reporting Year.

Risk management structural framework

The Group's risk management structural framework comprises the following components:

Audit Committee of the Board

— Approve the Company's annual risk appetite policy and measures

— Consider the risk appetite report from the management and monitor the implementation continuously

— Assess the appropriateness of risk appetite with respect to business environment and development strategy and encourage the management for improvement

Management

— Review the risk appetite policy and measures and submit them for the Audit Committee's approval

— Approve the risk limit indicators with reference to the Company's annual risk appetite policy

— Review the implementation of risk appetite and report to the Audit Committee

Audit and risk management department

— Prepare and amend the risk appetite measures

— Initiate the risk management work plan regularly. With the support from various departments and subsidiaries, determine various risk appetite indicators and measurements and submit them for the management's approval

— Responsible for monitoring risk appetite indicators, collecting and summarising the implementation situation of the risk appetite. Arrange and coordinate relevant departments to provide solutions for abnormal indicator and make timely report to the management

— Gather comment and feedback from various departments and subsidiaries during the implementation process and provide recommendations to the management

Internal control system

The internal control system of the Company is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage risks and to safeguard the assets of the Company against loss or fraud. The main features of internal control system consist of five elements including, internal environment, risk assessment, monitoring activities, information and communication and internal monitoring. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

The Company's internal control system is operated through segregation of duties (e.g. between toll collecting staff and supervision staff), staff management, budget management, toll collection audit, financial accounting system controls, repairs and maintenance project management and so forth. Apart from periodic review by senior management including financial controllers designated by the Company to each major operation, internal audit department of the Company or audit groups of each major toll road operation were responsible for inspecting and assessing the performance of such operation. In financial accounting system control, the Company has adopted relevant procedures including strict compliance with approval procedures, proper safekeeping of fixed assets, verification and maintenance of accounting records, so as to ensure financial information, whether applied in operation or for public disclosure purposes, are reliable.

Internal audit

The Group's audit and risk management department plays an important role in reviewing and monitoring the overall internal compliance and governance system of the Group. The department directly reports to the Audit Committee and performs specific internal audit projects. The department has unrestricted access to review all the Group's business activities, departments and subsidiaries and identify the areas of concern. During the Year, the department has completed 17 internal audit projects covering performance, human resources and internal control areas.

Handling and dissemination of inside information

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the board committees are available to answer questions at the shareholders' meetings. Separate resolutions are proposed at shareholders' meetings on each substantial issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.yuexiutransportinfrastructure.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the Company's Bye-Laws, shareholder(s) holding at the date of the deposit of requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may, in accordance with the requirements and procedures set out in the Companies Act of Bermuda, require the directors of the Company to convene a special general meeting. The requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more shareholders concerned. If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a general meeting, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date. Shareholders representing not less than one-twentieth of the total voting rights or not less than 100 shareholders, may put forward resolutions for consideration at a general meeting of the Company by depositing at the registered office a written request for such resolutions according to the Companies Act of Bermuda.

The Company is committed to maintaining a relatively stable and sustainable dividend policy. The dividend policy is based on the principle of balancing shareholders' expectations and maintaining the Company's sustainable development, with consideration of various factors, such as the current business position, future operations and income, and the financial position of the Company, current and future macroeconomic environment and development, capital needs and capital reserves, future major investment or acquisition plans, adjustments to industry policies and continuity of past dividend policies. Generally speaking, the total dividend of the Company for a year represents approximately 50% to 60% of the profit attributable to shareholder. During the period, the payout ratio was 53.6%. The Board will review and monitor the implementation of said policy from time to time to ensure its effectiveness and application.

CONSTITUTIONAL DOCUMENTS

The Company's Bye-Laws are available on the websites of the Company and the Stock Exchange. During 2018, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of investment in, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the PRC.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 86.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2018:

	RMB'000
Interim dividend of HK$0.15 equivalent to approximately RMB0.13 per share paid on 19 November 2018	**218,405**
Proposed final dividend of HK$0.24 equivalent to approximately RMB0.21 per share	**346,223**
	564,628

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 May 2019 to Monday, 27 May 2019, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 27 May 2019, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 21 May 2019.

In addition, the register of members of the Company will be closed from Tuesday, 4 June 2019 to Thursday, 6 June 2019, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Monday, 3 June 2019.

DONATIONS

During the year, charitable donations made by the Group amounted to approximately RMB1,653,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the section headed "Management Discussion And Analysis" on pages 24 to 55 of this Annual Report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2018 are set out in note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the distributable reserves of the Company available for distribution amounted to RMB2,832,698,000 (2017: RMB2,793,168,000).

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive directors
Mr Zhu Chunxiu
Mr He Baiqing
Mr Qian Shangning (resigned on 13 April 2018)
Mr Li Feng (appointed on 13 April 2018)
Ms Chen Jing (appointed on 13 April 2018)

Independent Non-executive directors
Mr Fung Ka Pun
Mr Lau Hon Chuen Ambrose
Mr Cheung Doi Shu

The Directors' Profiles are set out on pages 59 to 61.

ROTATION AND RE-ELECTION OF DIRECTORS

Mr Zhu Chunxiu and Mr Lau Hon Chuen Ambrose retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, its holding companies or its fellow subsidiaries was a party and in which any Director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Framework Lease Agreement

On 6 January 2015, the Company entered into the framework lease agreement ("2015 Framework Lease Agreement") with Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("YX IFC"), which is a connected person of the Company by virtue of its being an indirect associate of Guangzhou Yue Xiu Holding Limited, ultimate holding company of the Company, in respect of the lease of certain lettable premises of The Guangzhou International Finance Center, Guangzhou, PRC. The rent payable under the 2015 Framework Lease Agreement are subject to the annual caps of RMB13,200,000, RMB15,000,000 and RMB15,100,000 for the years ended 31 December 2015, 2016 and 2017 respectively.

On 28 December 2017, the Company entered into another framework lease agreement ("2017 Framework Lease Agreement") with YX IFC to renew the term of the 2015 Framework Lease Agreement, and pursuant to which the rent payable under the 2017 Framework Lease Agreement are subject to the annual caps of RMB17,000,000 for each of the years ending 31 December 2018, 2019 and 2020 respectively. During the year, approximately RMB10,340,000 has been paid by the Group to YX IFC pursuant to the specified lease agreements. This transaction had also been disclosed as a related party transaction in note 35(b)(iii) to the consolidated financial statements.

Bank Deposits Agreement

In the ordinary and usual course of business, the Company and its subsidiaries place and maintain bank deposits with Chong Hing Bank Limited ("Chong Hing Bank") on normal commercial terms. On 29 October 2014, the Company entered into a bank deposits agreement with Chong Hing Bank setting out that the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HK$200 million on any given day for the period ended 31 December 2014 and the two years ended 31 December 2015 and 31 December 2016, respectively. Chong Hing Bank is a subsidiary of Yue Xiu Enterprises (Holdings) Limited, which is a controlling shareholder of the Company, and therefore is a connected person of the Company.

The Company entered into another bank deposits agreement with Chong Hing Bank on 28 December 2016 ("2016 Bank Deposits Agreement") to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB260 million on any given day during the period from 1 January 2017 to 31 December 2019. The Company entered into a new bank deposits master agreement with Chong Hing Bank on 2 May 2018 ("2018 Bank Deposits Agreement") to increase the annual caps in relation to the bank deposits, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB800 million, RMB1.2 billion and RMB1.5 billion for the years ending 31 December 2018, 2019 and 2020, respectively. The 2018 Bank Deposits Agreement has replaced the 2016 Bank Deposits Agreement with effect from 30 May 2018. As at 31 December 2018, the aggregate Bank balances deposited by the Group with Chong Hing Bank amounted to approximately RMB740,424,000. The maximum daily aggregate amount of outstanding deposits maintained by the Group with Chong Hing Bank for the period from 1 January 2018 to 30 May 2018 and for the year ended 31 December 2018 amounted to approximately RMB240,622,000 and RMB781,307,000 respectively. This transaction had also been disclosed as a related party transaction in note 35(c)(i) to the consolidated financial statements.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board of Directors of the Company; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the maximum aggregate annual caps in respect of each of the disclosed Continuing Connected Transactions.

Other related party transactions disclosed in note 35(b)(i), (ii), (iv) and (v) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as "exempted transaction" or "de minimis transaction", pursuant to the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2018 is set out in note 26 to the consolidated financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

The Company

Long positions in shares of the Company:

Name	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr He Baiqing	Personal	52,000	0.003
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012

Yuexiu Property Company Limited

Long positions in shares of Yuexiu Property Company Limited:

Name	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Li Feng	Personal	172,900	0.001
Mr Fung Ka Pun	Personal	1,689,100	0.014
Mr Lau Hon Chuen Ambrose	Personal	4,841,200	0.039

Save as disclosed herein, as at 31 December 2018, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the Directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2018, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity in holding interest	Long/Short position/ Lending pool	Approximate % of shareholding in shares	Number of shares held
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holding Limited) (Note 1)	Interest of controlled corporations	Long position	48.91	818,322,194
	Interest of controlled corporations	Short position	4.71	78,796,030
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") (Notes 1 & 2)	Beneficial owner and interest of controlled corporations	Long position	48.91	818,322,194
	Interest of controlled corporations	Short position	4.71	78,796,030
Grace Lord Group Limited (Note 2)	Beneficial owner	Long position	22.83	381,955,081
First Dynamic Limited (Note 3)	Interest of controlled corporation	Long position	21.96	367,500,000
Housemaster Holdings Limited (Notes 2 & 3)	Beneficial owner	Long position	21.96	367,500,000
Matthews International Capital Management, LLC	Investment manager	Long position	6.98	116,934,000
JP Morgan Chase & Co.	Interest of controlled corporations	Long position	0.20	3,410,279
	Interest of controlled corporations	Short position	0.17	2,840,000
	Investment manager	Long position	3.25	54,383,572
	Investment manager	Short position	0.00	66,000
	Person having a security interest in shares	Long position	0.05	831,960
	Approved lending agent	Long position	1.92	32,053,000

REPORT OF THE DIRECTORS

Notes:

(1) The entire issued shares of Yue Xiu is owned by 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holding Limited). By virtue of the SFO, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holding Limited) was deemed to be interested in the interest of Yue Xiu in the shares of the Company as described in note(2) below. 78,796,030 shares out of its interest in the shares of the Company were listed derivative interests (physically settled).

(2) Yue Xiu was interested in an aggregate of 818,322,194 shares of the Company (long position) of which 8,653 shares were held by it as beneficial owner. By virtue of the SFO, Yue Xiu is also deemed to be interested in the balance of 818,313,541 shares (long position) through its wholly-owned subsidiaries, namely, Housemaster Holdings Limited, Grace Lord Group Limited, Greenwood Pacific Limited, Yue Xiu Finance Company Limited and Dragon Year Industries Limited. 78,796,030 shares out of its interest in the shares of the Company were listed derivative interests (physically settled). Yue Xiu's interest in short position was held through its wholly-owned subsidiary, namely Asia View Limited.

(3) First Dynamic Limited, a wholly-owned subsidiary of Yue Xiu, owned the entire issued share capital of Housemaster Holdings Limited. By virtue of the SFO, First Dynamic Limited was deemed to be interested in the 367,500,000 shares of the Company held by Housemaster Holdings Limited.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws and there are no restrictions against such rights under the laws of Bermuda.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosure with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30% of the Group's total sales and purchases during the current and previous years.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Zhu Chunxiu
Chairman

Hong Kong, 18 February 2019

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF YUEXIU TRANSPORT INFRASTRUCTURE LIMITED
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Yuexiu Transport Infrastructure Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 173, which comprise:

- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is summarised as follows:

- Amortisation of intangible operating rights and impairment assessment of intangible operating rights and goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Amortisation of intangible operating rights and impairment assessment of intangible operating rights and goodwill *Refer to notes 4(a), 13 and 14 in the consolidated financial statements.* The Group has intangible operating rights of RMB17,419 million, goodwill of RMB633 million and deferred tax liabilities of RMB1,423 million relating to business acquisitions in obtaining those intangible operating rights in previous years. Amortisation of intangible operating rights is calculated to write off their cost on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the operating period of the intangible operating rights. This projected total traffic volume estimation takes into account the historical operating information, the expected development of the toll road and its adjacent traffic network and where applicable, independent professional traffic studies prepared by traffic consultants which require significant management judgement and estimates. Management has assessed the recoverable amount of the goodwill and intangible operating rights by preparing impairment assessments based on value in use and fair value less costs of disposal calculation. The calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units to which the goodwill and intangible operating rights belong and the use of suitable discount rates in order to calculate the present value. This requires significant management judgement with respect to the use of discount rates and the underlying cash flows, in particular future revenue growth and capital expenditure.	Our procedures in relation to management's estimation of projected total traffic volume and impairment assessments included: — Understanding the procedures taken by management in estimating the projected total traffic volume of the intangible operating rights and assessing the reasonableness of such estimation; — Where traffic studies prepared by traffic consultant has been used and referenced by management, performing evaluation of the independent external traffic consultants' qualifications, competence, capabilities and objectivity; — Evaluating the process by which the management's future cash flow forecasts and impairment assessments were prepared; — Assessing the methodologies used, the appropriateness of the key assumptions based on our knowledge of the industry and using our in-house valuation experts; — Checking input data to supporting evidence, such as historical financial information, approved budgets and considering the reasonableness of these budgets; — Checking the mathematical accuracy of the value in use and fair value less costs of disposal calculation in the management's impairment assessments; and — Considering the results of sensitivity analysis on reasonably possible downside changes in key assumptions adopted including discount rate and the growth in revenue generated from future traffic. We found the assumptions made by management in relation to the value in use and fair value less costs of disposal calculations to be supportable based on available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Zee, Ho Sum.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 February 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue		**2,847,073**	2,702,844
Cost of services	7,8	**(834,092)**	(788,452)
Construction income under service concession upgrade services	33	**120,440**	95,981
Construction costs under service concession upgrade services	33	**(120,440)**	(95,981)
Other income, gains and losses - net	6	**40,635**	(68,997)
General and administrative expenses	7,8	**(225,113)**	(196,193)
Operating profit		**1,828,503**	1,649,202
Finance income	9	**128,911**	26,770
Finance costs	9	**(477,235)**	(440,577)
Share of result of a joint venture	18	**87,023**	64,599
Share of results of associates	19	**324,453**	338,423
Profit before income tax		**1,891,655**	1,638,417
Income tax expense	10	**(479,974)**	(371,195)
Profit for the year		**1,411,681**	1,267,222
Attributable to:			
Shareholders of the Company		**1,054,135**	947,942
Non-controlling interests		**357,546**	319,280
		1,411,681	1,267,222
Earnings per share for profit attributable to the shareholders of the Company			
		RMB	RMB
Basic and diluted earnings per share	11	**0.6300**	0.5666

The notes on pages 93 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	**1,411,681**	1,267,222
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**1,315**	(1,835)
Total comprehensive income for the year	**1,412,996**	1,265,387
Total comprehensive income attributable to:		
Shareholders of the Company	**1,055,450**	946,107
Non-controlling interests	**357,546**	319,280
	1,412,996	1,265,387

The notes on pages 93 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights	13	**17,419,156**	17,915,044
Goodwill	14	**632,619**	632,619
Property, plant and equipment	15	**83,297**	87,473
Investment properties	16	**38,538**	36,484
Investment in a joint venture	18	**454,272**	433,465
Investments in associates	19	**1,474,846**	1,550,386
Available-for-sale financial assets		**—**	200
Other non-current receivables	21	**45,883**	65,440
		20,148,611	20,721,111
Current assets			
Trade receivables	22	**122,211**	140,476
Other receivables, deposits and prepayments	22	**70,998**	60,091
Amount due from a non-controlling interest of a subsidiary	35	**—**	2,470
Amount due from an associate	35	**4,708**	—
Derivative financial instruments	20	**—**	35,523
Short-term bank deposits, cash and cash equivalents	23	**2,393,222**	2,958,818
		2,591,139	3,197,378
Total assets		**22,739,750**	23,918,489
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	24	**147,322**	147,322
Reserves	25	**9,924,549**	9,397,526
		10,071,871	9,544,848
Non-controlling interests		**2,335,708**	2,272,556
Total equity		**12,407,579**	11,817,404

As at 31 December 2018

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	**5,080,996**	5,533,459
Deferred income	27	**—**	87,075
Contract liabilities	27	**83,030**	—
Deferred income tax liabilities	28	**2,086,455**	1,988,483
Corporate bonds	30	**1,497,554**	1,993,263
		8,748,035	9,602,280
Current liabilities			
Borrowings	26	**511,249**	319,724
Notes payable	29	**—**	1,557,953
Corporate bonds	30	**498,068**	—
Amount due to a non-controlling interest of a subsidiary	35	**1,611**	1,611
Amounts due to holding companies	35	**679**	696
Amount due to a joint venture	35	**25,195**	92,050
Trade and other payables and accrued charges	31	**452,331**	441,352
Deferred income	27	**—**	3,935
Contract liabilities	27	**8,886**	—
Current income tax liabilities		**86,117**	81,484
		1,584,136	2,498,805
Total liabilities		**10,332,171**	12,101,085
Total equity and liabilities		**22,739,750**	23,918,489

The financial statements on pages 86 to 173 were approved by the Board of Directors on 18 February 2019 and were signed on its behalf

Zhu Chunxiu
Director

He Baiqing
Director

The notes on pages 93 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**2,456,605**	2,279,294
China enterprise income tax and withholding tax paid		**(359,735)**	(335,983)
Net cash generated from operating activities		**2,096,870**	1,943,311
Cash flows from investing activities			
Payments of construction costs under service concession upgrade services		**(77,573)**	(88,857)
Payments for acquisition of subsidiaries		**—**	(9,333)
Investment in an associate		**(2,250)**	(2,250)
Proceeds from compensation arrangements		**23,540**	21,850
Proceeds from disposal of property, plant and equipment		**293**	881
Purchase of property, plant and equipment		**(15,472)**	(20,384)
Dividends received from associates		**384,609**	280,861
Dividend received from a joint venture		**—**	59,704
Decrease/(increase) of short-term bank deposits, net		**115,732**	(116,366)
Interest received		**43,565**	18,611
Net cash generated from investing activities		**472,444**	144,717
Cash flows from financing activities	32(b)		
Proceeds from bank borrowings		**833,490**	2,204,500
Increase in loan from a joint venture		**94,500**	—
Repayment of bank borrowings		**(1,255,900)**	(1,395,787)
Payment of bank facility fees		**(16,467)**	—
Repayment of loans from non-controlling interests of subsidiaries		**(5,727)**	(1,820)
Repayment of notes payable		**(1,522,980)**	—
Dividends paid to the shareholders of the Company		**(528,427)**	(483,217)
Dividends paid to non-controlling interests		**(294,394)**	(269,068)
Interest paid		**(373,991)**	(344,463)
Net cash used in financing activities		**(3,069,896)**	(289,855)
Net (decrease)/increase in cash and cash equivalents		**(500,582)**	1,798,173
Cash and cash equivalents in the consolidated balance sheet at 1 January		**2,842,452**	1,045,922
Effects of exchange rate changes on cash and cash equivalents		**51,352**	(1,643)
Cash and cash equivalents at 31 December	23	**2,393,222**	2,842,452
Analysis of cash and cash equivalents			
Bank balances and cash		**2,393,222**	2,842,452

During the year ended 31 December 2018, dividend declared by a joint venture amounting to RMB66,216,000 was netted off against the amount due to a joint venture.

The notes on pages 93 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to shareholders of the Company			
	Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2018	147,322	9,397,526	2,272,556	11,817,404
Comprehensive income				
Profit for the year	—	1,054,135	357,546	1,411,681
Other comprehensive income				
Currency translation differences	—	1,315	—	1,315
Total other comprehensive income	—	1,315	—	1,315
Total comprehensive income	—	1,055,450	357,546	1,412,996
Transactions with owners				
Dividends to the shareholders of the Company	—	(528,427)	—	(528,427)
Dividends to non-controlling interests	—	—	(294,394)	(294,394)
Total transactions with owners	—	(528,427)	(294,394)	(822,821)
Balance at 31 December 2018	147,322	9,924,549	2,335,708	12,407,579

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to shareholders of the Company			
	Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	147,322	8,934,636	2,222,344	11,304,302
Comprehensive income				
Profit for the year	—	947,942	319,280	1,267,222
Other comprehensive income				
Currency translation differences	—	(1,835)	—	(1,835)
Total other comprehensive income	—	(1,835)	—	(1,835)
Total comprehensive income	—	946,107	319,280	1,265,387
Transactions with owners				
Dividends to the shareholders of the Company	—	(483,217)	—	(483,217)
Dividends to non-controlling interests	—	—	(269,068)	(269,068)
Total transactions with owners	—	(483,217)	(269,068)	(752,285)
Balance at 31 December 2017	147,322	9,397,526	2,272,556	11,817,404

The notes on pages 93 to 173 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yuexiu Transport Infrastructure Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment in and development, operation and management of expressways and bridges mainly in Guangdong Province and other high-growth provinces in the People's Republic of China (the "PRC").

The Company is an exempted Company incorporated under the laws of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is 17A, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 18 February 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies applied in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") (Cap. 622).

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Financial assets and liabilities (including derivative financial instruments) and investment property – measured at fair value

(iii) New standards, amendments to standards and interpretation

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 January 2018:

HKAS 40 (Amendment)	Transfer of investment property
HKFRSs	Annual improvements 2014-2016 reporting cycle
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendment)	Clarification to HKFRS 15
HK (IFRIC) – Int 22	Foreign currency transactions and advance consideration

The above new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2018 do not have a material impact on the Group, except for HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" as set out below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation *(Continued)*

(iii) New standards, amendments to standards and interpretation (Continued)

HKFRS 9 "Financial instruments"– Impact of adoption

The Group has adopted HKFRS 9 "Financial instruments" from 1 January 2018.

HKFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, and introduces new rules for a new impairment model for financial assets. This new standard retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. Under HKFRS 9, trade receivables of the Group continue to be recognised at amortised cost.

The Group has assessed the effects of applying HKFRS 9 on the financial statements and has not identified any material impact to the Group. Further details in relation to financial assets has been disclosed in Notes 3.1(b).

HKFRS 15 "Revenue from contracts with customers"– Impact of adoption

The Group has adopted HKFRS 15 "Revenue from contracts with customers" from 1 January 2018, resulting in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard. The reclassification arising from the new rules is therefore not reflected in the consolidated balance sheet as at 31 December 2017, but is recognised in the opening balance sheet on 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and interpretation (Continued)

HKFRS 15 "Revenue from contracts with customers"– Impact of adoption (Continued)

The adjustments on the consolidated balance sheet as at 1 January 2018 are summarised below:

Consolidated balance sheet (extract)	31 December 2017 As originally presented RMB'000	Effect of adoption of HKFRS 15 RMB'000	**1 January 2018 restated RMB'000**
Non-current liabilities			
– Deferred income	87,075	(87,075)	**—**
– Contract liabilities	—	87,075	**87,075**
Current liabilities			
– Deferred income	3,935	(3,935)	**—**
– Contract liabilities	—	3,935	**3,935**

Contract liabilities in relation to fees received in advance from contractors relating to operation of service areas and petrol stations along a toll highway were previously presented as deferred income.

Contract liabilities are recognised when customers pay consideration, or are contractually required to pay consideration and the amounts are already due, before the Group recognises the related revenue.

The adoption of HKFRS 15 did not result in any other impact to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) *Basis of preparation* *(Continued)*

(iii) New standards, amendments to standards and interpretation (Continued)

The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted:

New standards, amendment, improvement and interpretation		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Employee benefits	1 January 2019
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2019
HKFRSs	Annual improvement 2015 – 2017 reporting cycle	1 January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation and modification of financial liabilities	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) - Int 23	Uncertainty over income tax treatments	1 January 2019
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKFRS 3 (Amendment)	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

Management is in the process of making an assessment of the impact of these new standards, amendments, improvement and interpretation in the period of initial application. The Group's assessment of the impact of these new standards, amendments, improvement and interpretation, if material, could be set out below.

HKFRS 16, *"Leases"*

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and interpretation (Continued)

HKFRS 16, *"Leases"* (Continued)

Impact

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB23,248,000. The Group estimates those related to payments for short-term and low value lease which will be recognised on straight-line basis as an expense in profit or loss are insignificant.

Upon adoption of HKFRS 16, the Group expects to recognise rights-of-use assets of approximately RMB23,591,000 and lease liability of approximately RMB21,457,000. The Group expects that profit for the year will decrease by approximately RMB1,298,000 for 2019 as a result of adopting the new rules.

Hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (note 2(b)(iv)), after initially being recognised at cost.

(iii) Joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (note 2(b)(iv)), after initially being recognised at cost in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation and equity accounting (Continued)

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2(j).

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation and equity accounting (Continued)

(vi) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in Renminbi (RMB), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement "finance income/costs". All other foreign exchange gains and losses are presented in the income statement within "Other income, gains and losses – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible operating rights

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for operating periods of 20 to 30 years. According to the approval documents of the relevant government and the relevant regulations, the Group is responsible for the construction of the toll highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway/bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group.

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road/bridge services and are recorded in the consolidated balance sheet as "Intangible operating rights".

Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Prospective adjustment will be made should there be a material change.

(g) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses as described in note 2(j). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Land and building comprise offices and staff quarters. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged profit or loss during the reporting period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term and useful life
Buildings	25 - 50 years
Furniture, fixtures and equipment	3 - 20 years
Motor vehicles	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(j)).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in profit or loss.

(i) Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are recorded in profit or loss as part of "Other income, gains and losses – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) *Impairment of investments in non-financial assets*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) *Investments and other financial assets - Accounting policies applied from 1 January 2018*

(i) Classification

From 1 January 2018, the Group has applied HKFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) *Investments and other financial assets - Accounting policies applied from 1 January 2018 (Continued)*

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as "Other income, gains and losses - net".

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other income, gains and losses – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) *Investments and other financial assets - Accounting policies applied from 1 January 2018 (Continued)*

(iii) Measurement (Continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other income, gains and losses – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other income, gains and losses – net" and impairment expenses are presented as separate line items in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other income, gains and losses – net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "Other income, gains and losses – net" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other income, gains and losses – net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(l) *Investments and other financial assets - Accounting policies applied prior to 1 January 2018*

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) *Investments and other financial assets - Accounting policies applied prior to 1 January 2018 (Continued)*

(i) Classification (Continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of other non-current receivables, trade receivables, other receivables, deposits and prepayments, amount due from a non-controlling interest of a subsidiary, short-term bank deposits, cash and cash equivalents.

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as "Other income, gains and losses - net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets - Accounting policies applied prior to 1 January 2018 (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for "financial assets at fair value through profit or loss"– in profit or loss within other gains and losses - net
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of other gains and losses - net from continuing operations when the group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in other gains and losses - net. Interest on available-for-sale securities and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

(m) Impairment of financial asset

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

(n) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The change in the fair value is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

(p) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial instruments and short-term bank deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the drawn-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs that are directly attributable to the acquisition or construction of highways, bridges and ports are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

Foreign exchange differences arising from financing are included as a component of finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Interest income is recognised on a time-proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Notes payable

The notes payable are recognised initially at fair value, net of debt discount. Debt issuance costs incurred which are directly attributable are capitalised and amortised over the estimated term of the facilities using the effective interest method. Debt discount is recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated income statement over the estimated term of the facilities using the effective interest method.

(u) Corporate bonds

The corporate bonds are recognised initially at fair value, net of debt issuance costs incurred. Corporate bonds are subsequently stated at amortised cost; any difference between the proceeds (net of debt issuance costs) and the redemption value is recognised in the consolidated income statement over the period of the corporate bonds using the effective interest method.

(v) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting date in the countries where the Company's subsidiaries, associates and a joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Current and deferred income tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred taxes balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(w) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

(x) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The respective leased assets are included in the consolidated balance sheet based on their nature.

(y) Retirement benefit costs

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the service may be transferred over time or at a point in time.

Control of the service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (Continued)

(i) Toll revenue from road and bridge operations is recognised at a point in time when the related services are provided.

(ii) Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

(iii) Construction income generated from construction and upgrade services rendering by the Group is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of year as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

(aa) Dividend distribution

Dividend income is recognised when the right to receive payment is established.

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors of the Company ("Directors"), where appropriate.

(ab) Contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer. Contract liabilities are recognised when the fees are received in advance from contractors relating to operation of service areas and petrol stations along the toll highway. Revenue is recognised when the Group transfers the services to the customers and therefore satisfies its performance obligation.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and entered cross currency swap to mitigate the foreign exchange rate risk arising from notes payable as mentioned in 3.1(a)(i).

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The functional currency of the Company and its major subsidiaries is RMB. Majority of the revenues of the Group are derived from operations in the PRC. It did not have significant exposure to foreign exchange risk in the PRC, except for certain balances as set out below:

As at 31 December 2018	**Denominated in Hong Kong dollars ("HKD") RMB'000**	**Denominated in United States dollar ("USD") RMB'000**	**Denominated in Euro ("EUR") RMB'000**	**Total RMB'000**
Cash and cash equivalents	**31,719**	**28**	**71**	**31,818**
Other payable	**14,308**	**—**	**—**	**14,308**
Bank borrowings	**431,336**	**—**	**—**	**431,336**

As at 31 December 2017	Denominated in Hong Kong dollars ("HKD") RMB'000	Denominated in United States dollar ("USD") RMB'000	Denominated in Euro ("EUR") RMB'000	Total RMB'000
Cash and cash equivalents	206,396	177	—	206,573
Short-term bank deposits	—	—	116,366	116,366
Other payable	10,763	—	—	10,763
Notes payable	—	—	1,557,953	1,557,953

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

During the year ended 31 December 2018, the following foreign-exchange related amounts were recognised in consolidated income statement and consolidated statement of comprehensive income:

	2018 RMB'000	2017 RMB'000
Amounts recognised in consolidated income statement		
Net other foreign exchange gain	**42,988**	916
Net exchange loss on foreign currency borrowings and notes payable included in finance income/costs	**(39,465)**	(98,632)
Net foreign exchange gain/(loss) recognised in profit before income tax for the year	**3,523**	(97,716)
Net gain/(loss) recognised in other comprehensive income (note 25)		
Currency translation differences	**1,315**	(1,835)

During the year ended 31 December 2017, the Group has entered into cross currency swaps with notional principal amounts of EUR175,000,000 in order to mitigate the foreign exchange rate risk arising from notes payable.

Under the Linked Exchange Rate System in Hong Kong, HKD is pegged to USD. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2018, if HKD, USD and EUR had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB20,691,000 higher/lower (2017: RMB5,765,000 higher/lower), mainly as a result of net foreign exchange gain/(loss) on translation of foreign currency denominated balances after considering the effect of cross currency swaps.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from bank balances and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balance held at variable rates. Group policy is to minimise the interest rate risk by closely monitor the ratio between borrowings at variable rates and borrowings at fixed rates. During 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in RMB and HKD.

At 31 December 2018, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been decreased/increased by RMB11,627,000 (2017: RMB10,854,000).

(b) Credit risk

The carrying amounts of short-term bank deposits, cash and cash equivalents, other non-current receivables, trade receivables, other receivables, deposits and prepayments, amount due from a non-controlling interest of a subsidiary and amount due from an associate represent the Group's maximum exposure to credit risk in relation to its financial assets. The credit risk for bank deposits and bank balances is minimal as such balances are placed with state-owned banks or listed banks, and management considers these balances are subject to low credit risk. The Group carries out regular reviews and follow-up actions on any overdue amounts to minimise exposures to credit risk.

The Group has no significant concentration of credit risk arising from its customers, except for the consideration receivable of RMB71.3 million (2017: RMB89.0 million) which is due from government authorities in the PRC in relation to compensation for surrendering the toll stations to the Xiangtan Municipal People's Government (note 21), which is of minimal risk taking into account the relationship and financial ability of the counter-party.

The Group applies simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables, other receivables, deposits and prepayments with an insignificant expected loss rate applied. Hence the expected credit loss is minimal. Trade receivables of the Group continue to be recognised at amortised cost.

The Group does not hold any collateral as security. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables as stated in the consolidated balance sheet.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows

The table below analyses the Group's financial liabilities based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows (including respective interest payments).

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
Contractual maturities of financial liabilities							
As at 31 December 2018							
Borrowings	–	738,769	532,374	1,891,393	3,963,645	7,126,181	5,592,245
Corporate bonds	–	563,450	49,100	1,549,100	–	2,161,650	1,995,622
Amounts due to holding companies	679	–	–	–	–	679	679
Amount due to a joint venture	25,195	–	–	–	–	25,195	25,195
Amount due to a non-controlling interest of a subsidiary	1,611	–	–	–	–	1,611	1,611
Trade and other payables and accrued charges	–	357,198	–	–	–	357,198	452,331
	27,485	1,659,417	581,474	3,440,493	3,963,645	9,672,514	8,067,683

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(c) Liquidity risk (Continued)

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
Contractual maturities of financial liabilities							
As at 31 December 2017							
Borrowings	–	679,487	845,628	1,589,366	4,507,388	7,621,869	5,853,183
Notes payable	–	1,608,586	–	–	–	1,608,586	1,557,953
Corporate bonds	–	63,450	563,450	1,598,200	–	2,225,100	1,993,263
Amounts due to holding companies	696	–	–	–	–	696	696
Amount due to a joint venture	92,050	–	–	–	–	92,050	92,050
Amount due to a non-controlling interest of a subsidiary	1,611	–	–	–	–	1,611	1,611
Trade and other payables and accrued charges	–	375,068	–	–	–	375,068	441,352
	94,357	2,726,591	1,409,078	3,187,566	4,507,388	11,924,980	9,940,108

3.2 *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total of notes payable, corporate bonds, borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) and amount due to a joint venture less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The gearing ratio is calculated as follows:

	2018 RMB'000	2017 RMB'000
Borrowings	**5,592,245**	5,853,183
Notes payable	**—**	1,557,953
Corporate bonds	**1,995,622**	1,993,263
Amount due to a joint venture	**25,195**	92,050
Total debt	**7,613,062**	9,496,449
Less: cash and cash equivalents	**(2,393,222)**	(2,842,452)
Net debt	**5,219,840**	6,653,997
Total equity	**12,407,579**	11,817,404
Total capital	**17,627,419**	18,471,401
Gearing ratio	**29.6%**	36.0%

The decrease in the gearing ratio during 2018 primarily resulted from repayment of notes payable during the year.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers among level 1, level 2 and level 3 fair value hierarchy classifications in both years.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's financial instruments that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2018				
Derivative financial instruments	—	—	—	—
As at 31 December 2017				
Derivative financial instruments	—	35,523	—	35,523

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair values of cross currency swaps are calculated as the present value of the estimated future cash flows. There were no changes in valuation techniques during the year. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of other non-current receivables and non-current borrowings approximate to the present value of future cash flows discounted at the applicable interest rates and are categorised at level 2. The fair value of corporate bonds is determined by using valuation techniques as it is not traded in an active market and is categorised at level 2.

The carrying amount and fair value of respective financial assets and liabilities measured at amortised cost are as follows:

	Carrying amount		Fair value	
	31 December 2018 RMB'000	31 December 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Other non-current receivables	**45,883**	65,440	**49,457**	70,419
Non-current borrowings	**5,080,996**	5,533,459	**4,815,530**	5,193,998
Corporate bonds	**1,497,554**	1,993,263	**1,481,530**	1,911,233

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Other receivables, deposits and prepayments
- Short-term bank deposits, cash and cash equivalents
- Borrowings due within one year
- Amounts due from/to non-controlling interests of subsidiaries
- Amounts due to holding companies
- Amount due to a joint venture
- Trade and other payables and accrued charges
- Corporate bonds and notes payable due within one year

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statement requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

(a) Impairment of goodwill and intangible operating rights

The Group tests annually whether goodwill has suffered any impairment. The Group also tested whether intangible operating rights have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash generating units have been determined based on value-in-use and fair value less costs of disposal calculations. The calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units to which the goodwill and intangible operating right belong and the use of suitable discount rates in order to calculate the present value. When the carrying amount of the cash generating unit exceeds its value-in-use, the Group also assesses its fair value less costs of disposal to determine the cash generating unit's recoverable amount, which is the higher of its fair value less costs of disposal and value-in-use.

For the current financial year, the average daily toll traffic volume and average daily toll revenue of Cangyu Expressway has recorded a year-on-year decrease, which is mainly due to the impact of diversion upon commencement of operation of Liuzhou-Wuzhou Expressway and certain sections of Wuzhou Ring Expressway as well as the X184 County Road. The Group has performed an impairment assessment on the intangible operating rights of Guangxi Yuexiu Cangyu Expressway Company Limited, a wholly-owned subsidiary which operates Cangyu Expressway. The recoverable amount was determined by measuring the fair value less costs of disposal. It was derived from a discounted cash flow model over the remaining concession period of Cangyu Expressway with key assumptions including the revenue growth rates and the discount rates and was categorised as a level 3 measurement. The revenue growth rates were projected by an independent traffic consultant based on traffic survey, historic traffic data, historic economic indices and expected toll network development at nearby areas. The discount rate was determined by management with reference to risk-free rate, data of toll road operators, market risk premium, lack of marketability discount and other specific adjustments applicable to the Group. The estimated revenue growth rates over the remaining operating period of Cangyu Expressway range from -13% to 9% and the post-tax discount rate adopted was 8.1%. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying amount of the goodwill and intangible operating rights.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Amortisation of intangible operating rights

Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around -13% to 13% (excluding the growth rates in the year of performing significant repair and maintenance).

(c) Current income tax and deferred income tax

The Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for and the timing of payment of the related income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The management exercises judgement in determining the future taxable profit based on the projected future traffic volume and specific circumstance of the toll highways and bridges operated by the individual entity with tax losses. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax in the periods in which such estimate is changed.

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 16.

5 SEGMENT INFORMATION

The Group is principally engaged in the operation and management of toll highways and bridges in the PRC.

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

Business segment	**Toll roads operations RMB'000**	**All other segments RMB'000**	**Total RMB'000**
31 December 2018			
Revenue (from external customers)	2,847,073	—	2,847,073
Amortisation of intangible operating rights	(557,882)	—	(557,882)
Depreciation of property, plant and equipment	(14,427)	(755)	(15,182)
Operating profit	1,830,364	(1,861)	1,828,503
Finance income	128,911	—	128,911
Finance costs	(477,235)	—	(477,235)
Share of result of a joint venture	87,023	—	87,023
Share of results of associates	324,453	—	324,453
Profit before income tax	1,893,516	(1,861)	1,891,655
Income tax expense	(479,974)	—	(479,974)
Profit for the year	1,413,542	(1,861)	1,411,681

5 SEGMENT INFORMATION (CONTINUED)

Business segment	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
31 December 2017			
Revenue (from external customers)	2,702,844	—	2,702,844
Amortisation of intangible operating rights	(528,970)	—	(528,970)
Depreciation of property, plant and equipment	(14,416)	(775)	(15,191)
Provision for impairment loss			
– Intangible operating rights	(107,234)	—	(107,234)
Operating profit	1,645,689	3,513	1,649,202
Finance income	26,770	—	26,770
Finance costs	(440,577)	—	(440,577)
Share of result of a joint venture	64,599	—	64,599
Share of results of associates	338,423	—	338,423
Profit before income tax	1,634,904	3,513	1,638,417
Income tax expense	(371,195)	—	(371,195)
Profit for the year	1,263,709	3,513	1,267,222
Assets and liabilities			
As at 31 December 2018			
Total segment assets	**22,705,730**	**34,020**	**22,739,750**
Addition to non-current assets	**73,225**	**—**	**73,225**
Total segment assets include:			
Investment in a joint venture	**454,272**	**—**	**454,272**
Investments in associates	**1,470,346**	**4,500**	**1,474,846**
Total segment liabilities	**(10,331,988)**	**(183)**	**(10,332,171)**
Total segment liabilities include:			
Amount due to a joint venture	**(25,195)**	**—**	**(25,195)**
Assets and liabilities			
As at 31 December 2017			
Total segment assets	23,886,140	32,349	23,918,489
Addition to non-current assets	86,052	—	86,052
Total segment assets include:			
Investment in a joint venture	433,465	—	433,465
Investments in associates	1,548,136	2,250	1,550,386
Total segment liabilities	(12,100,922)	(163)	(12,101,085)
Total segment liabilities include:			
Amount due to a joint venture	(92,050)	—	(92,050)

5 SEGMENT INFORMATION (CONTINUED)

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

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

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

6 OTHER INCOME, GAINS AND LOSSES - NET

	2018 **RMB'000**	2017 RMB'000
Fair value gain on investment properties (note 16)	**960**	2,664
Exchange gain - net		
– Unrealised and realised exchange gain	**—**	916
Loss on disposal of property, plant and equipment	**(137)**	(3,530)
Compensation for expressways and bridges damages	**10,974**	9,198
Compensation from contractors relating to termination of construction contracts	**25**	993
Handling income from toll fee collection	**4,964**	5,173
Management service income	**1,805**	1,677
Income from service area and gas station	**18,392**	18,870
Provision for impairment loss		
– Intangible operating rights (note)	**—**	(107,234)
Others	**3,652**	2,276
	40,635	(68,997)

Note:

In prior year, a provision for impairment loss to intangible operating rights of RMB107,234,000 relating to Tianjin Jinbao Expressway has been recognised.

7 EXPENSES BY NATURE

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

	2018 **RMB'000**	2017 RMB'000
Taxes and surcharges	**13,806**	12,244
Amortisation of intangible operating rights (note 13)	**557,882**	528,970
Depreciation of property, plant and equipment (note 15)	**15,182**	15,191
Toll highways and bridges maintenance expenses	**76,772**	96,891
Toll highways and bridges operating expenses	**82,398**	46,728
Auditor's remuneration		
– Audit services	**2,818**	2,953
– Non-audit services	**2,287**	292
Rental expenses	**11,371**	12,413
Legal and professional fee	**13,877**	13,033

8 EMPLOYEE BENEFIT EXPENSE

	2018 **RMB'000**	2017 RMB'000
Staff costs (including directors' emoluments)		
– Wages and salaries	**176,721**	154,999
– Pension costs (defined contribution plan) (note a)	**16,932**	15,690
– Social security costs	**14,238**	13,267
– Staff welfare and other benefits	**44,804**	40,370
Total employee benefit expense	**252,695**	224,326

Notes:

(a) The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees as defined in the Occupational Retirement Schemes Ordinance. Contributions to the scheme by the employer and employees are calculated at 15% and 5% respectively of basic salaries of the employees.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's MPF Scheme contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HKD1,500 (equivalent to RMB1,301) per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HKD7,100 per month (equivalent to RMB6,158). The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in the PRC are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal People's Governments, and make monthly contributions to the retirement plans of up to 20% of the preceding year's monthly average salaries of the employees or 20% of the three times the preceding year's local monthly average wage, whichever is lower.

8 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

Notes: (Continued)

There was no forfeited contribution as at 31 December 2018 (2017: Nil). No forfeited contribution was utilised during the year (2017: Nil). Contributions totalling RMB 16,932,000 (2017: RMB15,690,000) were payable to the fund during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2017: three) directors whose emoluments are reflected in the analysis shown in note 37. The emoluments payable to the remaining one (2017: two) individual(s) during the year amounted to RMB1,280,000 (2017: RMB2,592,000), which include(s) salaries of RMB595,000 (2017: RMB1,040,000) and discretionary bonuses of RMB685,000 (2017: RMB1,552,000).

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK dollar)		
HK$1,000,001 - HK$1,500,000	**1**	—
HK$1,500,001 - HK$2,000,000	**—**	2

9 FINANCE INCOME/COSTS

	2018 RMB'000	2017 RMB'000
Bank interest income	**43,564**	18,610
Interest income on other non-current receivables	**4,886**	5,814
Interest income on amount due from a non-controlling interest of a subsidiary	**—**	2,346
Net other exchange gain	**42,988**	—
Exchange gain on notes payable	**37,473**	—
Finance income	**128,911**	26,770
Interest expenses:		
– Bank borrowings	**(269,113)**	(225,000)
– Bank facility fees	**(2,619)**	(1,559)
– Loans from non-controlling interests of certain subsidiaries	**(198)**	(27)
– Loan from an ultimate holding company	**(593)**	—
– Notes payable (note 29)	**(11,299)**	(31,808)
– Corporate bonds (note 30)	**(65,809)**	(65,800)
Fair value loss on derivative financial instruments	**(50,666)**	(17,751)
Exchange loss on bank borrowings	**(76,938)**	—
Exchange loss on notes payable	**—**	(98,632)
Finance costs incurred	**(477,235)**	(440,577)

10 INCOME TAX EXPENSE

(a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable income subject to Hong Kong profits tax during the year (2017: Nil).

(b) During the year ended 31 December 2018, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and joint venture in the PRC in accordance with the Corporate Income Tax Law of China. The applicable principal income tax rate for the year ended 31 December 2018 is 25% (2017: 25%). A subsidiary of the Group enjoys six years' preferential tax treatment of income tax, at a preferential income tax rate of 15%.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2017: 5% or 10%).

As at 31 December 2018, deferred tax liabilities of RMB51,746,000 (2017: RMB41,043,000) was not recognised in respect of withholding tax on the unremitted earnings of certain entities in the PRC, as these earnings are expected to be reinvested in the PRC.

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

	2018 **RMB'000**	2017 RMB'000
Current income tax		
PRC enterprise income tax	**382,002**	358,055
Deferred income tax (note 28)	**97,972**	13,140
	479,974	371,195

10 INCOME TAX EXPENSE (CONTINUED)

(c) The amount of income tax charged to the consolidated income statement represents: (Continued)

The tax on the Group's profit before income tax less share of results of associates and a joint venture differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	**1,891,655**	1,638,417
Less: share of results of associates	**(324,453)**	(338,423)
Less: share of result of a joint venture	**(87,023)**	(64,599)
	1,480,179	1,235,395
Calculated at a tax rate of 25% (2017: 25%)	**370,045**	308,849
Income not subject to tax	**(18,354)**	(7,944)
Expenses not deductible for tax purposes	**62,480**	75,601
Profit of a subsidiary with preferential tax treatment (note (a))	**(4,386)**	(4,825)
Tax losses not recognised (note (b))	**24,814**	9,749
Utilisation of previously unrecognised tax losses	**(22,432)**	(11,116)
Recognition of previously unrecognised tax losses	**—**	(38,945)
(Over)/under-provision in prior year	**(2,572)**	3,469
Effect of different taxation rates	**—**	(510)
Withholding tax on dividend distributed for reinvestment	**35,000**	—
Withholding tax on undistributed profits of subsidiaries and associates	**35,379**	36,867
Income tax expense	**479,974**	371,195

Note:

(a) A subsidiary of the Group enjoys six years' preferential tax treatment of income tax, at a preferential income tax rate of 15%.

(b) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB66,219,000 (2017: RMB81,576,000) in respect of unused losses amounting to approximately RMB264,876,000 (2017: RMB326,303,000). Unused tax losses will expire in 2019 to 2023.

11 EARNINGS PER SHARE

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

	2018	2017
Profit attributable to shareholders of the Company (RMB'000)	**1,054,135**	947,942
Weighted average number of ordinary shares in issue ('000)	**1,673,162**	1,673,162
Basic and diluted earnings per share (RMB)	**0.6300**	0.5666

The diluted earnings per share for the year ended 31 December 2018 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year (2017: Same).

12 DIVIDENDS

	2018 RMB'000	2017 RMB'000
Interim, paid, of HKD0.15 equivalent to approximately RMB0.13 (2017: HKD0.13 equivalent to approximately RMB0.11) per share	**218,405**	186,823
Final, proposed, of HKD0.24 equivalent to approximately RMB0.21 (2017: HKD0.23 equivalent to approximately RMB0.19) per share	**346,223**	310,022
	564,628	496,845

The final dividend was proposed after the balance sheet date and has not been recognised as a liability at the balance sheet date.

13 INTANGIBLE OPERATING RIGHTS

	RMB'000
Year ended 31 December 2018	
Opening net book amount	**17,915,044**
Additions	**61,994**
Amortisation	**(557,882)**
Closing net book amount	**17,419,156**
At 31 December 2018	
Cost	**21,640,330**
Accumulated amortisation and impairment loss	**(4,221,174)**
Net book amount	**17,419,156**
Year ended 31 December 2017	
Opening net book amount	18,485,580
Additions	65,668
Amortisation	(528,970)
Provision for impairment loss (note 6)	(107,234)
Closing net book amount	17,915,044
At 31 December 2017	
Cost	21,578,336
Accumulated amortisation and impairment loss	(3,663,292)
Net book amount	17,915,044

Amortisation of intangible operating rights is classified as cost of services in the consolidated income statement.

At 31 December 2018, toll highway operating rights with net book amount of RMB13,199,484,000 (2017: RMB13,470,311,000) were pledged to secure the Group's bank borrowings.

14 GOODWILL

	2018 RMB'000	2017 RMB'000
At 1 January and at 31 December	**632,619**	632,619

Goodwill is allocated to the Group's six cash-generating units ("CGUs") including the operations of Guangzhou Northern Second Ring Expressway, Guangxi Cangyu Expressway, Henan Weixu Expressway, Hubei Han-Xiao Highway, Hunan Changzhu Expressway and Hubei Suiyuenan Expressway.

The recoverable amounts of the above cash-generating units are determined based on value-in-use and fair value less costs of disposal calculations. These calculations use cash flow projections based on financial budgets approved by management covering the operating period of the expressways and the annual traffic growth rates ranged from -13% to 13% (excluding the growth rates in the year of performing significant repair and maintenance), which is similar to industry practice.

Key assumptions and considerations used in the calculations included estimated traffic growth, vehicle types of the toll expressways and highway operation and discount rate. Toll fee charging rates of the expressways or highways were regulated by the relevant government authorities in the PRC.

Management determined the above key assumptions and considerations based on historical records, past performance and its expectations for the market development. Both internal and external factors are considered, independent professional traffic studies on traffic flow growth will be obtained where appropriate. Post-tax discount rates adopted are ranging from 8.1% to 13%. The specific risks underlying the toll highways industry are incorporated in the calculations. A reasonably possible change in a key assumption would not cause the recoverable amounts to fall below the carrying amounts of the respective CGUs.

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2018					
Opening net book amount	**422**	**21,633**	**58,470**	**6,948**	**87,473**
Exchange differences	**21**	**197**	**55**	**—**	**273**
Additions	**—**	**—**	**9,259**	**1,972**	**11,231**
Disposals	**—**	**—**	**(111)**	**(387)**	**(498)**
Depreciation	**(15)**	**(675)**	**(12,574)**	**(1,918)**	**(15,182)**
Closing net book amount	**428**	**21,155**	**55,099**	**6,615**	**83,297**
At 31 December 2018					
Cost	**469**	**39,773**	**172,310**	**16,986**	**229,538**
Accumulated depreciation	**(41)**	**(18,618)**	**(117,211)**	**(10,371)**	**(146,241)**
Net book amount	**428**	**21,155**	**55,099**	**6,615**	**83,297**
Year ended 31 December 2017					
Opening net book amount	468	22,668	55,581	7,538	86,255
Exchange differences	(31)	(342)	(15)	—	(388)
Additions	—	—	18,533	1,851	20,384
Disposals	—	—	(3,319)	(268)	(3,587)
Depreciation	(15)	(693)	(12,310)	(2,173)	(15,191)
Closing net book amount	422	21,633	58,470	6,948	87,473
At 31 December 2017					
Cost	479	38,960	164,052	18,667	222,158
Accumulated depreciation	(57)	(17,327)	(105,582)	(11,719)	(134,685)
Net book amount	422	21,633	58,470	6,948	87,473

Note:

As 31 December 2018, no property, plant and equipment were pledged to secure the Group's bank borrowings (2017: same).

16 INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
At 1 January	**36,484**	35,271
Exchange differences	**1,094**	(1,451)
Fair value gain (Note 6)	**960**	2,664
At 31 December	**38,538**	36,484

Independent valuations of the Group's investment properties were performed by the valuers, C S Surveyors Limited and Vigers Appraisal and Consulting Limited, to determine the fair value of the investment properties as at 31 December 2018 (2017: C S Surveyors Limited and Savills Valuation and Professional Services Limited). The fair value of each investment property is individually determined at the end of each reporting period by the independent valuers. The revaluation gains or losses is included in "Other income, gains and losses – net" in consolidated income statement (note 6).

Description	**Fair value measurements using significant unobservable inputs (Level 3)**	
	2018 RMB'000	2017 RMB'000
Recurring fair value measurements		
Investment properties:		
– Office units - PRC	**14,530**	14,500
– Office units - Hong Kong	**17,524**	15,883
– Residential units - Hong Kong	**6,484**	6,101
	38,538	36,484

The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

16 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3)

	31 December 2018		
	Office units -PRC RMB'000	**Office units -Hong Kong RMB'000**	**Residential units - Hong Kong RMB'000**
Opening balance	**14,500**	**15,883**	**6,101**
Net gains from fair value adjustment	**30**	**845**	**85**
Exchange difference	**—**	**796**	**298**
Closing balance	**14,530**	**17,524**	**6,484**
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other income, gains and losses - net"	**30**	**845**	**85**
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	**30**	**845**	**85**

	31 December 2017		
	Office units -PRC RMB'000	Office units -Hong Kong RMB'000	Residential units - Hong Kong RMB'000
Opening balance	14,250	15,206	5,815
Net gains from fair value adjustment	250	1,720	694
Exchange difference	—	(1,043)	(408)
Closing balance	14,500	15,883	6,101
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other income, gains and losses - net"	250	1,720	694
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	250	1,720	694

16 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2018 by independent professionally qualified valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued (2017: Same). For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purposes. The Group's finance department reports directly to the senior management. At each year end, the finance department verifies all major inputs to the independent valuation report; assesses property valuation movements when compared to the prior year valuation report; and holds discussions with the independent valuer.

Valuation techniques

For office and residential units in the PRC and Hong Kong, the valuation was determined using the direct comparison approach. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted in close proximity and are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter/foot.

Valuation technique for office units – PRC is changed from income capitalisation approach to direct comparison approach during the year. There were no other changes in valuation techniques during the year and all investment properties are included in level 3 fair value hierarchy as at 31 December 2018.

Description	Fair value at 31 December 2018 (RMB'000)	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office units – PRC	14,530 (2017: 14,500)	Direct comparison approach	Adjusted average price per square meter	RMB9,980–RMB10,830 per square meter	The higher the adjusted average price per square meter, the higher the fair value
Office units – Hong Kong	17,524 (2017: 15,883)	Direct comparison approach	Adjusted average price per square foot	RMB16,037 – RMB19,239 per square foot	The higher the adjusted average price per square foot, the higher the fair value
Residential units – Hong Kong	6,484 (2017: 6,101)	Direct comparison approach	Adjusted average price per square foot	RMB5,933 – RMB6,665 per square foot	The higher the adjusted average price per square foot, the higher the fair value

17 SUBSIDIARIES

(a) Subsidiaries

Details of the principal subsidiaries of the Company are set out in note 38.

(b) Material non-controlling interests

As at 31 December 2018, the total non-controlling interests were RMB2,335,708,000 (2017: RMB2,272,556,000).

Set out below are the summarised financial information for each subsidiary that has non-controlling interests material to the Group.

Summarised balance sheet

Name of subsidiary with material non-controlling interests	Percentage of equity interests held by non-controlling interests		Non-controlling interests	
	31 December 2018	31 December 2017	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Guangzhou North Second Ring Transport Technolgoy Company Limited	**40%**	40%	**1,203,867**	1,236,687
Hubei Suiyuenan Expressway Company Limited	**30%**	30%	**924,307**	830,477
Tianjin Jinfu Expressway Company Limited	**40%**	40%	**204,194**	202,052

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Current						
Assets	**484,573**	372,340	**640,718**	275,679	**74,893**	42,816
Liabilities	**(234,753)**	(197,579)	**(102,855)**	(226,590)	**(12,577)**	(16,276)
Total net current assets	**249,820**	174,761	**537,863**	49,089	**62,316**	26,540
Non-current						
Assets	**3,328,862**	3,502,027	**6,146,103**	6,248,264	**483,992**	513,696
Liabilities	**(571,120)**	(587,175)	**(3,602,944)**	(3,529,097)	**(161,448)**	(160,731)
Total net non-current assets	**2,757,742**	2,914,852	**2,543,159**	2,719,167	**322,544**	352,965
Net assets	**3,007,562**	3,089,613	**3,081,022**	2,768,256	**384,860**	379,505

17 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)

Summarised income statement

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue	**1,160,581**	1,183,250	**667,206**	572,933	**95,614**	89,845
Profit/(loss) before income tax	**849,262**	903,525	**398,255**	288,634	**31,426**	(87,278)
Income tax (expense)/credit	**(213,263)**	(231,162)	**(85,489)**	(33,217)	**(8,135)**	21,553
Profit/(loss) and total comprehensive income	**635,999**	672,363	**312,766**	255,417	**23,291**	(65,725)
Total comprehensive income/(loss) attributable to non-controlling interests	**254,399**	268,945	**93,830**	76,625	**9,316**	(26,290)
Dividends declared to non-controlling interests	**287,219**	260,731	**—**	—	**7,175**	8,338

17 SUBSIDIARIES (CONTINUED)

(b) *Material non-controlling interests (Continued)*

Summarised cash flows

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Cash flows from operating activities						
Cash generated from operations	**1,143,420**	1,216,552	**656,272**	537,055	**70,244**	57,916
Income tax paid	**(233,957)**	(233,735)	**(24,030)**	(19,800)	**(7,168)**	(7,179)
Net cash generated from operating activities	**909,463**	982,817	**632,242**	517,255	**63,076**	50,737
Net cash used in investing activities	**(76,723)**	(66,025)	**(14,856)**	(11,276)	**(17,023)**	(7,783)
Net cash used in financing activities	**(718,047)**	(814,999)	**(414,286)**	(547,296)	**(17,398)**	(20,220)
Net increase/ (decrease) in cash and cash equivalents	**114,693**	101,793	**203,100**	(41,317)	**28,655**	22,734
Cash and cash equivalents at 1 January	**343,233**	241,440	**74,273**	115,590	**39,941**	17,207
Cash and cash equivalents at 31 December	**457,926**	343,233	**277,373**	74,273	**68,596**	39,941

The information above is stated before inter-company eliminations.

18 INVESTMENT IN A JOINT VENTURE

	Guangzhou Western Second Ring Expressway Co., Ltd. Share of net assets	
	2018	2017
	RMB'000	RMB'000
At 1 January	**433,465**	428,570
Share of results for the year		
– profit before income tax	**117,158**	87,538
– income tax expense	**(30,135)**	(22,939)
	87,023	64,599
Dividends	**(66,216)**	(59,704)
At 31 December	**454,272**	433,465

Guangzhou Western Second Ring Expressway Co., Ltd. is a private company and there is no quoted market price available for its shares. There are no contingent commitments and liabilities relating to the Group's interest in the joint venture.

Summarised financial information of the Group's investment in the joint venture is set out below:

	Guangzhou Western Second Ring Expressway Co., Ltd.	
	2018	2017
	RMB'000	RMB'000
Revenue	**603,405**	490,276
Depreciation and amortisation	**(112,717)**	(105,709)
Interest income	**2,441**	707
Interest expense	**(45,104)**	(47,906)
Other expense - net	**(113,288)**	(87,260)
Profit before income tax	**334,737**	250,108
Income tax expense	**(86,101)**	(65,540)
Profit and total comprehensive income	**248,636**	184,568

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

	Guangzhou Western Second Ring Expressway Co., Ltd.	
	2018	2017
	RMB'000	RMB'000
Current		
Cash and cash equivalents	**129,722**	109,578
Other current assets	**404,078**	322,330
Total current assets	**533,800**	431,908
Trade payables and other current liabilities	**(179,482)**	(152,659)
Total current liabilities	**(179,482)**	(152,659)
Non-current		
Assets	**1,928,887**	2,037,403
Financial liabilities	**(962,000)**	(1,062,000)
Other liabilities	**(23,287)**	(16,182)
Total non-current liabilities	**(985,287)**	(1,078,182)
Net assets	**1,297,918**	1,238,470

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture.

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

Reconciliation of the summarised financial information presented to the carrying amount of its investment in the joint venture is set out below:

	Guangzhou Western Second Ring Expressway Co., Ltd	
	2018	2017
	RMB'000	RMB'000
Opening net assets at 1 January	**1,238,470**	1,224,486
Profit for the year	**248,636**	184,568
Dividends paid	**(189,188)**	(170,584)
Closing net assets at 31 December	**1,297,918**	1,238,470
Group's share of net assets	**454,272**	433,465
Carrying amount of investment in the joint venture	**454,272**	433,465

Details of the Group's joint venture are set out in note 38.

19 INVESTMENTS IN ASSOCIATES

	2018	2017
	RMB'000	RMB'000
At 1 January	**1,550,386**	1,495,331
Share of results for the year		
– profit before income tax	**430,453**	451,321
– income tax expense	**(106,000)**	(112,898)
	324,453	338,423
Addition	**2,250**	2,250
Dividends	**(402,243)**	(285,618)
At 31 December	**1,474,846**	1,550,386

There are no contingent liabilities relating to the Group's interest in the associates.

19 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information of the investments in associates that are material to the Group is set out below:

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue	**1,672,819**	1,612,694	**760,696**	736,037	**769,942**	774,315	**212,675**	242,886
Profit and total comprehensive income	**1,062,485**	1,036,165	**86,278**	57,505	**305,557**	382,063	**112,763**	136,209
Dividends received from the associates	**(205,443)**	(190,462)	**–**	–	**(155,865)**	–	**(36,227)**	(95,156)
Assets:								
Non-current assets	**1,292,799**	1,432,746	**6,794,236**	7,095,865	**664,176**	740,127	**333,177**	351,824
Current assets	**440,589**	472,438	**93,322**	119,583	**118,385**	434,254	**33,951**	44,933
	1,733,388	1,905,184	**6,887,558**	7,215,448	**782,561**	1,174,381	**367,128**	396,757
Liabilities:								
Non-current liabilities	**(401,069)**	(424,591)	**(4,135,309)**	(4,531,678)	**(19,740)**	(66,864)	**(51,133)**	(66,025)
Trade payables and other current liabilities	**(249,843)**	(346,848)	**(156,671)**	(174,470)	**(114,594)**	(123,402)	**(37,518)**	(28,571)
	(650,912)	(771,439)	**(4,291,980)**	(4,706,148)	**(134,334)**	(190,266)	**(88,651)**	(94,596)
Net assets	**1,082,476**	1,133,745	**2,595,578**	2,509,300	**648,227**	984,115	**278,477**	302,161

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

19 INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of the summarised financial information presented to the carrying amount of its investments in associates that are material to the Group is set out below:

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Opening net assets at 1 January	**1,133,745**	1,130,118	**2,509,300**	2,451,795	**984,115**	602,052	**302,161**	483,140
Addition during the year	**—**	—	**—**	—	**—**	—	**—**	—
Profit for the year	**1,062,485**	1,036,165	**86,278**	57,505	**305,557**	382,063	**112,763**	136,209
Dividends	**(1,113,754)**	(1,032,538)	**—**	—	**(641,445)**	—	**(136,447)**	(317,188)
Closing net assets at 31 December	**1,082,476**	1,133,745	**2,595,578**	2,509,300	**648,227**	984,115	**278,477**	302,161
Group's share of net assets	**432,436**	441,893	**613,334**	592,947	**157,530**	239,145	**72,991**	80,096
Goodwill	**93,684**	93,684	**—**	—	**—**	—	**106,073**	106,073
Provision for impairment losses	**—**	—	**(5,702)**	(5,702)	**—**	—	**—**	—
Carrying amount of investments in the associates	**526,120**	535,577	**607,632**	587,245	**157,530**	239,145	**179,064**	186,169

In addition to the investments in associates disclosed above, the Group also has investment in an associate that is accounted for using the equity method. The carrying amount of individually immaterial associate is RMB4,500,000 (2017: RMB2,250,000) and the amount of share of profit for the year is Nil (2017:Nil).

Details of the Group's associates are set out in note 38.

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 RMB'000	2017 RMB'000
Cross currency swaps		
– Current	—	35,523

There are no outstanding cross currency swaps as at 31 December 2018. The notional principal amounts of the outstanding cross currency swaps at 31 December 2017 were EUR175,000,000.

As at 31 December 2018, cross currency swaps have been settled (2017: cross currency swaps were classified as current as the remaining maturities were less than one year).

Changes in fair values of derivative financial instruments are recorded in "Finance income/costs" in the consolidated income statement (note 9).

21 OTHER NON-CURRENT RECEIVABLES

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

As at 31 December 2018, the total remaining balance of the consideration receivable (including current and non-current portion) is RMB71.3 million (2017: RMB89.0 million) which will be settled by 6 half yearly instalments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB45.8 million (2017: RMB65.4 million) will be received after 31 December 2019 (2017: 31 December 2018) according to the repayment schedule.

The fair value of consideration receivable (including current and non-current portion) of approximately RMB74.1 million (2017: RMB93.2 million) is estimated by discounting remaining balance of RMB80.0 million (2017: RMB103.6 million) at the applicable current interest rate of 4.70% (2017: 4.72%) and is categorised as level 2 under the fair value hierarchy.

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Trade receivables (note a)	**122,211**	140,476
Other receivables, deposits and prepayments	**70,998**	60,091
	193,209	200,567

Note:

(a) As at 31 December 2018, trade receivables were all aged below 30 days (2017: 30 days) by invoice date.

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

The carrying amounts of trade and other receivables and deposits approximate their fair values and are mainly denominated in RMB. The trade and other receivables are measured at amortised cost.

23 SHORT-TERM BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash at bank and in hand	**1,902,442**	2,277,123
Short-term bank deposits with original maturities of less than three months	**490,780**	565,329
Cash and cash equivalents	**2,393,222**	2,842,452
Short-term bank deposits with original maturity of more than three months but less than a year	**—**	116,366
Total	**2,393,222**	2,958,818
Maximum exposure to credit risk	**2,359,565**	2,928,032

As at 31 December 2017, the short-term deposits with original maturity of more than three months but less than a year were primarily denominated in EUR and the effective interest rate was 0.01% per annum.

Cash and cash equivalents are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
Renminbi	**2,361,404**	2,635,879
HK dollars	**31,719**	206,396
US dollars	**28**	177
EUR dollars	**71**	—
	2,393,222	2,842,452

24 SHARE CAPITAL

	2018 Number of shares	2018 RMB'000	2017 Number of shares	2017 RMB'000
Issued and fully paid:				
Ordinary shares of RMB 0.08805 each	**1,673,162,295**	**147,322**	1,673,162,295	147,322

25 RESERVES

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Asset revaluation reserve (note (c)) RMB'000	Transaction with non-controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2018	**2,375,743**	**1,501,716**	**420,410**	**112,444**	**(135)**	**4,494,833**	**558,250**	**(65,735)**	**9,397,526**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**1,054,135**	**—**	**—**	**1,054,135**
Currency translation differences	**—**	**—**	**1,315**	**—**	**—**	**—**	**—**	**—**	**1,315**
Transfers	**—**	**—**	**—**	**50,432**	**135**	**(50,567)**	**—**	**—**	**—**
Dividends									
– 2017 Final dividend (note 12)	**—**	**—**	**—**	**—**	**—**	**(310,022)**	**—**	**—**	**(310,022)**
– 2018 Interim dividend (note 12)	**—**	**—**	**—**	**—**	**—**	**(218,405)**	**—**	**—**	**(218,405)**
Balance at 31 December 2018	**2,375,743**	**1,501,716**	**421,725**	**162,876**	**—**	**4,969,974**	**558,250**	**(65,735)**	**9,924,549**
Representing:									
Retained profits						**4,623,751**			
2018 Final dividend proposed (note 12)						**346,223**			
						4,969,974			

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Asset revaluation reserve (note (c)) RMB'000	Transaction with non - controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2017	2,375,743	1,501,716	422,245	105,286	(135)	4,037,266	558,250	(65,735)	8,934,636
Profit for the year	–	–	–	–	–	947,942	–	–	947,942
Currency translation differences	–	–	(1,835)	–	–	–	–	–	(1,835)
Transfers	–	–	–	7,158	–	(7,158)	–	–	–
Dividends									
– 2016 Final dividend (note 12)	–	–	–	–	–	(296,394)	–	–	(296,394)
– 2017 Interim dividend (note 12)	–	–	–	–	–	(186,823)	–	–	(186,823)
Balance at 31 December 2017	2,375,743	1,501,716	420,410	112,444	(135)	4,494,833	558,250	(65,735)	9,397,526
Representing:									
Retained profits						4,184,811			
2017 Final dividend proposed (note 12)						310,022			
						4,494,833			

25 RESERVES (CONTINUED)

Note:

(a) Capital reserve represents the difference between the nominal value of the shares/registered capital of the subsidiaries acquired and the nominal value of the shares issued by Kiu Fung Limited, a subsidiary of the Company, as consideration of the acquisition in 1996.

(b) Statutory reserves represent enterprise expansion and general reserve funds appropriated by the operating subsidiaries, associates and a joint venture in the PRC. As stipulated by regulations in the PRC, the Company's subsidiaries, associates and a joint venture established and operated in the PRC are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective Boards of Directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval by the Board, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital.

(c) The asset revaluation reserve represents the fair value gain on revaluation of the 40% equity interest in GNSR Expressway Company Limited held by the Group as an associate in 2007 prior to the Group's further acquisition of an additional 20% equity interest to become a subsidiary.

26 BORROWINGS

	2018 RMB'000	2017 RMB'000
Long-term bank borrowings	**5,399,276**	5,750,163
Loan from a joint venture	**94,500**	—
Loans from non-controlling interests of certain subsidiaries	**98,469**	103,020
Total borrowings	**5,592,245**	5,853,183
Less: Amounts due within one year as shown under current liabilities	**(511,249)**	(319,724)
Total non-current borrowings	**5,080,996**	5,533,459

(a) As at 31 December 2018, the Group's borrowings were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**511,249**	319,724
Between one and two years	**329,996**	706,181
Between two and five years	**1,470,336**	982,305
Later than five years	**3,280,664**	3,844,973
	5,592,245	5,853,183

26 BORROWINGS (CONTINUED)

(b) The bank borrowings of RMB4,667,939,000 (2017: RMB5,450,163,000) are secured by intangible operating rights (note 13) of the Group. All bank borrowings are interest bearing at rates ranging from 3.85% to 4.90% (2017: 4.17% to 4.90%). The effective interest rate of these borrowings at 31 December 2018 is 4.37% (2017: 4.46%).

(c) Loan from a joint venture is unsecured, interest bearing at an annual rate of People's Bank of China Benchmark Interest Rates minus 10% and repayable in 2021.

(d) Loans from non-controlling interests of certain subsidiaries are unsecured and interest-free. The carrying amounts of these interest-free loans approximates their fair values which are calculated based on cash flows discounted at a rate of 4.35% (2017: 4.35%) per annum.

Loans from non-controlling interests of certain subsidiaries are repayable between one and two years.

(e) The borrowings are denominated in RMB (2017: RMB), except for bank borrowings of RMB$431,336,000 (2017: Nil) which are denominated in HKD.

27 CONTRACT LIABILITIES AND DEFERRED INCOME

Contract liabilities are related to fees received in advance from contractors relating to operation of service areas and petrol stations along the toll highway for the remaining 22 years were previously presented as deferred income.

	2018 RMB'000	2017 RMB'000
At 1 January	**91,010**	82,765
Addition	**5,533**	11,905
Credited to "Other income, gains and losses – net"	**(4,627)**	(3,660)
At 31 December	**91,916**	91,010
Less: non-current portion	**(83,030)**	(87,075)
Current portion	**8,886**	3,935

28 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the applicable income tax rate.

The analysis of the deferred tax assets and deferred tax liabilities is as follow:

	2018 RMB'000	2017 RMB'000
Deferred tax assets:		
Deferred income tax assets to be recovered after 12 months	**—**	(38,692)
Deferred income tax assets to be recovered within 12 months	**—**	(17,839)
	—	(56,531)
Deferred tax liabilities:		
Deferred income tax liabilities to be recovered after 12 months	**2,081,867**	2,021,813
Deferred income tax liabilities to be recovered within 12 months	**4,588**	23,201
	2,086,455	2,045,014
Deferred tax liabilities (net)	**2,086,455**	1,988,483

The gross movement on the deferred income tax account is as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**1,988,483**	1,975,343
Charged to consolidated income statement (note 10)	**97,972**	13,140
At 31 December	**2,086,455**	1,988,483

28 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Withholding tax on dividend distributed for reinvestment RMB'000	Withholding tax on undistributed profits of subsidiaries and associates RMB'000	Fair value gain on interest in toll highway arising from acquisition of subsidiaries RMB'000	Accelerated amortisation of intangible operating rights RMB'000	Available-for-sale financial assets RMB'000	Fair value gain on investment properties RMB'000	Total RMB'000
At 1 January 2018	**—**	**45,430**	**1,476,748**	**522,758**	**(45)**	**123**	**2,045,014**
Charged/(credited) to consolidated income statement	**35,000**	**35,379**	**(54,212)**	**66,959**	**45**	**8**	**83,179**
Transferred to current income tax expenses for dividends declared	**—**	**(41,738)**	**—**	**—**	**—**	**—**	**(41,738)**
At 31 December 2018	**35,000**	**39,071**	**1,422,536**	**589,717**	**—**	**131**	**2,086,455**
At 1 January 2017	—	38,269	1,556,319	446,921	(45)	60	2,041,524
Charged/(credited) to consolidated income statement	—	36,867	(79,571)	75,837	—	63	33,196
Transferred to current income tax expenses for dividends declared	—	(29,706)	—	—	—	—	(29,706)
At 31 December 2017	—	45,430	1,476,748	522,758	(45)	123	2,045,014

Deferred tax assets

	Tax losses RMB'000
At 1 January 2018	**(56,531)**
Charged to consolidated income statement	**56,531**
At 31 December 2018	**—**
At 1 January 2017	(66,181)
Charged to consolidated income statement	9,650
At 31 December 2017	(56,531)

29 NOTES PAYABLE

On 7 May 2015, the Group issued guaranteed notes at 1.625% per annum due May 2018 for an aggregate principal amount of EUR200,000,000 (the "Notes"). The Notes were issued at 99.782% of the aggregate nominal amount with interest payable annually.

The effective interest rate for the Notes is 2.11% per annum, which includes the interest charged on the Notes as well as amortisation of the debt discount. The Group recognised RMB11,299,000 (2017: RMB31,808,000) of interest expense on the Notes for the year ended 31 December 2018. The Notes were fully settled in 2018.

30 CORPORATE BONDS

The Company received the Approval Document Zheng Jian Xu Ke No. [2016] 522 and the Approval Document Zheng Jian Xu Ke No. [2016] 1530 from the China Securities Regulatory Commission ("CSRC") on 16 March 2016 and 8 July 2016 respectively, approving the application of the Company for a public issue of corporate bonds in an aggregated principal amount of up to RMB1,000,000,000 and RMB2,000,000,000 respectively to the qualified investors in the PRC.

The first phase of 2016 corporate bonds ("First Phase 2016 Corporate Bonds") to qualified investors in the PRC was drawn on 22 March 2016. First Phase 2016 Corporate Bonds were issued in two tranches:

i. five-year corporate bonds of RMB300,000,000 with coupon rate of 2.85% per annum; the Company shall be entitled to adjust the coupon rate and have the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the third year; and

ii. seven-year corporate bonds of RMB700,000,000 with coupon rate of 3.38% per annum; the Company shall be entitled to adjust the coupon rate and have the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the fifth year.

The second phase of 2016 corporate bonds ("Second Phase 2016 Corporate Bonds") to qualified investors in the PRC was drawn on 28 October 2016. Second Phase 2016 Corporate Bonds were issued in two tranches:

i. five-year corporate bonds of RMB200,000,000 with coupon rate of 2.90% per annum; the Company shall be entitled to adjust the coupon rate and have the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the third year; and

ii. seven-year corporate bonds of RMB800,000,000 with coupon rate of 3.18% per annum; the Company shall be entitled to adjust the coupon rate and have the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the fifth year.

The First Phase 2016 Corporate Bonds and Second Phase 2016 Corporate Bonds (Collectively, "Corporate Bonds") were recognised initially at fair values. Debt issuance costs incurred which were directly attributable were capitalised and amortised over the estimated term of the facilities using the effective interest method.

The effective interest rate for the Corporate Bonds is 3.36% per annum, which includes the interest charged on the Corporate Bonds as well as amortisation of the debt issuance cost. The Group recognised RMB65,809,000 (2017: RMB65,800,000) of finance cost on the Corporate Bonds for the year ended 31 December 2018.

31 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2018 RMB'000	2017 RMB'000
Trade payables	**49,571**	65,410
Other payables and accrued charges	**402,760**	375,942
	452,331	441,352

Trade payables mainly represent construction costs payable to contractors. The ageing analysis of trade payables by invoice date is as follows:

	2018 RMB'000	2017 RMB'000
0 - 30 days	**12,777**	28,438
31 - 90 days	**—**	—
Over 90 days	**36,794**	36,972
	49,571	65,410

Trade and other payables and accrued charges are mainly denominated in RMB except for other payables of approximately RMB14.3 million (2017: RMB10.8 million) which were denominated in HKD and the carrying amounts approximated their fair values.

32 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations:

	Note	2018 RMB'000	2017 RMB'000
Operating profit		**1,828,503**	1,649,202
Amortisation of intangible operating rights	13	**557,882**	528,970
Depreciation of property, plant and equipment	15	**15,182**	15,191
Fair value gains on investment properties	16	**(960)**	(2,664)
Exchange loss - net		**—**	1,661
Loss on disposal of property, plant and equipment	6	**137**	3,530
Contract liabilities and deferred income	27	**(4,627)**	(3,660)
Provision for impairment loss			
– Intangible operating rights	6	**—**	107,234
Gain on disposal on available-for-sale financial assets		**—**	(29)
Operating cash flows before working capital changes		**2,396,117**	2,299,435
Changes in working capital:			
– decrease/(increase) in trade and other receivables, deposits and prepayments		**18,465**	(21,825)
– increase in amount due from an associate		**(4,708)**	—
– increase in contract liabilities and deferred income		**5,533**	11,905
– increase/(decrease) in trade and other payables and accrued charges		**38,745**	(84,075)
– decrease in amount due from a non-controlling interest of a subsidiary		**2,470**	72,384
– increase in amounts due to non-controlling interests of subsidiaries		**—**	1,611
– decrease in amounts due to holding companies		**(17)**	(141)
Cash generated from operations		**2,456,605**	2,279,294

32 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

	Liabilities from financing activities					
	Borrowings (current) RMB'000	Borrowings (non-current) RMB'000	Notes payable RMB'000	Corporate bonds (current) RMB'000	Corporate Bonds (non-current) RMB'000	Total RMB'000
Balance as at 31 December 2017	**319,724**	**5,533,459**	**1,557,953**	**—**	**1,993,263**	**9,404,399**
Changes from financing activities cash flows						
Proceeds from bank borrowings and loan from a joint venture	**—**	**927,990**	**—**	**—**	**—**	**927,990**
Repayment of bank borrowings, notes payable, loan from a joint venture and loans from non-controlling interests of certain subsidiaries	**(319,724)**	**(941,903)**	**(1,522,980)**	**—**	**—**	**(2,784,607)**
Total changes from financing activities cash flows	**(319,724)**	**(13,913)**	**(1,522,980)**	**—**	**—**	**(1,856,617)**
Non-Cash changes						
Foreign exchange adjustments	**—**	**76,938**	**(37,473)**	**—**	**—**	**39,465**
Transfers	**511,249**	**(511,249)**	**—**	**498,068**	**(498,068)**	**—**
Other non-cash movements	**—**	**(4,239)**	**2,500**	**—**	**2,359**	**620**
Total non-cash changes	**511,249**	**(438,550)**	**(34,973)**	**498,068**	**(495,709)**	**40,085**
Balance as at 31 December 2018	**511,249**	**5,080,996**	**—**	**498,068**	**1,497,554**	**7,587,867**
Balance as at 31 December 2016	235,193	4,808,348	1,452,359	—	1,990,978	8,486,878
Changes from financing activities cash flows						
Proceeds from bank borrowings	—	2,204,500	—	—	—	2,204,500
Repayment of bank borrowings and loans from non-controlling interests of certain subsidiaries	(235,193)	(1,162,414)	—	—	—	(1,397,607)
Total changes from financing activities cash flows	(235,193)	1,042,086	—	—	—	806,893
Non-Cash changes						
Foreign exchange adjustments	—	—	98,632	—	—	98,632
Transfers	319,724	(319,724)	—	—	—	—
Other non-cash movements	—	2,749	6,962	—	2,285	11,996
Total non-cash changes	319,724	(316,975)	105,594	—	2,285	110,628
Balance as at 31 December 2017	319,724	5,533,459	1,557,953	—	1,993,263	9,404,399

33 CONSTRUCTION INCOME/COSTS UNDER SERVICE CONCESSION UPGRADE SERVICES

The construction income/costs associated with the construction and upgrade services provided under the service concessions recognised for the year are as follows:

	2018 RMB'000	2017 RMB'000
Construction income under service concession upgrade services	**120,440**	95,981
Construction costs under service concession upgrade services	**(120,440)**	(95,981)

As at 31 December 2018, the Group expects that the transaction price allocated to unsatisfied performance obligation for construction income under service concession upgrade of RMB131,897,000 will be recognised as construction income during 2019.

34 COMMITMENTS

(a) Lease commitments

The Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises and service areas along the expressways are as follows:

	2018 RMB'000	2017 RMB'000
Lease payments		
Within one year	**11,375**	11,780
One year to five years	**11,873**	21,292
	23,248	33,072
Lease receipts		
Within one year	**1,245**	3,965
One year to five years	**20,653**	1,425
	21,898	5,390

(b) Capital commitments

	2018 RMB'000	2017 RMB'000
Contracted but not provided for Upgrade and construction of toll expressways under concession arrangements and construction of port	**15,129**	2,034
Property, plant and equipment	**2,620**	—
	17,749	2,034

35 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's Directors regard 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holding Limited) ("GZYX") (incorporated in the PRC) as its ultimate holding company and the Guangzhou City Government as its ultimate controlling party.

The table set forth below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2018:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	A wholly-owned subsidiary of ultimate holding company
Yuexiu Property Company Limited ("Yuexiu Property")	A fellow subsidiary
Blow Light Investments Limited ("Blow Light")	A fellow subsidiary
Artform Investment Limited ("Artform")	A fellow subsidiary
Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary
Guangzhou Yuexiu City Construction Jones Lang LaSalle Property Management Co., Ltd. ("YX Jones Lang LaSalle")	A fellow subsidiary
Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR")	A joint venture
Guangdong Humen Bridge Co., Ltd. ("Humen Bridge")	An associate
Guangdong Qinglian Highway Development Co., Ltd. ("Qinglian Highway")	An associate
Guangdong Shantou Bay Bridge Co., Ltd. ("Shantou Bay Bridge")	An associate
Guangzhou Northring Freeway Co., Ltd. ("Northring")	An associate
Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("Yue Xiu IFC")	An associate of a fellow subsidiary
Chong Hing Insurance Co., Ltd ("Chong Hing Insurance")	A fellow subsidiary

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

		2018 RMB'000	2017 RMB'000
(i)	Administrative service fees to Yuexiu Property	**1,145**	1,133
(ii)	Rental expenses to Blow Light	**323**	825
(iii)	Rental expenses to Yue Xiu IFC	**10,340**	11,335
(iv)	Rental expenses to Artform	**501**	—
(v)	Building management fee to YX Jones Lang LaSalle	**1,657**	1,747
(vi)	Interest income from Chong Hing Bank	**3,345**	1,848
(vii)	Management service income from Humen Bridge, Qinglian Highway, Shantou Bay Bridge, Northring and GWSR	**1,806**	1,677
(viii)	Dividend income from Humen Bridge	**205,443**	190,462
(ix)	Dividend income from Shantou Bay Bridge	**40,935**	95,156
(x)	Dividend income from Northring	**155,865**	—
(xi)	Dividend income from GWSR	**66,216**	59,704
(xii)	Interest expense to GZYX	**593**	—
(xiii)	Insurance expenses to Chong Hing Insurance	**67**	—

(c) Balances with related parties

		2018 RMB'000	2017 RMB'000
(i)	Short-term bank deposits and bank balance deposited in a fellow subsidiary	**740,424**	231,241
(ii)	Amounts due to holding companies	**679**	696
(iii)	Amount due to a joint venture	**25,195**	92,050
(iv)	Amount due from a non-controlling interest of a subsidiary	**—**	2,470
(v)	Amount due to a non-controlling interest of a subsidiary	**1,611**	1,611
(vi)	Amount due from an associate	**4,708**	—

(d) Key management compensation

	2018 RMB'000	2017 RMB'000
Salaries and other short-term benefits	**8,878**	9,102

36 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY

Note (i) Balance sheet of the Company

	31 December 2018 RMB'000	31 December 2017 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**713**	407
Investments in subsidiaries	**5,628,601**	3,528,601
	5,629,314	3,529,008
Current assets		
Amounts due from subsidiaries	**2,356,994**	5,051,547
Deposits and prepayments	**12,511**	700
Derivative financial instruments	**—**	35,523
Short-term bank deposit, cash and cash equivalents	**514,679**	784,441
	2,884,184	5,872,211
Total assets	**8,513,498**	9,401,219
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	**147,322**	147,322
Reserves (note (ii))	**5,208,441**	5,168,911
Total equity	**5,355,763**	5,316,233
LIABILITIES		
Non-current liabilities		
Borrowings	**731,337**	300,000
Corporate bonds	**1,497,554**	1,993,263
Deferred income tax liabilities	**35,000**	—
	2,263,891	2,293,263
Current liabilities		
Coporate bonds	**498,068**	—
Amounts due to subsidiaries	**348,812**	1,749,915
Other payables and accrued charges	**46,964**	41,808
	893,844	1,791,723
Total liabilities	**3,157,735**	4,084,986
Total equity and liabilities	**8,513,498**	9,401,219

36 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (ii) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus (note) RMB'000	Retained Profits RMB'000	Total RMB'000
At 1 January 2018	**2,375,743**	**1,561,564**	**1,231,604**	**5,168,911**
Profit for the year	**—**	**—**	**567,957**	**567,957**
Dividends:				
2017 Final dividend	**—**	**—**	**(310,022)**	**(310,022)**
2018 Interim dividend (note 12)	**—**	**—**	**(218,405)**	**(218,405)**
At 31 December 2018	**2,375,743**	**1,561,564**	**1,271,134**	**5,208,441**
Representing:				
Retained profits			**924,911**	
2018 Final dividend proposed (note 12)			**346,223**	
			1,271,134	
At 1 January 2017	2,375,743	1,561,564	1,263,934	5,201,241
Profit for the year	—	—	450,887	450,887
Dividends:				
2016 Final dividend	—	—	(296,394)	(296,394)
2017 Interim dividend (note 12)	—	—	(186,823)	(186,823)
At 31 December 2017	2,375,743	1,561,564	1,231,604	5,168,911
Representing:				
Retained profits			921,582	
2017 Final dividend proposed (note 12)			310,022	
			1,231,604	

Note:

The contributed surplus represents the difference between the nominal value of the shares issued by the Company in exchange for all the issued ordinary shares of Kiu Fung Limited and the value of net assets of the underlying subsidiaries acquired by the Company as at 30 November 1996. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders.

36 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (iii) Income statement of the Company

	Note	2018 RMB'000	2017 RMB'000
Other income, gains and losses - net	(a)	**700,040**	770,000
General and administrative expenses	(b)	**(33,951)**	(30,606)
Operating profit		**666,089**	739,394
Finance income	(c)	**163,539**	9,198
Finance costs	(c)	**(226,671)**	(297,705)
Profit before income tax		**602,957**	450,887
Income tax expense		**(35,000)**	—
Profit for the year		**567,957**	450,887

Notes:

(a) Other income, gains and losses - net

	2018 RMB'000	2017 RMB'000
Dividend income	**700,000**	770,000
Others	**40**	—
	700,040	770,000

(b) Expenses by nature

	2018 RMB'000	2017 RMB'000
Depreciation of property, plant and equipment	**91**	70
Auditor's remuneration		
– Audit services	**2,818**	2,953
– Non-audit services	**2,287**	19
Legal and professional fee	**7,178**	3,573
Staff costs (including directors' emoluments)	**20,735**	19,987

36 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (iii) Income statement of the Company (Continued)

Notes: (Continued)

(c) Finance income/costs

	2018 RMB'000	2017 RMB'000
Bank interest income - net	**22,409**	9,198
Net other exchange gain	**141,130**	—
Finance income	**163,539**	9,198
Interest expenses:		
– Bank borrowings	**(30,046)**	(19,220)
– Bank facility fees	**(2,619)**	(1,559)
– Loan from an ultimate holding company	**(593)**	—
– Corporate bonds (note 30)	**(65,809)**	(65,800)
Fair value loss on derivative financial instruments	**(50,666)**	(17,751)
Exchange loss on bank borrowings	**(76,938)**	—
Net other exchange loss	**—**	(193,375)
Finance costs incurred	**(226,671)**	(297,705)

Comparative figures of other income, gains and losses - net and finance income/costs have been reclassified and there is no impact on net profit, net assets or net cash flows as a result of the reclassification.

36 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (iv) Statement of cash flows of the Company

	2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Operating profit	666,089	732,072
Depreciation of property, plant and equipment	91	70
Operating cash flows before working capital changes	666,180	732,142
Changes in working capital:		
Decrease in amounts due from subsidiaries	2,137,113	1,137,309
Increase in deposits and prepayments	(3,380)	(459)
Decrease in amounts due to subsidiaries	(1,435,783)	(24,357)
Decrease in other payables and accrued charges	(4,557)	(39,347)
Net cash generated from operating activities	1,359,573	1,805,288
Cash flows from investing activities		
Purchase of property, plant and equipment	(397)	(10)
Decrease/(increase) of short-term bank deposits, net	115,732	(116,366)
Increase in investment in a subsidiary	(1,400,000)	—
Interest received	22,409	9,198
Net cash used in investing activities	(1,262,256)	(107,178)
Cash flows from financing activities		
Payment of bank facility fees	(16,467)	—
Proceeds from bank borrowings	803,490	300,000
Repayment of bank borrowings	(443,677)	(1,000,000)
Dividend paid to shareholders of the Company	(528,427)	(483,217)
Interest paid	(108,496)	(114,379)
Net cash used in financing activities	(293,577)	(1,297,596)
Net (decrease)/increase in cash and cash equivalents	(196,260)	400,514
Cash and cash equivalents in the balance sheet of the Company at 1 January	668,075	265,137
Effect of exchange rate changes on cash and cash equivalents	42,864	2,424
Cash and cash equivalents at 31 December	514,679	668,075
Analysis of cash and cash equivalents		
Bank balances and cash	514,679	668,075

37 BENEFITS AND INTERESTS OF DIRECTORS

(A) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2018

	Emoluments paid or receivable in respect of person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note d) RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note e) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	Total RMB'000
Executive directors									
ZHU Chunxiu	–	650	1,763	–	–	–	–	–	2,413
QIAN Shangning (note a)	–	115	274	–	182	33	–	–	604
LI Feng (note b)	–	459	808	–	–	–	–	–	1,267
CHEN Jing (note b)	–	459	808	–	–	–	–	–	1,267
	–	1,683	3,653	–	182	33	–	–	5,551
Executive director and the Chief executive									
HE Baiqing	–	536	742	–	309	114	–	1,021	2,722
Independent non-executive directors									
FUNG Ka Pun	180	–	–	–	–	–	–	–	180
LAU Hon Chuen Ambrose	245	–	–	–	–	–	–	–	245
CHEUNG Doi Shu	180	–	–	–	–	–	–	–	180
	605	–	–	–	–	–	–	–	605
	605	2,219	4,395	–	491	147	–	1,021	8,878

37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(A) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2017

	Emoluments paid or receivable in respect of person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note d) RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note e) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	Total RMB'000
Executive directors									
ZHU Chunxiu	–	671	1,742	–	–	–	–	–	2,413
Liu Yongjie (note c)	–	474	793	–	–	–	–	–	1,267
QIAN Shangning (note a)	–	558	1,063	–	275	68	–	–	1,964
	–	1,703	3,598	–	275	68	–	–	5,644
Executive director and the Chief executive									
HE Baiqing	–	549	730	–	440	122	–	1,012	2,853
Independent non-executive directors									
FUNG Ka Pun	180	–	–	–	–	–	–	–	180
LAU Hon Chuen Ambrose	245	–	–	–	–	–	–	–	245
CHEUNG Doi Shu	180	–	–	–	–	–	–	–	180
	605	–	–	–	–	–	–	–	605
	605	2,252	4,328	–	715	190	–	1,012	9,102

Notes:

(a) Resigned with effect from 13 April 2018

(b) Appointed on 13 April 2018

(c) Appointed on 1 April 2016 and resigned with effect from 28 September 2017

(d) Discretionary bonuses are determined based on the Group's financial performance.

(e) Other benefits mainly include provision of accommodation.

37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(B) Directors' retirement benefits

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2017: Same).

(C) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2017: Nil).

(D) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2017: Nil).

(E) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: Nil).

(F) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

38 GROUP STRUCTURE

As at 31 December 2018, the Company held shares/interest in the following principal subsidiaries, a joint venture and associates.

Principal subsidiaries	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US$1.00 each	–	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding in Guangzhou North Second Ring Transport Technology Co., Limited
Choice Tone Limited	Hong Kong	1 Ordinary share	–	100	Investment holding in Tianjin Jinfu Expressway Co., Ltd.
Famous Kind International Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	100	–	Investment holding
Fortune Success Group Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Frame Bridge Enterprises Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Grand Speed Limited	Hong Kong	1 Ordinary share	–	100	Investment holding in Guangxi Yuexiu Cangyu Expressway Co., Ltd
Guangzhou North Second Ring Transport Technology Company Limited	PRC, limited liability Company	RMB900,000,000	–	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Suiqiao Development Company Limited	PRC, limited liability Company	RMB1,000,000	–	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Yue Peng Information Limited	PRC, limited liability Company	RMB260,000,000	–	100	Investment holding
Guangxi Yuexiu Cangyu Expressway Company Limited	PRC, limited liability Company	RMB190,925,000	–	100	Development and management of Cangyu Expressway in Guangxi

38 GROUP STRUCTURE (CONTINUED)

Principal subsidiaries	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Henan Yuexiu Weixu Expressway Company Limited	PRC, limited liability Company	RMB660,754,500	–	100	Development and management of Henan Weixu Expressway
Hubei Suiyuenan Expressway Company Limited	PRC, limited liability Company	RMB1,770,000,000	–	70	Development and management of Suiyuenan Expressway in Hubei Province
Hunan Changzhu Expressway Development Company Limited	PRC, limited liability Company	RMB929,328,460	–	100	Development and management of Changzhu Expressway in Hunan Province
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HKD1.00 each	100	–	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1.00 each	–	100	Investment holding in Guangdong Qinglian Highway Development Company Limited
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares	–	100	Property holding

38 GROUP STRUCTURE (CONTINUED)

Principal subsidiaries	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding in Guangdong Shantou Bay Bridge Company Limited
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Swift Full Limited	Hong Kong	1 Ordinary share	–	100	Investment holding in Hubei Han Xiao Highway Construction and Operations Company Limited
Teckstar Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Top Global Holdings Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Unionwin Investment Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Unique Wealth Investment Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US$1.00 each	–	83.3	Investment holding
Tianjin Jinfu Expressway Company Limited	PRC, limited liability Company	RMB265,200,000	–	60	Development and management of Jinbao Expressway in Tianjin
Hubei Han Xiao Highway Construction and Operations Company Limited	PRC, limited liability Company	RMB495,089,000	–	100	Development and management of Han-Xiao Expressway in Hubei Province
Guangzhou Yue Tong Expressway Operations and Management Company Limited	PRC, limited liability Company	RMB1,000,000	100	–	Investment holding
Yuexiu (China) Transport Infrastructure Investment Company Limited	PRC, limited liability Company	RMB1,900,000,000	100	–	Investment holding

38 GROUP STRUCTURE (CONTINUED)

Joint venture	Place of incorporation, establishment and operation and type of legal entity	Registered capital	Percentage of ownership interest/voting power/ profit sharing indirectly held by the Company			Principal activities
			Ownership	Voting power	Profit sharing	
Guangzhou Western Second Ring Expressway Company Limited	PRC, limited liability Company	RMB1,000,000,000	35	33	35	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

Associates	Place of incorporation, establishment and operation and type of legal entity	Registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Guangdong Humen Bridge Company Limited	PRC, limited liability Company	RMB273,900,000	—	27.78 (note a)	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Company Limited	PRC, limited liability Company	RMB3,361,000,000	—	23.63	Development and management of Qinglian Expressway
Guangdong Shantou Bay Bridge Company Limited	PRC, limited liability Company	RMB75,000,000	—	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Freeway Company Limited	PRC, limited liability Company	US$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road
Guangzhou Pazhou Port Company Limited	PRC, limited liability Company	RMB5,000,000	—	45	Development and management of Pazhou Port in Guangdong Province

(a) The profit sharing ratio was changed to 18.446% from 2010 onwards.

CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Zhu Chunxiu *(Chairman)*
Mr He Baiqing
Mr Li Feng
Ms Chen Jing

Independent non-executive directors & audit committee members

Mr Fung Ka Pun
Mr Lau Hon Chuen Ambrose
Mr Cheung Doi Shu

COMPANY SECRETARY

Mr Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

17A Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited-01052
Reuters-1052.HK
Bloomberg-1052 HK

Bonds

Shanghai Stock Exchange
RMB300,000,000 2.85 per cent. Corporate Bonds due 2021
(code: 136323)

RMB200,000,000 2.90 per cent. Corporate Bonds due 2021
(code: 136804)

RMB700,000,000 3.38 per cent. Corporate Bonds due 2023
(code: 136324)

RMB800,000,000 3.18 per cent. Corporate Bonds due 2023
(code: 136806)

INVESTOR RELATIONS

For further information about
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Ms Grace Li

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Facsimile	:	(852) 2865 2126
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WEBSITES TO ACCESS COMPANY INFORMATION

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http://www.irasia.com/listco/hk/yuexiutransport
http://www.hkexnews.hk