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# 越秀交通基建有限公司

## Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 01052)

## 2015 ANNUAL RESULTS ANNOUNCEMENT

### CHAIRMAN'S STATEMENT

The Board of Directors of Yuexiu Transport Infrastructure Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

### OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2015 ("Reporting Year"), the Group recorded income from operations of RMB2.226 billion, representing a year-on-year increase of 19.8%, of which the toll income increased by 19.5% to RMB2.215 billion, reaching a new record high, which was mainly attributable to the additional contribution from the Suiyuanan Expressway upon its incorporation into the consolidated financial statements of the Group and organic growth of existing projects. However, affected by the depreciation of Renminbi and the impairment provisions for Jinbao Expressway and Qinglian Expressway, profit attributable to shareholders amounted to RMB532 million, representing a year-on-year decrease of 12.7%.

The Board has recommended the payment of a final dividend for 2015 of HK\$0.16 per share, together with the paid interim dividend of HK\$0.12 per share, the total dividends for the Reporting Year amounted to HK\$0.28 per share which is equivalent to RMB0.2296 per share, representing an annual dividend payout ratio of 72.2% (2014: 61.0%).

### ANNUAL REVIEW

- **Macro-economy and regulatory environment of the sector**

During the year under review, recovery of the global economy remained sluggish, the future was facing multiple uncertainties and the overall situation was complicated. Since the "Foreign Exchange Reform" announced on 11 August 2015, expectations of RMB depreciation have been formed in the market. On 17 December, the Federal Reserve initiated the first interest rate hike in almost a decade, while the other economies still maintained a loose monetary policy. Besides, the slumping commodities and energy prices also adversely impacted emerging markets, causing capital outflow, depreciation of currencies and reduction in foreign currency reserves.

Besides confronting such a slow external recovery, the PRC economy also encountered a range of challenges. According to the releases from the National Bureau of Statistics, the GDP of China grew by 6.9% to RMB67.67 trillion in 2015. While the growth rate inclined to become steady, the overall economy has entered into the phase of "new normal".

During the Reporting Year, the regulatory environment of the toll road sector remained steady with an improving trend, providing a good foundation for the Group's business operations. Although the toll free policy for small passenger vehicles during major holidays and the "Green Passage" toll free policy continued, the relevant government authorities, including the Ministry of Transport, realized the necessity of systematic reforms in toll road sector and then promulgated the revised draft of the Regulations on the Administration of Toll Roads (《收費公路管理條例》(修訂徵求意見稿)) on 21 July 2015. The proposed adjustment plans

contained in the revised draft reflected the line of thought and determination of the authorities to carry out the reforms. Currently, the relevant authorities have completed public consultation and feedback collection for the revised draft, and the detailed legislative amendment procedures are still in process.

- **Business development**

On 21 July 2015, based on the acquisition agreement signed in December 2014, the Group formally took over the Suiyuanan Expressway, which was incorporated into the consolidated financial statements of the Group. On 18 December 2015, the Group acquired the remaining 10% equity interest in Changzhu Expressway which became another wholly-owned project under the Group. After completion of these two acquisitions, the Group's attributable toll mileage of expressways and bridges increased to 378.45 km, which would enlarge the size of assets and enhance the sustainable profitability. Meanwhile, the acquisition of Suiyuanan Expressway may fill in the toll interval after the termination of the toll collection term of Xilin Expressway in the third quarter of 2016 and extend the average residual toll collection years of the asset portfolio as a whole, which is in line with our strategic development needs and brings a new momentum of growth.

Furthermore, the Group disposed 51% equity interest in Wuzhou Chishui Port in Guangxi by public tender during the Reporting Year, with the consideration of transfer amounted to RMB153.6 million. Such transaction will be completed and realized in 2016 and the proceeds of disposal will be reflected in the financial report of such year. This will enable the Group to recover cash resources and focus more on the development of core business. Please refer to the Group's announcement dated 15 December 2015 for details.

During the Reporting Year, although revenue from operations still maintained double-digit growth, profit attributable to shareholders recorded double-digit decrease, which was mainly due to the impact of two factors. Firstly, the exchange rate of Renminbi experienced significant fluctuations during the Reporting Year, particularly after the "8.11" foreign exchange reform, Renminbi had depreciated to a considerable extent, resulting in a foreign exchange loss on the book value of foreign currency liabilities held by the Group. Secondly, impairment loss was incurred in two projects, Jinbao Expressway and Qinglian Expressway, due to their operating performance was persistently below expectation. Jinbao Expressway was mainly affected by the traffic restrictions on motor vehicles in Tianjin and the frequent occurrence of bad weather conditions in northern China, resulted in a 3.8% decrease year-on-year in annual toll income. Whereas Qinglian Expressway was mainly affected by the diversion impact of traffic to Guangle Expressway and Erguang Expressway, the annual toll income decreased by 18.3% year-on-year. Nevertheless, the Group's cash flow level was not affected by the foreign exchange loss and impairment loss of the projects. During the Reporting Year, the Group recorded net cash generated from operating activities of RMB1.440 billion with a year-on-year increase of 18.8% and the balance of cash and cash equivalents was RMB867 million, the overall operations remained sound and stable.

## **FUTURE PROSPECT AND OUTLOOK**

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

According to the Global Economic Prospects published by The World Bank Group on 6 January 2016, the projection of global economic growth rate is 2.9% in 2016, which will be higher than the 2.4% growth rate in 2015. The report pointed out that the world economy will need to adapt to a new era of slower growth in emerging markets, commodity prices remaining in low level, and a slowdown in trade and capital flows.

The economy of China is in a transforming stage, which will fully switch into a new normal state in future and will gradually realize a more stable growth rate and an incremental model with diversified growth forces. Meanwhile, with further penetration of reforms in various sectors and the rise of emerging industries, the economy of China will gain sustainable vitality and momentum in the medium to long term development process. Although under the new normal state, economic growth will slow down and affect the demand for transportation, especially for freight transportation, demand for highway transportation will remain relatively stable. Given the background of continuous growth in private car ownership, increase in consumption by residents, fast development in tourism, significant advancement in e-commerce development that leads to rapid development in the courier and logistics industry, highway transportation still has a great potential for growth. The policy environment of the toll road sector has been stable and sound in recent years, although the green passage toll free policy and the toll free policy for small passenger cars on major holidays will not cease in the short term, the possibility of escalating strength of enforcement is minimal. Also, taking into account the government has been actively promoting the PPP model to attract private capital for supporting the construction of infrastructure facilities, therefore enhancing reasonable return, improving policies and operating environment are prerequisite for attracting private capital. Promulgation of the revised draft of the Regulations on the Administration of Toll Roads (《收費公路管理條例》(修訂徵求意見稿)) may be viewed as a corresponding measure, though it has not been finalized, the proposed adjustments contained therein are favourable signals for the long term stable development of the sector. The Group will also closely monitor on the relevant progress.

- **Outlook of development strategies**

Infrastructure facilities play a key role in the process of economic development. For making continuous improvement to the national road transportation network to promote economic development, both central and local governments have unveiled their corresponding highway construction plans. Enormous demand still exists in the investment and construction of highway projects, particularly in the western regions where economic growth potential remains high and in provinces which benefit from the transfer of labour-intensive processing industries from the eastern coastal regions.

During the Reporting Year, the Group's total liabilities to total assets ratio increased to 53.8%, which was mainly attributable to the new liabilities upon incorporation of Suiyuenan Expressway into the consolidated financial statements. Considering from the stable development perspective, the Group will leverage on the expansion moves to reduce indebtedness by an appropriate extent according to business development pace. The management places great emphasis on maintaining the credit ratings by giving due consideration to the impact of potential mergers and acquisitions and business operations on credit rating indicators, and will also review and carry out plans to optimize the entire portfolio of assets, enhance the Group's profitability and create reasonable returns for shareholders.

On financing strategy, the Group has completed the preparation work for a US\$1 billion Medium Term Note Programme and successfully issued the 3-year Euro 200 million guaranteed notes with a coupon rate of only 1.625% during the reporting period, by seizing the opportunity arising from the adoption of negative interest rate and triggering Quantitative Easing by the European Central Bank and the market window, hence the sources of financing are broadened. Through early repayment of US dollars and HK dollars liabilities, part of the exchange rate fluctuation risk arising from interest rate hike initiated by the US Federal Reserve, strengthening of US dollars and depreciation expectation of Renminbi has been mitigated. The Federal Reserve has announced in its summary statement of minutes of meeting that it will adopt a "gradual increase" manner in raising the interest rate. Meanwhile, the economy of China is in a stage of transformation and upgrading, the growth rate will slow down in the short run due to resolving excess production capacities and de-leveraging activities, which may give rise to or increase the market expectation on depreciation of Renminbi. By cutting interest rate 5 times since November 2014, the onshore costs of borrowings have been decreasing gradually, and there may be further room for reduction in future. Hence, the Group will consider increasing local currency financing to an appropriate extent, such as through domestic commercial bank loans, or issuance of Renminbi Medium Term Notes, to replace part of its Hong Kong dollar liabilities and continue reducing its exposure to foreign exchange risk.

## **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, 22 February 2016

# Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 RMB' 000	2014 RMB' 000
Revenue		2,066,848	1,809,787
Other toll operating income		159,175	48,919
Income from operations	3	2,226,023	1,858,706
Cost of services	5, 6	(775,247)	(690,815)
Construction income under service concession upgrade services		213,504	23,096
Construction cost under service concession upgrade services		(213,504)	(23,096)
Other income, gains and losses - net	4	(128,240)	32,789
General and administrative expenses	5, 6	(202,091)	(203,979)
<b>Operating profit</b>		<b>1,120,445</b>	996,701
Finance income	7	27,783	30,259
Finance costs	7	(536,222)	(284,192)
Share of result of a joint venture		26,849	21,216
Share of results of associates		231,077	250,256
<b>Profit before income tax</b>		<b>869,932</b>	1,014,240
Income tax expense	8	(216,910)	(236,510)
<b>Profit for the year</b>		<b>653,022</b>	777,730
<b>Attributable to:</b>			
Shareholders of the Company		532,086	609,370
Non-controlling interests		120,936	168,360
		<b>653,022</b>	777,730
Earnings per share for profit attributable to the shareholders of the Company		RMB	RMB
Basic and diluted earnings per share	9	0.3180	0.3642

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 RMB' 000	2014 RMB' 000
<b>Profit for the year</b>	<b>653,022</b>	777,730
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>1,397</b>	124
Release of currency translation differences upon disposal of subsidiaries	<b>(72,583)</b>	—
	<b>(71,186)</b>	124
<b>Total comprehensive income for the year</b>	<b>581,836</b>	777,854
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	<b>460,900</b>	609,494
Non-controlling interests	<b>120,936</b>	168,360
	<b>581,836</b>	777,854

# Consolidated Balance Sheet

As at 31 December 2015

	Note	31 December 2015 RMB' 000	31 December 2014 RMB' 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible operating rights		18,952,996	12,991,487
Goodwill		632,619	368,806
Property, plant and equipment		93,923	695,330
Investment properties		33,363	17,197
Investment in a joint venture		388,004	367,165
Investments in associates		1,457,435	1,488,759
Available-for-sale financial assets		812	812
Other non-current receivables and prepayment	11	95,945	157,538
		<b>21,655,097</b>	16,087,094
<b>Current assets</b>			
Trade receivables	12	102,589	57,329
Other receivables, deposits and prepayments	12	118,042	51,669
Amounts due from associates		—	51,595
Amounts due from non-controlling interests of subsidiaries		67,688	111,360
Short term bank deposits		10,000	27,396
Cash and cash equivalents		866,665	1,123,517
		<b>1,164,984</b>	1,422,866
Assets of disposal group classified as held for sale		599,192	—
		<b>1,764,176</b>	1,422,866
<b>Total assets</b>		<b>23,419,273</b>	17,509,960
<b>EQUITY</b>			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves		8,424,424	8,380,273
		<b>8,571,746</b>	8,527,595
Non-controlling interests		2,257,347	1,916,974
<b>Total equity</b>		<b>10,829,093</b>	10,444,569

# CONSOLIDATED BALANCE SHEET

	Note	31 December 2015 RMB' 000	31 December 2014 RMB' 000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Notes payable		1,403,973	—
Borrowings		7,216,847	4,640,239
Deferred income		82,960	—
Deferred income tax liabilities		1,932,015	1,529,613
		<b>10,635,795</b>	6,169,852
<b>Current liabilities</b>			
Borrowings		675,268	358,338
Amounts due to non-controlling interests of subsidiaries		175,729	80,557
Amounts due to holding companies		158	149
Amount due to a joint venture		57,050	52,500
Trade and other payables and accrued charges	13	572,031	355,268
Deferred income		3,660	—
Current income tax liabilities		52,740	48,727
		<b>1,536,636</b>	895,539
Liabilities of disposal group classified as held for sale		417,749	—
		<b>1,954,385</b>	895,539
<b>Total liabilities</b>		<b>12,590,180</b>	7,065,391
<b>Total equity and liabilities</b>		<b>23,419,273</b>	17,509,960



# Notes

## 1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The consolidated financial statements as at 31 December 2015 have been prepared on a going concern basis although the Group’s consolidated current liabilities exceeded its consolidated current assets by RMB190,209,000 mainly caused by the increase in current portion of bank borrowings and consideration payable due to acquisition of Hubei Suiyuanan Expressway Company Limited. These future funding requirements can be met through the available bank loan facilities of RMB960,000,000 which are maturing after 31 December 2016 and the net cash inflows to be generated from operating activities.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### **New/revised standards, amendments and improvements**

The following amendment and impairments relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2015 for the Group.

HKASs and HKFRSs	Annual improvements 2010 - 2012 Cycle
HKASs and HKFRSs	Annual improvements 2011 - 2013 Cycle
HKAS 19 (amendment)	Defined Benefit Plans - Employee Contributions

The adoption of these amendments and new standards do not have significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and the presentation of the consolidated financial statements.

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## NOTES

The following new standards, amendments and improvements to the Group's operations have been issued and are effective for the financial year beginning 1 January 2016 or after and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKASs and HKFRSs	Annual improvements 2012 - 2014 Cycle	1 January 2016
HKAS 1 (amendment)	Disclosure Initiative	1 January 2016
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKAS 27 (amendment)	Equity method in separate financial statements	1 January 2016
HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendments)	Agriculture: Bearer Plants	1 January 2016
HKFRS10 and HKAS 28 (amendments)	Sale or Contribution of assets between an investor and its associate or joint venture	To be announced
HKFRS 10, HKFRS 12 and HKAS 28 (amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

Management is in the process of making an assessment of the impact of the standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

## 2. SEGMENT INFORMATION

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

The chief operating decision-maker has been identified as the Executive Directors. The 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 directors assess the performance of this main reporting segment based on measurement of profit after income tax for the year. Other operations mainly comprise port operation, investment and others. There have been no sales carried out between segments. None of these operations constitutes a separate segment. The financial information provided to the chief operating decision-maker is measured in a manner consistent with that of the financial statements.

Business segment	Toll roads operations RMB' 000	Port and all other segments RMB' 000	Total RMB' 000
31 December 2015			
Revenue (from external customers)	2,056,079	10,769	2,066,848
Other toll operation income	159,175	—	159,175
Income from operations	2,215,254	10,769	2,226,023
Amortisation of intangible operating rights	(419,119)	—	(419,119)
Depreciation of property, plant and equipment	(20,288)	(17,970)	(38,258)
Provision for impairment losses			
– Intangible operating rights	(266,435)	—	(266,435)
Operating profit/(loss)	1,143,027	(22,582)	1,120,445
Finance income	27,773	10	27,783
Finance costs	(512,829)	(23,393)	(536,222)
Share of result of a joint venture	26,849	—	26,849
Share of results of associates	231,077	—	231,077
Profit/(loss) before income tax	915,897	(45,965)	869,932
Income tax expense	(216,910)	—	(216,910)
Profit/(loss) for the year	698,987	(45,965)	653,022

## NOTES

Business segment	Toll roads operations RMB' 000	Port and all other segments RMB' 000	Total RMB' 000
31 December 2014			
Revenue (from external customers)	1,805,504	4,283	1,809,787
Other toll operation income	48,919	—	48,919
Income from operations	1,854,423	4,283	1,858,706
Amortisation of intangible operating rights	(346,025)	—	(346,025)
Depreciation of property, plant and equipment	(24,752)	(764)	(25,516)
Operating profit/(loss)	1,003,029	(6,328)	996,701
Finance income	30,225	34	30,259
Finance costs	(276,154)	(8,038)	(284,192)
Share of result of a joint venture	21,216	—	21,216
Share of results of associates	250,256	—	250,256
Profit/(loss) before income tax	1,028,572	(14,332)	1,014,240
Income tax expense	(236,510)	—	(236,510)
Profit/(loss) for the year	792,062	(14,332)	777,730

## NOTES

Business segment	Toll roads operations RMB' 000	Port and all other segments RMB' 000	Total RMB' 000
Assets and liabilities			
As at 31 December 2015			
Total segment assets	<b>22,794,528</b>	<b>624,745</b>	<b>23,419,273</b>
Addition to non-current assets	<b>210,362</b>	<b>690</b>	<b>211,052</b>
Total segment assets include:			
Investment in a joint venture	<b>388,004</b>	—	<b>388,004</b>
Investments in associates	<b>1,457,435</b>	—	<b>1,457,435</b>
Assets of disposal group classified as held for sale	—	<b>599,192</b>	<b>599,192</b>
Total segment liabilities	<b>(12,062,043)</b>	<b>(528,137)</b>	<b>(12,590,180)</b>
Total segment liabilities include:			
Amount due to a joint venture	<b>(57,050)</b>	—	<b>(57,050)</b>
Liabilities of disposal group classified as held for sale	—	<b>(417,749)</b>	<b>(417,749)</b>
As at 31 December 2014			
Total segment assets	16,877,185	632,775	17,509,960
Addition to non-current assets	42,993	54,053	97,046
Total segment assets include:			
Investment in a joint venture	367,165	—	367,165
Investments in associates	1,488,759	—	1,488,759
Total segment liabilities	(6,576,447)	(488,944)	(7,065,391)
Total segment liabilities include:			
Amount due to a joint venture	(52,500)	—	(52,500)

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

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

## NOTES

### 3. INCOME FROM OPERATIONS

	2015 RMB' 000	2014 RMB' 000
Revenue	2,066,848	1,809,787
Other toll operating income	159,175	48,919
	<b>2,226,023</b>	1,858,706

Note:

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

### 4. OTHER INCOME, GAINS AND LOSSES — NET

	2015 RMB' 000	2014 RMB' 000
Fair value gain on investment properties	1,074	793
Exchange gain/(loss) - net		
– Release of currency translation differences upon disposal of subsidiaries	72,583	—
– Unrealised and realised exchange loss	(15,156)	(7,502)
Loss on disposal of property, plant and equipment	(3,457)	(1,272)
Gain on disposal of subsidiaries	30,087	—
Compensation for expressways and bridges damages	11,976	13,426
Compensation from a contractor relating to termination of construction contracts	3,250	—
Handling income from toll fee collection	5,885	6,867
Management service income	3,803	3,849
Income from service area and gas station	13,278	8,664
Provision for impairment losses		
– Intangible operating rights	(266,435)	—
Others	14,872	7,964
	<b>(128,240)</b>	32,789

## 5. EXPENSES BY NATURE

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

	2015 RMB' 000	2014 RMB' 000
Business tax	75,221	63,262
Amortisation of intangible operating rights	419,119	346,025
Depreciation of property, plant and equipment	38,258	25,516
Toll highways and bridges maintenance expenses	82,525	115,986
Toll highways and bridges operating expenses	56,803	58,619
Auditor's remuneration		
– Audit services	2,662	2,420
– Non-audit services	300	2,236
Rental expenses	11,939	10,082
Legal and professional fee	8,651	15,864

## 6. EMPLOYEE BENEFIT EXPENSE

	2015 RMB' 000	2014 RMB' 000
Staff costs (including Directors' emoluments)		
– Wages and salaries	154,041	148,672
– Pension costs (defined contribution plan) (note a)	17,352	13,971
– Social security costs	16,779	16,470
– Staff welfare and other benefits	54,856	37,228

Note:

- (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 RMB1,220) 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 RMB5,775). 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 Government, 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.

## NOTES

- (b) Pensions - defined contribution plans

There was no forfeited contribution as at 31 December 2015 (2014: nil). No forfeited contribution was utilised during the year (2014: nil). Contributions totalling RMB17,352,000 (2014: RMB13,971,000) were payable to the fund during the year.

### 7. FINANCE INCOME/COSTS

	2015 RMB' 000	2014 RMB' 000
Bank interest income	20,510	22,451
Interest income on other non-current receivables	7,273	7,808
Finance income	<b>27,783</b>	30,259
Interest expenses:		
– Bank borrowings	<b>(320,691)</b>	(287,608)
– Bank facility fees	<b>(9,647)</b>	(6,060)
– Loans from non-controlling interests of certain subsidiaries	<b>(1,358)</b>	(937)
– Other loans	<b>(960)</b>	(1,450)
– Notes payable	<b>(18,709)</b>	—
Exchange loss on bank borrowings	<b>(154,673)</b>	(3,270)
Exchange loss on notes payable	<b>(30,184)</b>	—
	<b>(536,222)</b>	(299,325)
Less: amount capitalised in construction in progress	—	15,133
Finance costs incurred	<b>(536,222)</b>	(284,192)

The capitalisation rate used to determine the amounts of borrowing costs eligible for capitalisation was 6.91% in 2014.

### 8. INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no income assessable to Hong Kong profits tax during the year (2014: Nil).
- (b) During the year ended 31 December 2015, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and a joint venture in the PRC in accordance with the Corporate Income Tax Law of China.



## NOTES

The applicable principal income tax rate for the year ended 31 December 2015 is 25% (2014: 25%).

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% (2014: 5% or 10%).

As at 31 December 2015, deferred tax liabilities of RMB13,593,000 (2014: RMB8,201,000) was not recognised in respect of withholding tax on the unremitted earnings of a subsidiary in the PRC, as these earnings are expected to be reinvested.

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

	2015 RMB' 000	2014 RMB' 000
Current income tax		
PRC enterprise income tax		
– current year	288,802	248,348
– Under/(over)-provision in prior years	2,669	(16,751)
Deferred income tax	(74,561)	4,913
	<b>216,910</b>	236,510

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:

	2015 RMB' 000	2014 RMB' 000
Profit before income tax	869,932	1,014,240
Less: share of results of associates	(231,077)	(250,256)
Less: share of result of a joint venture	(26,849)	(21,216)
	<b>612,006</b>	742,768
Calculated at a tax rate of 25% (2014: 25%)	153,002	185,692
Income not subject to tax	(53,701)	(4,911)
Expenses not deductible for tax purposes	101,720	26,553
Profit of subsidiaries with preferential tax treatment (note (a))	(19,950)	(16,255)
Tax losses not recognised (note (b))	19,886	41,212
Utilisation of previously unrecognised tax losses	(10,214)	(3,882)
Recognition of previously unrecognised tax losses	(8,866)	—
Under/(over)-provision in prior year	2,669	(16,751)
Effect of different taxation rates	(1,014)	(6,342)
Withholding tax on undistributed profits of subsidiaries and associates	33,378	31,194
Income tax expense	<b>216,910</b>	236,510

## NOTES

Note:

- (a) Certain subsidiaries of the Group enjoy 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 RMB255,826,000 (2014: RMB169,400,000) in respect of unused losses amounting to approximately RMB1,023,305,000 (2014: RMB677,599,000). Unused tax losses will expire in 2016 to 2020.

### 9. 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.

	2015	2014
Profit attributable to shareholders of the Company (RMB'000)	<b>532,086</b>	609,370
Weighted average number of ordinary shares in issue ('000)	<b>1,673,162</b>	1,673,162
Basic and diluted earnings per share (RMB)	<b>0.3180</b>	0.3642

The diluted earnings per share for the years ended 31 December 2015 and 2014 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year.

### 10. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Interim, paid, of HKD0.12 equivalent to RMB0.10 (2014: HKD0.11 equivalent to RMB0.09) per share	<b>160,094</b>	146,152
Final, proposed, of HKD0.16 equivalent to RMB0.13 (2014: HKD0.17 equivalent to RMB0.13) per share	<b>224,065</b>	225,683
	<b>384,159</b>	371,835

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

**11. OTHER NON-CURRENT RECEIVABLES AND PREPAYMENT**

Non-current receivable represents the non-current portion of the present value of consideration receivable, discounted at a rate of 5.32% in relation to the disposal of the Group's toll operating rights of Xiang Jiang Bridge II completed in 2009. The balance as at 31 December 2014 also included a deposit of RMB50.0 million paid in 2014 for the acquisition of 70% equity interest of the Hubei Suiyuanan Expressway Company Limited.

As at 31 December 2015, the total remaining balance of the consideration receivable is RMB116.3 million (2014: RMB136.2 million) which will be settled by 12 half yearly installments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB95.9 million (2014: RMB107.5 million) will be received after 31 December 2016 (2014: 31 December 2015) according to the repayment schedule.

The fair value of the consideration receivable is estimated by discounting at the applicable current interest rate and is approximately RMB125.0 million (2014: RMB141.6 million) and categorized as level 2 under the fair value hierarchy.

The Group entered into agreement in December 2014 to acquire 70% equity interest of the Hubei Suiyuanan Expressway Company Limited and made a deposit of RMB50.0 million in 2014. The acquisition of the Hubei Suiyuanan Expressway Company Limited has been completed in July 2015.

**12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>31 December 2015 RMB' 000</b>	31 December 2014 RMB' 000
Trade receivables (note a)	<b>102,589</b>	57,329
Other receivables, deposits and prepayments	<b>118,042</b>	51,669
	<b>220,631</b>	108,998

Note:

(a) As at 31 December 2015, trade receivables were all aged below 30 days (2014: 90 days).

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

As at 31 December 2015 and 2014, trade receivables were neither past due nor impaired and no provision for impairment loss has been provided for trade receivables.

As at 31 December 2015 and 2014, all other receivables and deposits were performing.

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 balance sheet.

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

## NOTES

### 13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	<b>31 December 2015 RMB' 000</b>	31 December 2014 RMB' 000
Trade payables	<b>79,082</b>	111,797
Other payables and accrued charges	<b>492,949</b>	243,471
	<b>572,031</b>	355,268

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

	<b>31 December 2015 RMB' 000</b>	31 December 2014 RMB' 000
0 - 30 days	<b>25,150</b>	58,271
31 - 90 days	<b>1,018</b>	13,158
Over 90 days	<b>52,914</b>	40,368
	<b>79,082</b>	111,797

Trade and other payables and accrued charges are mainly denominated in RMB except for other payables of approximately RMB59.3 million (2014: RMB60.3 million) which were denominated in HKD and the carrying amounts approximated their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Summary Information of Operating Toll Roads and Bridges

	Tolled Mileage	Width (lanes)	Toll Station(s)	Road Type	Attributable Interest (%)	Remaining Operating Term (years)
<b>Subsidiaries</b>						
GNSR Expressway	42.5	6	5	Expressway	60.00	17
Xian Expressway	20.1	4	3	Expressway	100.00	1
Cangyu Expressway	23.3	4	1	Expressway	100.00	15
Jinbao Expressway	23.9	4	3	Expressway	60.00 <sup>(1)</sup>	15
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	21
Changzhu Expressway	46.5	4	5	Expressway	100.00 <sup>(2)</sup>	25
Weixu Expressway	64.3	6	2	Expressway	100.00	20
Suiyuenan Expressway	98.1	4	4	Expressway	70.00 <sup>(3)</sup>	25
<b>Associates and Joint Venture</b>						
GWSR Expressway	42.1	6	4	Expressway Suspension	35.00	15
Humen Bridge	15.8	6	4	Bridge	27.78 <sup>(4)</sup>	14
Northern Ring Road	22.0	6	8	Expressway Suspension	24.30	8
Shantou Bay Bridge	6.5	6	3	Bridge	30.00	13
Qinglian Expressway	215.2	4	16	Expressway	23.63	19

- (1) The Group holds 60% interest; profit sharing ratio: 90% up to 2012, 40% from 2013 to 2015, and 60% from 2016 onwards.
- (2) The Group acquired the remaining 10% equity interest in Changzhu Expressway on 18 December 2015.
- (3) The Group acquired 70% equity interest in Suiyuenan Expressway on 21 July 2015.
- (4) The profit sharing ratio was 18.446% from 2010 onwards.

## Toll Summary of Toll Roads and Bridges

For the twelve months ended 31 December 2015

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll revenue per vehicle	
	2015 (vehicle/day)	Y-O-Y Change %	2015 (RMB/day)	Y-O-Y Change %	(RMB)	Y-O-Y Change %
<b>Subsidiaries</b>						
GNSR Expressway	169,868	14.2%	2,602,138	12.4%	15.3	-1.5%
Xian Expressway	22,178	N/A <sup>(1)</sup>	735,290	3.3%	33.2	N/A <sup>(1)</sup>
Cangyu Expressway	7,296	2.4%	183,644	3.6%	25.2	1.2%
Jinbao Expressway	25,777	1.6%	257,543	-3.8%	10.0	-5.3%
Han-Xiao Expressway	18,898	8.2%	385,024	4.1%	20.4	-3.7%
Changzhu Expressway	18,773	16.6%	592,921	28.8%	31.6	10.5%
Weixu Expressway	16,125	-1.1%	749,859	-3.8%	46.5	-2.8%
Suiyuanan Expressway	15,678	19.0%	1,263,537	8.4%	80.6	-8.9%
<b>Associates and Joint Venture</b>						
GWSR Expressway	50,275	9.7%	990,273	8.0%	19.7	-1.6%
Humen Bridge	99,813	7.4%	3,838,998	6.5%	38.5	-0.9%
Northern Ring Road	271,455	8.2%	1,891,497	7.2%	7.0	-1.0%
Shantou Bay Bridge	21,197	6.9%	682,120	-0.7%	32.2	-7.1%
Qinglian Expressway	33,290	0.8%	1,745,677	-18.3%	52.4	-18.9%

In recent years, the vehicles ownership in China has been growing year by year, among which the increase of small passenger vehicles becomes the dominant factor. As a result, the proportion of small passenger vehicles to the total toll traffic volume in most of our Group's projects has also shown an increasing trend year by year, and hence the weighted average toll revenue per vehicle has been decreasing by different amounts.

- (1) As a reconstruction and expansion project was being implemented to change the existing four lanes to eight lanes for Xian Expressway during the Reporting Year, traffic control was implemented and there were significant changes in the toll traffic volume. Besides, the toll income was based on the actual revenue in 2014 and was calculated in accordance with an increment of 3.5% pursuant to the reconstruction and expansion proposal. Therefore, average daily toll traffic volume and weighted average toll revenue per vehicle were not applicable.

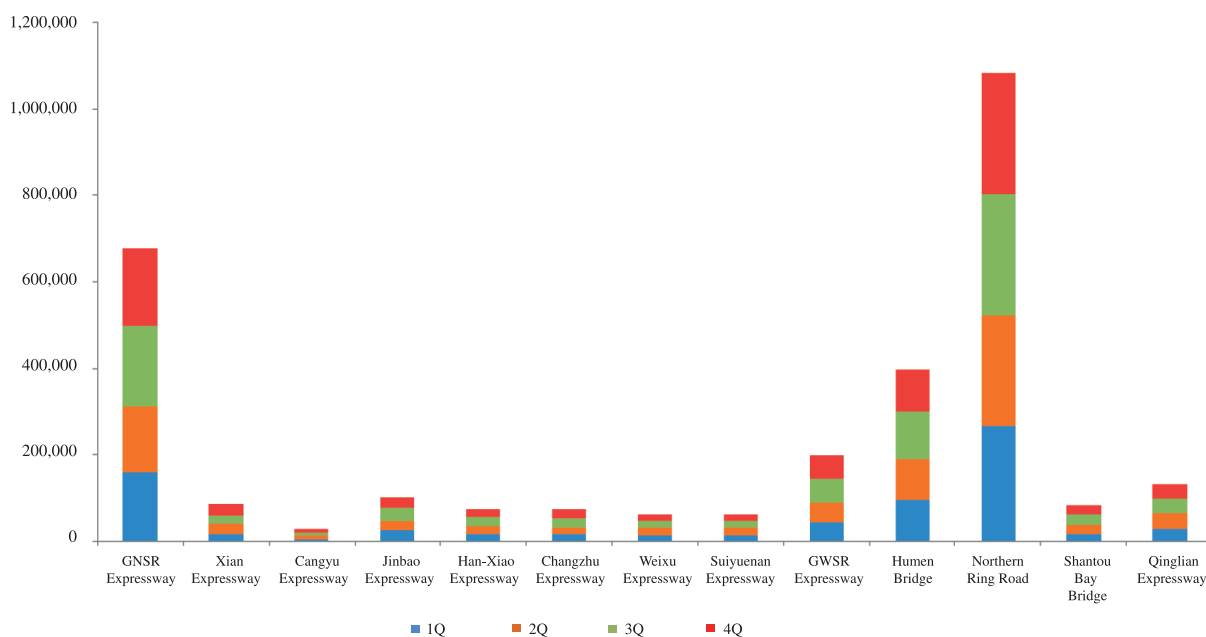
## Toll Roads and Bridges

### Quarterly analysis of average daily toll traffic volume for 2015

	Average daily toll traffic volume (vehicle/day)			
	First quarter	Second quarter	Third quarter	Fourth quarter
<b>Subsidiaries</b>				
GNSR Expressway	153,753	161,429	185,242	178,605
Xian Expressway	23,587	18,567	17,645	28,903
Cangyu Expressway	7,896	6,443	7,943	6,904
Jinbao Expressway	22,840	26,998	30,872	22,349
Han-Xiao Expressway	20,064	17,225	19,479	18,829
Changzhu Expressway	17,267	17,671	19,787	20,321
Weixu Expressway	17,359	15,261	17,486	14,412
Suiyuenan Expressway <sup>(1)</sup>	19,461	13,793	15,981	13,539
<b>Associates and Joint Venture</b>				
GWSR Expressway	43,860	46,920	56,350	53,792
Humen Bridge	94,856	98,445	109,436	96,391
Northern Ring Road	256,853	267,150	279,175	282,277
Shantou Bay Bridge	21,311	18,967	22,931	21,559
Qinglian Expressway <sup>(1)</sup>	38,117	29,232	33,963	31,909

(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.

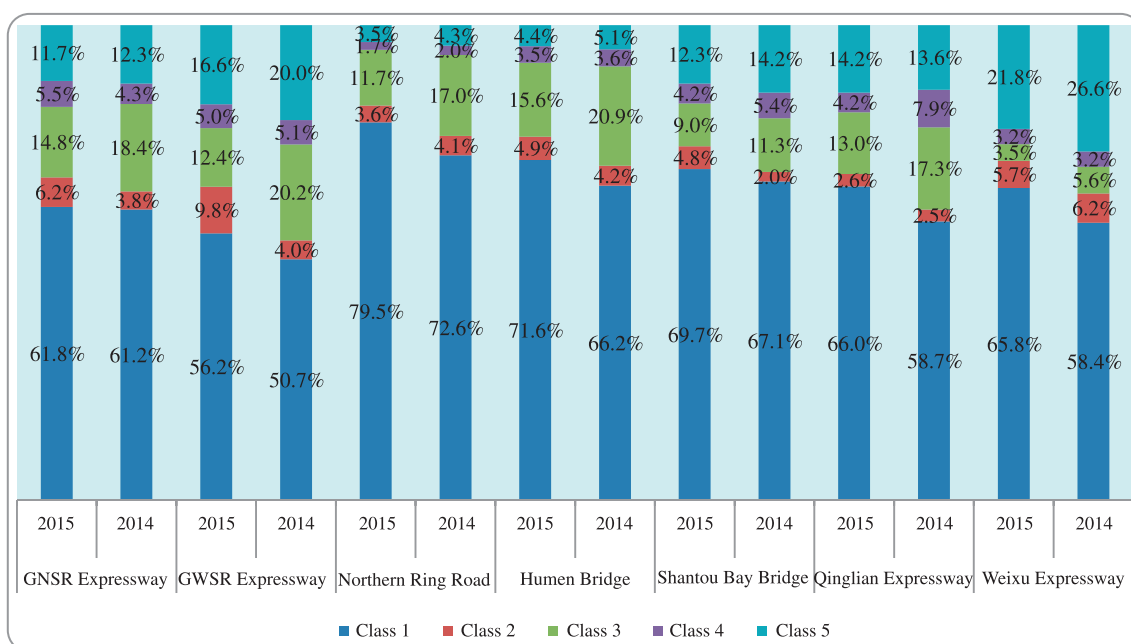
### Quarterly analysis of average daily toll traffic volume for 2015



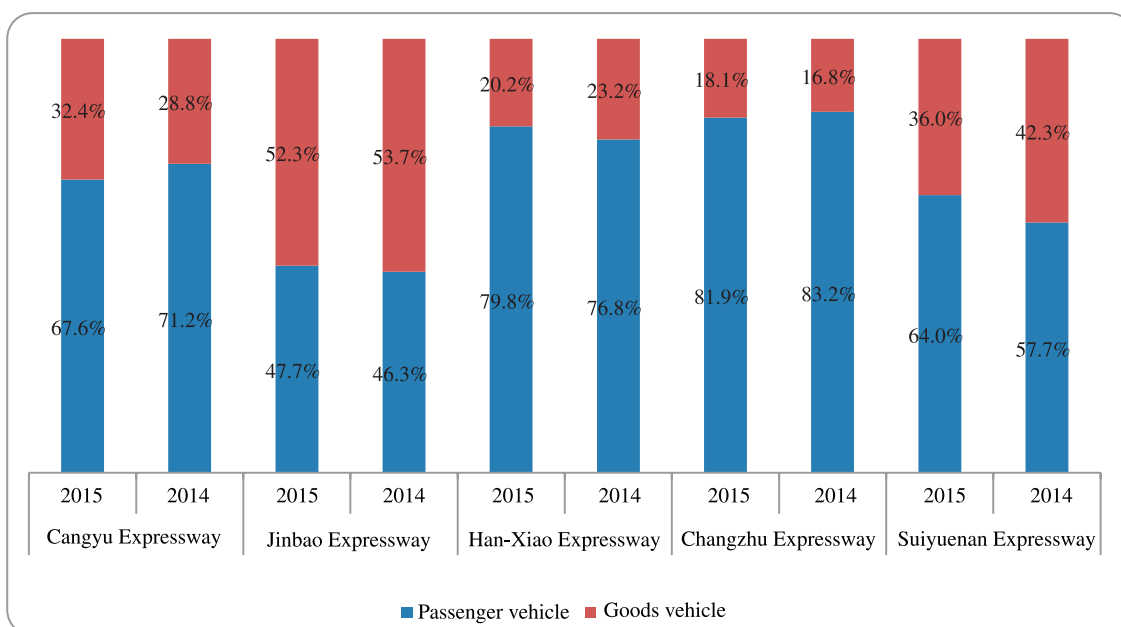
### Vehicle type analysis (based on statistics of traffic volume)

During the Reporting Year, the Group's operating projects are distributed in seven provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Shaanxi, Henan and Tianjin. According to the vehicle type classification, which was based on the location where the Group invested and operated its projects, the vehicle types of projects operated in the provinces of Guangdong and Henan were classified as Class 1 to Class 5, for projects operated in other areas, the vehicle types were classified into passenger (vehicle) and goods (vehicle). As a reconstruction and expansion project was being implemented to change the existing four lanes to eight lanes for Xian Expressway during the Reporting Year, traffic control was implemented and there were significant changes in the toll traffic volume and the vehicle type mix, while the toll income in 2015 grew by 3.3% based on the actual revenue in 2014. As the vehicle type mix did not match the toll income, an analysis of vehicle types was no longer made.

**Vehicle type analysis on projects operated in Guangdong Province and Henan Province in 2015 (based on statistics of traffic volume)**



**Vehicle type analysis on projects operated in other regions in 2015 (based on statistics of traffic volume)**





## SUMMARY OF OPERATING PERFORMANCE

### Macroeconomic Environment

During the Reporting Year, the global economic recovery followed a weak trend without obvious improvement. On one hand, the developed economies could not embrace a stable recovery as being haunted by economic woes. On the other hand, economic landscapes in emerging markets became distinctively diverse, some of which even entered into recession or got their growth stalled. There was a clear trend that international capital moved out from emerging markets and flowed back to developed countries such as Europe and United States.

Faced with deep adjustment of the world economy and increasing downward economic pressure, the overall domestic economy for the full year recorded stable growth. According to the releases from the National Bureau of Statistics, the GDP of China in 2015 was RMB67.67 trillion, increased by 6.9% year-on-year, and was leading among the major global economies with a steady, progressive and stable upward trend.

Projects invested and operated by the Group are distributed in Guangdong, Shaanxi, Tianjin, Guangxi, Hunan, Hubei and Henan, the gross domestic product of these regions increased by 8.0%, 8.0%, 9.3%, 8.1%, 8.6%, 8.9% and 8.3% respectively on year-on-year basis in 2015, all of which were higher than the national average growth level for the same period.

(Unit: RMB100 million)

	National	Guangdong Province	Shaanxi Province	Tianjin Municipality	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
2015 GDP	676,708	72,813	18,172	16,538	16,803	29,047	29,550	37,010
2015 GDP Growth	6.9%	8.0%	8.0%	9.3%	8.1%	8.6%	8.9%	8.3%
2014 GDP Growth	7.4%	7.8%	9.7%	10.0%	8.5%	9.5%	9.7%	8.9%

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

### Regulatory Environment of the Sector

During the Reporting Year, policies in the toll road industry remained stable and favourable. The Ministry of Transport issued the Regulations on the Administration of Toll Roads (Consultation Draft) 《收費公路管理條例》(修訂徵求意見稿) on 21 July 2015, pursuant to which expressways may adjust or extend the toll collection period according to such conditions as investment scale, upgrading and expansion projects, for encouraging and attracting private capital to participate in investment and alleviate debt repayment pressure in the sector.

During the Reporting Year, the Implementation Opinions concerning the Promotion and Utilization of the Public-Private Partnership (PPP) Capital Model in the Toll Road Regions 《關於在收費公路領域推廣運用政府和社會資本合作(PPP)模式的實施意見》 were jointly issued by the Ministry of Finance and the Ministry of Transport, pursuant to which the utilization of the PPP model was promoted in the toll road sector to encourage participation of private capital in toll road investment, construction, operation and maintenance.

During the Reporting Year, a unified domestic electronic toll collection (ETC) system was completed, over 21 million users were able to travel across China with one card. The unified domestic ETC system has primarily enhanced the toll collection efficiency on expressways, ensured fast passage by vehicles and safety of funds, this has also facilitated the healthy, safe and efficient development of the logistics industry, and in turn enabling transformation and upgrading of industries.

During the Reporting Year, the "Green Passage Toll Free Policy" was enforced on the expressways and bridges of the Group in compliance with the relevant national requirements. The enforcement of this policy resulted in a decrease of approximately RMB194.49 million in the Group's toll revenue (2014: approximately RMB110.28 million<sup>(1)</sup>).

During the Reporting Year, the "Toll-Free Policy For Passenger Cars With Seven Seats Or Less During Major Holidays" was enforced on expressways and bridges of the Group in compliance with the relevant national requirements. There were a total of 20 days of major holidays in 2015, a preliminary estimation shows that toll revenue of the Group decreased by approximately RMB66.44 million<sup>(2)</sup> (2014: approximately 66.74 million<sup>(2)</sup>) due to the enforcement of this policy.

### **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, our subordinate project companies regularly trimmed 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 providing noise control facilities, drainage facilities, etc. to achieve effective control of the unfavorable factors such as noise, siltation, etc.

In addition, the Group actively advocated a paperless office and encouraged the employee 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 enhance breakthroughs in innovations, further optimize the building of a business standardization operation model, and was particularly effective in professional management and control in the areas of mechanical and electrical engineering, road assets and road concessions, as well as toll collection management. Operational performance of projects set new benchmarks. Informatization of corporate information achieved breakthrough in quality standards and management systems for various businesses, such as operation, maintenance, finance, human resources and office administration were established with remarkable benefits in supporting the businesses. The effectiveness of refined management continued to improve and the overall cost control system was further strengthened. Meanwhile, the development of diversification strategy progressed steadily, the establishment of a diversification research system was completed and achieved stage progress. Research in the two core directions, namely intelligent transportation and extension of the expressway industrial chain, was reinforced to seek breakthrough developments, and established a solid foundation for the development of the strategy with toll roads as core element and other diversified sectors as collaborated elements.

### **Progress of Investments**

During the Reporting Year, the Group successfully completed the approval procedures for the Suiyuanan Expressway project to achieve completion of the equity transfer and the project was consolidated into the Group for unified management. Upon entering into the contract for transferring the equity interest of the Chishuiyu Terminal in Wuzhou, Guangxi, successfully, the Group's asset portfolio was further enhanced. In addition, the Group acquired the remaining 10% equity interest in Changzhu Expressway pursuant to the agreed terms under the Equity Transfer Agreement dated 2010 to attain entire ownership. In future, the Group will continue to invest in high quality expressways as its core business and focus on investment opportunities of expressway projects in the central and western provinces supported by government policies as well as those in coastal and economically developed provinces.

Notes:

(1) 2014 did not include data on Suiyuanan Expressway.

(2) The estimated result was calculated by simulation based on the data available to the subsidiaries and historical data, for illustration purpose only.

### **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.

### **Risk of Changes in the Planning of Road Networks**

Risk analysis: As the road network of expressways improve further, parallel roads or alternative routes may increase continuously, which may have uncertain impact on the growth of toll revenue in individual projects.

Tackling measures: To track the changes in road networks continuously and conduct integrated analysis to gain a comprehensive understanding on the trend of changes in future road network planning; fully utilize the informatized data platform and timely capture the characteristics and specific factors affecting the traffic flow changes for early adoption of target marketing and guiding measures.

### **Risk of Investment Decisions**

Risk analysis: According to the Group's development strategies, we will continue to acquire new projects in future, whether high quality projects will be selected and investment decisions to be made scientifically will have far-reaching effects on the Group's development.

Tackling measures: Subject to corporate strategies, determine the investment decision indicators and the information required for analysis, and maintain close communication with the relevant assessment agencies and collaborative authorities; combine preliminary investment research with project progress conditions and influencing factors, such as socio-economic policies, to predict possible external factors which may arise in later stages; select the right timing of entry for the project and formulate the corresponding investment strategies, and make timely adjustments to achieve the best result.

### **Risk of Financing Costs**

Risk analysis: As the Group's borrowings gradually increase, there are higher requirements for budgeting, management and control of funds. Currently a regular reporting system has been basically established for funding conditions and financing plans, but the capabilities on assessing actual requirement of funds and the funding term have to be strengthened. At the same time, monitor closely the relationship between exchange rate changes and changes in interest rate spreads, further enhance supervision and control capabilities, take action in advance to avoid risk of exchange rate changes and structural risk of financing arrangements.

Tackling measures: To keep on strengthening the tracking analysis on national currency policies and capital market conditions and trends and closely monitor exchange rate and interest rate changes; enhance joint collaborations with domestic and foreign investment banks to obtain information on exchange rate and interest rate hedging to further improve supervision and control capabilities.

### **Risk of Sectoral and Economic Policies**

Risk analysis: Changes in sectoral and economic policies in China will have impact on toll road enterprises. Currently, policies for the toll road sector remained stable and favourable; macroeconomic growth in China declined further and entered into the transformation and upgrading stage, which may affect the transportation demand, particularly the freight demand.

Tackling measures: Monitor simultaneously the conditions of the province where the subsidiaries operate, including transportation industry policies, regional economic policies and macroeconomic changes, collect and arrange the relevant information regularly to establish a database for carrying out analysis and research to formulate tackling measures; strengthen interaction between peer entities and superior authorities to understand the changing direction of the industry, exchange management experience and enable good communication.

## **Risk of Strategic Guidance**

Risk analysis: With progress in the "In and Out" strategies of assets, a systematic analysis system is required to be established for asset disposal to ensure the process of implementing the strategic targets is consistent with the corporate vision and operational practice.

Tackling measures: Carry out timely updating on policy environment and operating environment, establish a systematic analyzing system and enhance the professional ability of asset disposal.

## **Performance of Expressways and Bridges**

### **Subsidiaries**

#### **GNSR Expressway**

During the Reporting Year, the average daily toll traffic volume was 169,868 vehicles and the average daily toll revenue was RMB2,602,000 representing an increase of 14.2% and 12.4%, respectively, when compared with 2014.

Benefiting from the growth of vehicle ownership and the positive influence of the implementation of the toll-by-weight policy on goods vehicles in Guangdong Province with effect from 26 June 2015, the average daily toll traffic volume and average daily toll revenue maintained growth year-on-year.

#### **Xian Expressway**

During the Reporting Year, the average daily toll traffic volume was 22,178 vehicles and the average daily revenue was RMB735,000, representing an increase of 3.3%, when compared with 2014.

According to the Expressway Development Plan in Shaanxi Province, the Xian Expressway will implement the project expansion work of converting "4 to 8" lanes. According to the agreed terms signed with the project expansion party, toll revenue in 2015 will be calculated by using the actual revenue in 2014 as the base figure and increasing by 3.5% (less than 3.5% which was mainly due to the recognition in January 2014 of a sum of unallocated revenue in 2013 of approximately RMB490,000).

#### **Cangyu Expressway**

During the Reporting Year, the average daily toll traffic volume was 7,296 vehicles and the average daily toll revenue was RMB184,000, representing an increase of 2.4% and 3.6%, respectively, when compared with 2014.

Due to the diversion impact from the completion and full commencement of Guiwu Expressway on 20 April 2015, both the average daily toll traffic volume and average daily toll revenue stopped declining and resumed rising.

#### **Jinbao Expressway**

During the Reporting Year, the average daily toll traffic volume was 25,777 vehicles and the average daily toll revenue was RMB258,000, representing an increase of 1.6% and a decrease of 3.8%, respectively, when compared with 2014.

Due to the continuous impact of the implementation of the policy on restricted movement of motor vehicles in Tianjin with effect from 1 March 2014 (including measures to restrict non-local vehicles and goods vehicles in different hours, regional restriction policy according to the last digit of license during working days), resulting in a decrease in the growth rate of average daily toll traffic volume and a decline in the average daily toll revenue year-on-year.

### **Han-Xiao Expressway**

During the Reporting Year, the average daily toll traffic volume was 18,898 vehicles and the average daily toll revenue was RMB385,000, representing an increase of 8.2% and 4.1%, respectively, when compared with 2014.

Benefited from stable growth and rising vehicle ownership of the regional economies, as well as the cessation of traffic control measures due to early completion of the connection works of neighbouring Dai-Huang Expressway Liudian interchange on 30 September 2015, average daily toll traffic volume maintained growth year-on-year, while toll revenue stopped declining and resumed rising.

### **Changzhu Expressway**

During the Reporting Year, the average daily toll traffic volume was 18,773 vehicles and the average daily toll revenue was RMB593,000, representing an increase of 16.6% and 28.8%, respectively, when compared with 2014.

Benefiting from stable economic growth in surrounding regions and further improvement of road network as well as the implementation of traffic control measures due to reconstruction works at Lituo section of the G4 National Expressway from 10 April 2015 (during which the Lituo section of the G4 National Expressway implemented full closure from 24 November to 31 December, 2015), double-digit growth was maintained for the average daily toll traffic volume and the average daily toll revenue year-on-year, respectively.

### **Weixu Expressway**

During the Reporting Year, the average daily toll traffic volume was 16,125 vehicles and the average daily toll revenue was RMB750,000, representing a decrease of 1.1% and 3.8%, respectively, when compared with 2014.

Affected by backflow of traffic volumes partially diverted to Weixu Expressway due to restoring traffic of Hebei section of the G4 National Expressway after completion of reconstruction in December 2014, the average daily toll traffic volume and average daily toll revenue of Weixu Expressway decreased year-on-year.

### **Suiyuan Expressway**

During the Reporting Year, the average daily toll traffic volume was 15,678 and the average daily toll revenue was RMB1,264,000, representing an increase of 19% and 8.4%, respectively, when compared with 2014.

Benefiting from stable growth in regional economies and further improvement of road network, the average daily toll traffic volume and average daily toll revenue maintained growth year-on-year, generally in line with expectation of the acquisition.

### **Associates and Joint Venture**

#### **GWSR Expressway**

During the Reporting Year, the average daily toll traffic volume was 50,275 vehicles and the average daily toll revenue was RMB990,000, representing an increase of 9.7% and 8%, respectively, when compared with 2014.

Benefiting from the growth of vehicle ownership and the positive influence of the implementation of the toll-by-weight policy on goods vehicles in Guangdong Province with effect from 26 June 2015, the average daily toll traffic volume and average daily toll revenue maintained growth year-on-year.

#### **Humen Bridge**

During the Reporting Year, the average daily toll traffic volume was 99,813 vehicles and the average daily toll revenue was RMB3,839,000, representing an increase of 7.4% and 6.5%, respectively, when compared with 2014.

Benefiting from the growth of vehicle ownership and the positive influence of the implementation of the toll-by-weight policy on goods vehicles in Guangdong Province with effect from 26 June 2015, the average daily toll traffic volume and average daily toll revenue maintained growth year-on-year.

### **Northern Ring Road**

During the Reporting Year, the average daily toll traffic volume was 271,455 vehicles and the average daily toll revenue was RMB1,891,000, representing an increase of 8.2% and 7.2%, respectively, when compared with 2014.

Benefiting from the growth of vehicle ownership and the effective utilization of traffic flow enhancement measures during the peak traffic flow period, traffic mobility and efficiency of roads have been increasing continuously, the average daily toll traffic volume and the average daily toll revenue maintained growth year-on-year.

### **Shantou Bay Bridge**

During the Reporting Year, the average daily toll traffic volume was 21,197 vehicles and the average daily toll revenue was RMB682,000, representing an increase of 6.9% and a decrease of 0.7%, respectively, when compared with 2014.

Benefiting from the growth of vehicle ownership, the average daily toll traffic volume maintained stable growth. However, affected by the implementation of traffic control measures to prohibit some heavy goods vehicles from using the bridge during the maintenance and repair period from 7 April to 30 December 2015, toll revenue decreased year-on-year.

### **Qinglian Expressway**

During the Reporting Year, the average daily toll traffic volume was 33,290 vehicles and the average daily toll revenue was RMB1,746,000, representing an increase of 0.8% and a decrease of 18.3%, respectively, when compared with 2014.

Affected by the diversion of traffic flow upon completion and commencement of operation of the Guangle Expressway and Erguang Expressway, long-haul traffic volume decreased and the average daily toll traffic volume grew at a slower rate, resulting in a decrease in toll revenue year-on-year.

## FINANCIAL REVIEW

Key operating results figures			
	Reporting Year RMB' 000	2014 RMB' 000	Change %
Income from operations	<b>2,226,023</b>	1,858,706	19.8
Gross profit	<b>1,450,776</b>	1,167,891	24.2
Operating profit	<b>1,120,445</b>	996,701	12.4
Earnings before interests, tax, depreciation and amortization ("EBITDA") <sup>1</sup>	<b>2,037,563</b>	1,670,146	22.0
Finance costs	<b>(536,222)</b>	(284,192)	88.7
Share of results of associates	<b>231,077</b>	250,256	-7.7
Share of result of a joint venture	<b>26,849</b>	21,216	26.6
Profit attributable to shareholders of the Company	<b>532,086</b>	609,370	-12.7
Basic and diluted earnings per share	<b>RMB0.3180</b>	RMB0.3642	-12.7
Dividend	<b>384,159</b>	371,835	

<sup>1</sup> EBITDA includes profit from associates and joint venture and excludes non-cash gains and losses

### I. Overview of operating results

The Group's income from operations grew 19.8 percent to RMB2,226.0 million while profit attributable to shareholders of the Company declined by 12.7 percent to RMB532.1 million in 2015 ("Reporting Year") mainly due to impairment loss provisions of Jinbao Expressway and Qinglian Expressway and exchange loss from RMB depreciation during the year. The Directors have recommended the payment of final dividend for 2015 of HK\$0.16 which is equivalent to approximately RMB0.133917 (2014: HK\$0.17 which was equivalent to approximately RMB0.134885) per share, together with the interim dividend of HK\$0.12 which was equivalent to approximately RMB0.095683 (2014: HK\$0.11 which was equivalent to approximately RMB0.087350) per share, total dividends for the year ended 31 December 2015 will amount to HK\$0.28 which is equivalent to approximately RMB0.2296 (2014: HK\$0.28 which was equivalent to approximately RMB0.22235) per share, represented a dividend payout ratio of 72.2 percent (2014: 61.0 percent).

The income from operations' growth in the Reporting Year mainly due to GNSR Expressway, Changzhu Expressway, Xian Expressway and the consolidation of the newly acquired Suiyuan Expressway in the toll operation side. Toll revenue of GNSR Expressway grew 12.4 percent or RMB105.1 million due to increase in car ownership and implementation of toll by weight. Toll revenue of Changzhu Expressway grew 28.8 percent or RMB48.4 million due to vicinity road networks improvement. Xian Expressway's toll income grew 3.3 percent or RMB8.6 million. Toll revenue of Suiyuan Expressway consolidated to the Group from date of completion (i.e. 21 July 2015) to 31 December 2015 amounted to RMB205.4 million. Toll revenue of Weixu Expressway decreased 3.8 percent or RMB10.8 million mainly due to traffic returning back to Hebei section of the G4 Expressway after completion of its reconstruction in December 2014. Han-Xiao Expressway's toll revenue has resumed to a growth of 4.1 percent or RMB5.6 million with the declining impact from the vicinity roads' construction works in progress since the second half of the Reporting Year. Due to the continuous impact of the implementation of traffic restriction policy, toll revenue of Jinbao Expressway decreased by 3.8 percent or RMB3.7 million. The negative impact caused by the traffic diversion from Yunluo Expressway and Guanghe Expressway has been minimized with the beneficial impact from the opening of Guiwu Expressway and the implementation of traffic control measures as a result of the transformation and construction of the Cangwu section of 321 National Highway since April 2015; as a result, Cangyu Expressway's toll revenue resumed to a growth of 3.6 percent or RMB2.3 million. Toll revenue of non-controlled toll projects in aggregate was close to 2014 level. Toll revenue of Humen Bridge, Northern Ring Road and GWSR Expressway grew 6.5 percent, 7.2 percent and 8.0 percent respectively. Qinglian Expressway's toll revenue dropped by 18.3 percent mainly due to the traffic diversion effects from the opening of Guangle Expressway in September 2014 and Erguang Expressway in December 2014. With the commencement of major overhaul of Shantou Bay Bridge since April 2015, its toll revenue declined 0.7 percent in the Reporting Year.

In the profit attributable to shareholders of the Company (after elimination of inter-company loan interests), controlled projects contributed RMB591.5 million in the Reporting Year with a 9.7 percent increase as compared to 2014. Among the controlled projects, contribution from toll operation in aggregate increased 12.2 percent to RMB612.6 million (which if to ignore the consolidation of the newly acquired Suiyuan Expressway, it should be a 6.9 percent increase) while the port operation was at a loss of RMB21.1 million. Owing to the continuous toll revenue growth and inter-company debt restructuring carried out, Changzhu Expressway recorded a significant increase in net profit of 967.5 percent to RMB67.3 million in the Reporting Year. GNSR Expressway with its strong toll revenue growth which led to its net profit increased by 20.7 percent to RMB303.2 million. Xian Expressway's net profit in the Reporting Year was close to the 2014 level being RMB133.3 million, which if to ignore the 2013 profit tax refund of RMB15.97 million (preferential tax rate granted in relation to the Great Western Expansion Campaign Tax Relief Policy) recorded in 2014, it should be a 15.1 percent increase in its net profit in the Reporting Year. Weixu Expressway has contributed net profit of RMB88.5 million in the Reporting Year which was also close to the 2014 level. Owing to the inter-company debt restructuring carried out, Han-Xiao Expressway's net profit increased by 81.4 percent to RMB80.0 million in the Reporting Year. Upon completion of acquisition of Suiyuan Expressway on 21 July 2015, its net profit consolidated to the Group amounted to RMB29.1 million. Cangyu Expressway's net profit increased by 50.0 percent to RMB22.5 million. Jinbao Expressway recorded net profit drop of 17.1 percent to RMB8.7 million from its operation and an impairment loss of RMB119.9 million was provided in the Reporting Year after assessment made by independent Traffic Consultant and Valuer. The Port operation being commenced operation in September 2014 has recorded loss of RMB21.1 million in the Reporting Year. The non-controlled toll projects in aggregate contributed RMB257.9 million of net profit to the Group with 5.0 percent drop as compared with 2014. Humen Bridge grew 6.4 percent to RMB157.3 million. Northern Ring Road grew 13.0 percent to RMB74.0 million. Shantou Bay Bridge dropped 5.1 percent to RMB33.1 million mainly due to decline in toll revenue while its major overhaul in progress. Qinglian Expressway recorded net loss of RMB27.6 million from its operation mainly due to the decline in toll revenue being affected by traffic diversion and because of this continuous diverting impact, an impairment loss of RMB5.7 million was provided separately after assessment by independent Traffic Consultant and Valuer. GWSR Expressway recorded 26.6 percent increase to RMB26.8 million, which if to ignore the prior year's tax under provision of RMB1.5 million (attributable to the Group) recorded in 2015, it should be a 33.6 percent increase in its net profit attributable to the Group in the Reporting Year.

At the corporate level, there was a net exchange loss of RMB126.6 million of which included a one off exchange gain of RMB72.6 million being a release of currency translation differences upon disposal of subsidiaries. Moreover, there were other gains of RMB30.1 million which were also derived from disposal of subsidiaries. Apart from the aforementioned, there were no material corporate level transactions which have significant impacts to the overall profit attributable to the shareholders of the Company during the Reporting Year.



## II. Analysis of operating results

### *Income from operations*

The Group recorded income from operations of RMB2,226.0 million in the Reporting Year, an increase of 19.8 percent as compared with 2014. Income from toll operation increased 19.5 percent to RMB2,215.3 million in the Reporting Year. Income from Port operation amounted to RMB10.8 million (2014: RMB4.3 million (commenced operation in September 2014)).

<b>Analysis of income form operations by each controlled project</b>					
<b>Controlled Projects</b>	<b>Reporting Year</b>	<b>Percentage of total</b>	<b>2014</b>	<b>Percentage of total</b>	<b>Change</b>
	<b>RMB' 000</b>	<b>%</b>	<b>RMB' 000</b>	<b>%</b>	<b>%</b>
GNSR Expressway	<b>949,780</b>	<b>42.7</b>	844,684	45.4	12.4
Weixu Expressway	<b>273,698</b>	<b>12.3</b>	284,537	15.3	-3.8
Xian Expressway	<b>268,381</b>	<b>12.1</b>	259,811	14.0	3.3
Changzhu Expressway	<b>216,416</b>	<b>9.7</b>	168,008	9.0	28.8
Suiyuanan Expressway	<b>205,412</b>	<b>9.2</b>	—	—	N/A
Han-Xiao Expressway	<b>140,534</b>	<b>6.3</b>	134,964	7.3	4.1
Jinbao Expressway	<b>94,003</b>	<b>4.2</b>	97,715	5.3	-3.8
Cangyu Expressway	<b>67,030</b>	<b>3.0</b>	64,704	3.5	3.6
Total from toll operation	<b>2,215,254</b>	<b>99.5</b>	1,854,423	99.8	19.5
Port Operation	<b>10,769</b>	<b>0.5</b>	4,283 <sup>1</sup>	0.2	N/A
<b>Total</b>	<b>2,226,023</b>	<b>100.0</b>	1,858,706	100.0	19.8

<sup>1</sup> Port commenced operation in September 2014.

GNSR Expressway accounted for 42.7 percent (2014: 45.4 percent) of the income from operations of the Group's controlled projects in the Reporting Year. With increase in car ownership volume and implementation of toll by weight system for trucks in Guangdong Province on 26 June 2015, toll revenue of GNSR Expressway in the Reporting Year increased by 12.4 percent to RMB949.8 million.

Weixu Expressway, ranked second in terms of income from operations accounted for approximately 12.3 percent (2014: 15.3 percent) among controlled projects. Toll revenue of Weixu Expressway dropped 3.8 percent to RMB273.7 million in the Reporting Year mainly due to traffic returning back to Hebei section of the G4 Expressway after completion of its reconstruction in December 2014.

Xian Expressway, ranked third in terms of income from operations accounted for approximately 12.1 percent (2014: 14.0 percent) among controlled projects and grew 3.3 percent to RMB268.4 million in the Reporting Year.

Changzhu Expressway, ranked fourth in terms of income from operations accounted for approximately 9.7 percent (2014: 9.0 percent) among controlled projects. Toll revenue in the Reporting Year amounted to RMB216.4 million being 28.8 percent higher than 2014 being benefited from further economic improvement of road networks in the surrounding regions.

Suiyuanan Expressway was consolidated to the Group since 21 July 2015. It ranked fifth in terms of income from operations being amounted to RMB205.4 million and accounted for approximately 9.2 percent among controlled projects.

Han-Xiao Expressway, ranked sixth in terms of income from operations accounted for approximately 6.3 percent (2014: 7.3 percent) among controlled projects. With the declining impact from the vicinity roads' construction works in progress since the second half of the Reporting Year, its toll revenue has resumed to a growth of 4.1 percent to RMB140.5 million.

Jinbao Expressway, ranked seventh in terms of income from operations accounted for approximately 4.2 percent (2014: 5.3 percent) among controlled projects. With the relevant traffic restriction policy implemented in March 2014, Jinbao Expressway's toll revenue declined 3.8 percent in the Reporting Year to RMB94.0 million.

Cangyu Expressway, ranked eighth in terms of income from operations accounted for approximately 3.0 percent (2014: 3.5 percent) among controlled projects. The negative impact caused by the traffic diversion from Yunluo Expressway and Guanghe Expressway since 2014 has been minimized with the beneficial impact from the opening of Guiwu Expressway and the implementation of traffic control measures as a result of the transformation and construction of the Cangwu section of 321 National Highway since April 2015, as a result, Cangyu Expressway's toll revenue resumed to a growth of 3.6 percent to RMB67.0 million.

Yuexin Chishui Port has contributed RMB10.8 million (2014: RMB4.3 million) to the Group's income from operations in the Reporting Year.

### **Cost of services**

In the Reporting Year, total cost of services of the Group amounted to RMB775.2 million (2014: RMB690.8 million), an increase of RMB84.4 million or 12.2 percent as compared with 2014. Cost ratio was 34.8 percent in the Reporting Year being 2.4 percentage point lower than 2014, of which cost ratio of toll operation in the Reporting Year was 33.8 percent being 3.0 percentage point lower than 2014. An analysis of cost of services showed that the increase was mainly due to the consolidation of Suiyuan Expressway from completion date, i.e. 21 July 2015, having brought in total cost of services of RMB65.0 million. In the total cost of services, cost related to controlled toll projects amounted RMB748.4 million and cost of Port operation amounted RMB26.8 million (mainly depreciation of fixed assets of RMB17.1 million).

<b>Analysis of cost of services by each controlled project</b>					
<b>Controlled Projects</b>	<b>Reporting Year</b>	<b>Percentage of total</b>	<b>2014</b>	<b>Percentage of total</b>	<b>Change</b>
	<b>RMB' 000</b>	<b>%</b>	<b>RMB' 000</b>	<b>%</b>	<b>%</b>
GNSR Expressway	<b>270,979</b>	<b>34.9</b>	262,631	38.0	3.2
Weixu Expressway	<b>95,288</b>	<b>12.3</b>	92,771	13.4	2.7
Xian Expressway	<b>90,695</b>	<b>11.7</b>	109,477	15.8	-17.2
Changzhu Expressway	<b>72,828</b>	<b>9.4</b>	69,022	10.0	5.5
Jinbao Expressway	<b>65,214</b>	<b>8.4</b>	65,169	9.4	0.1
Suiyuan Expressway	<b>64,978</b>	<b>8.4</b>	—	—	N/A
Han-Xiao Expressway	<b>57,018</b>	<b>7.4</b>	52,747	7.6	8.1
Cangyu Expressway	<b>31,363</b>	<b>4.0</b>	30,175	4.4	3.9
Total from toll operation	<b>748,363</b>	<b>96.5</b>	681,992	98.6	9.7
Port operation	<b>26,884</b>	<b>3.5</b>	8,823 <sup>1</sup>	1.4	N/A
<b>Total</b>	<b>775,247</b>	<b>100.0</b>	690,815	100.0	12.2

<sup>1</sup> Port commenced operation in September 2014.

### Analysis of cost of services by nature

	Reporting Year RMB' 000	Percentage of total %	2014 RMB' 000	Percentage of total %	Change %
Amortization of intangible operating rights	<b>419,119</b>	<b>54.1</b>	346,025	50.1	21.1
Toll highways and bridges maintenance expenses	<b>82,525</b>	<b>10.7</b>	115,986	16.8	-28.8
Staff costs	<b>111,183</b>	<b>14.3</b>	88,461	12.8	25.7
Business tax	<b>75,221</b>	<b>9.7</b>	63,262	9.2	18.9
Toll highways and bridges operating expenses	<b>56,803</b>	<b>7.3</b>	58,619	8.5	-3.1
Depreciation of other fixed assets	<b>30,396</b>	<b>3.9</b>	18,462	2.6	64.6
<b>Total</b>	<b>775,247</b>	<b>100.0</b>	690,815	100.0	12.2

### Gross profit

Gross profit in the Reporting Year increased by 24.2 percent to RMB1,450.8 million, of which gross profit related to toll operation was RMB1,466.9 million and gross loss related to Port operation was RMB16.1 million. Gross profit margin in the Reporting Year was 65.2 percent being 2.4 percentage point higher than 2014, of which gross profit margin of toll operation in the Reporting Year was 66.2 percent being 3.0 percentage point higher than 2014.

### Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year		2014	
	Gross Profit RMB' 000	Gross Margin	Gross Profit RMB' 000	Gross Margin
GNSR Expressway	<b>678,801</b>	<b>71.5%</b>	582,053	68.9%
Weixu Expressway	<b>178,410</b>	<b>65.2%</b>	191,766	67.4%
Xian Expressway	<b>177,686</b>	<b>66.2%</b>	150,334	57.9%
Changzhu Expressway	<b>143,588</b>	<b>66.3%</b>	98,986	58.9%
Suiyuan Expressway	<b>140,434</b>	<b>68.4%</b>	—	N/A
Han-Xiao Expressway	<b>83,516</b>	<b>59.4%</b>	82,217	60.9%
Cangyu Expressway	<b>35,667</b>	<b>53.2%</b>	34,529	53.4%
Jinbao Expressway	<b>28,789</b>	<b>30.6%</b>	32,546	33.3%
Total from toll operation	<b>1,466,891</b>	<b>66.2%</b>	1,172,431	63.2%
Port operation	<b>(16,115)</b>	<b>N/A</b>	(4,540)	N/A
<b>Total</b>	<b>1,450,776</b>	<b>65.2%</b>	1,167,891	62.8%

### General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB202.1 million being closed to the 2014 level of RMB204.0 million.

### ***Other income, gains and losses – net***

The Group's other income, gains and losses – net was a loss of RMB128.2 million in the Reporting Year (2014: net gain of RMB32.8 million) which mainly included: (1) impairment loss provision (before tax impact) of RMB266.4 million; (2) an one off exchange gain of approximately RMB72.6 million being a release from currency translation differences upon disposal of subsidiaries; and (3) gains of RMB30.1 million derived from disposal of subsidiaries. Apart from the aforementioned, there were no material other income, gains and losses – net in the Reporting Year.

### ***Finance income/Finance costs***

The Group's finance income in the Reporting Year amounted to RMB27.8 million which was 8.2 percent lower than 2014.

The Group's finance costs in the Reporting Year increased by 88.7 percent to RMB536.2 million (no amount capitalized) as compared with 2014 of RMB284.2 million (net of amount capitalized in construction in progress of RMB15.1 million) mainly due to increase in interest expenses from new debts (bank borrowings and notes payable) consolidated to the Group in the Reporting Year and exchange loss of RMB184.9 million arose from accounting translation of foreign currency debts. However, the Group's overall weighted average interest rate in the Reporting Year was 4.46 percent which was lower than the 2014 rate of 5.40 percent.

### ***Share of results of associates and a joint venture***

The Group's share of results of associates and a joint venture has decreased by 5.0 percent in the Reporting Year to RMB257.9 million.

Share of post-tax profit of Humen Bridge in the Reporting Year increased by 6.4 percent to RMB157.3 million. Having benefited from continued growth in car ownership, toll revenue at the project company level has increased by 6.5 percent to RMB1,401.2 million in the Reporting Year.

Share of post-tax profit of Northern Ring Road in the Reporting Year increased by 13.0 percent to RMB74.0 million. Toll revenue at the project company level grew 7.2 percent to RMB690.4 million with the implementation of stricter restriction on trucks in Guangzhou First Ring Road on 25 February 2014 which has further improved its traffic conditions.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year decreased by 5.1 percent to RMB33.1 million. Toll revenue at the project company level dropped 0.7 percent to RMB249.0 million in the Reporting Year with the commencement of its major overhaul since April 2015.

Share of post-tax result of Qinglian Expressway turned loss in the Reporting Year to RMB33.3 million of which included an impairment loss provision of RMB5.7 million. Toll revenue at the project company level dropped 18.3 percent to RMB637.2 million mainly due to the traffic diversion effects from the opening of Guangle Expressway in September 2014 and Erguang Expressway in December 2014.

Share of post-tax profit of GWSR Expressway in the Reporting Year increased by 26.6 percent to RMB26.8 million, which if to ignore the prior year's tax under provision of RMB1.5 million (attributable to the Group) recorded in 2015, it should be a 33.6 percent increase in its net profit attributable to the Group. Toll revenue at the project company level grew 8.0 percent to RMB361.5 million.

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

	Profit Sharing ratio %	Revenue <sup>(1)</sup>		Share of results	
		Reporting Year RMB' 000	YoY change %	Reporting Year RMB' 000	YoY change %
<b>Associates</b>					
Humen Bridge	18.446	<b>1,401,234</b>	6.5	<b>157,267</b>	6.4
Northern Ring Road	24.3	<b>690,396</b>	7.2	<b>73,976</b>	13.0
Shantou Bay Bridge	30.0	<b>248,974</b>	-0.7	<b>33,090</b>	-5.1
Qinglian Expressway	23.63	<b>637,172</b>	-18.3	<b>(33,256)</b>	turned loss
Sub-total		<b>2,977,776</b>	-0.4	<b>231,077</b>	-7.7
<b>Joint venture</b>					
GWSR Expressway	35.0	<b>361,450</b>	8.0	<b>26,849</b>	26.6
Total		<b>3,339,226</b>	0.4	<b>257,926</b>	-5.0

<sup>(1)</sup> Represented figures at the respective project companies' level

#### **Income tax expense**

Total income tax expense of the Group in the Reporting Year decreased by 8.3 percent to RMB216.9 million mainly due to reversal of deferred tax liabilities upon impairment loss provided in Jinbao Expressway.

### **Profit attributable to shareholders of the Company**

The Company reported profit attributable to its shareholders of RMB532.1 million in the Reporting Year, a decrease of 12.7 percent as compared with 2014. Since 2013, the Group has carried out certain debt restructuring between onshore and offshore debts so as to take advantage of the interest rate differentials not only of Hong Kong and PRC markets but also of international markets. As part of the debt restructuring process, there were inter-company loan interests incurred between the controlled projects level and the corporate entities level which would be eliminated ultimately at the consolidated level.

<b>Analysis of the profit attributable to shareholders of the Company after elimination of inter-company loan interests</b>					
	<b>Reporting Year</b>	<b>Percentage of total</b>		<b>Percentage of total</b>	<b>Change</b>
	<b>RMB' 000</b>	<b>%</b>	<b>2014 RMB' 000</b>	<b>%</b>	<b>%</b>
Net profit from controlled projects	<b>591,489</b>	<b>69.6</b>	539,332	66.5	9.7
Net profit from non-controlled projects <sup>(1)</sup>	<b>257,926</b>	<b>30.4</b>	271,472	33.5	-5.0
Net profit from projects	<b>849,415</b>	<b>100.0</b>	810,804	100.0	4.8
Withholding tax on PRC dividends/income	<b>(33,378)</b>		(36,503)		-8.6
Corporate expenses	<b>(117,328)</b>		(123,819)		-5.2
Corporate income/gains, net	<b>101,607</b>		1,288		7,788.7
Corporate finance income	<b>17,024</b>		24,609		-30.8
Corporate finance costs	<b>(285,254)</b>		(67,009)		325.7
Profit attributable to shareholders of the Company	<b>532,086</b>		609,370		-12.7

<sup>(1)</sup> Representing share of results of associates and a joint venture

An analysis of the profit attributable to shareholders of the Company showed net profit derived from controlled projects amounted to RMB591.5 million in the Reporting Year, accounted for 69.6 percent (2014: 66.5 percent) while net profit from non-controlled projects amounted to RMB257.9 million in the Reporting Year, accounted for 30.4 percent (2014: 33.5 percent).

Net profit from controlled projects of RMB591.5 million represented growth of 9.7 percent or RMB52.2 million higher than 2014; of which net profit from toll operation increased 12.2 percent to RMB612.6 million (which if to ignore the consolidation of the newly acquired Suiyuan Expressway, it should be a 6.9 percent increase). Yuexin Chishui Port has commenced its operation in September 2014 and was still operating at a loss of RMB21.1 million during the Reporting Year.

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

Controlled Projects	Reporting Year	Percentage of total	2014	Percentage of total	Change %
	RMB' 000	%	RMB' 000	%	
GNSR Expressway	303,233	35.8	251,243	31.0	20.7
Xian Expressway	133,285	15.7	131,737	16.3	1.2
Weixu Expressway	88,459	10.4	86,976	10.7	1.7
Han-Xiao Expressway	79,954	9.4	44,079	5.4	81.4
Changzhu Expressway	67,263	7.9	6,301	0.8	967.5
Suiyuenan Expressway	29,137	3.4	—	—	N/A
Cangyu Expressway	22,459	2.6	14,977	1.8	50.0
Jinbao Expressway					
– operation	8,723	1.0	10,524	1.3	-17.1
– impairment loss	(119,895)	-14.1	—	—	N/A
Total from toll operation	612,618	72.1	545,837	67.3	12.2
Port operation	(21,129)	-2.5	(6,505) <sup>1</sup>	-0.8	N/A
Total	591,489	69.6	539,332	66.5	9.7

<sup>1</sup> Port commenced operation in September 2014.

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

Controlled Projects	Reporting Year	Percentage of total	2014	Percentage of total	Change %
	RMB' 000	%	RMB' 000	%	
GNSR Expressway	303,233	38.6	251,243	34.0	20.7
Xian Expressway	133,285	17.0	131,737	17.8	1.2
Weixu Expressway	88,459	11.3	86,976	11.8	1.7
Han-Xiao Expressway	59,096	7.5	27,578	3.7	114.3
Changzhu Expressway	34,361	4.4	(47,989)	-6.5	turned profit
Suiyuenan Expressway	22,972	2.9	—	—	N/A
Cangyu Expressway	21,126	2.7	14,977	2.0	41.1
Jinbao Expressway					
– operation	8,723	1.1	10,524	1.4	-17.1
– impairment loss	(119,895)	-15.3	—	—	N/A
Total from toll operation	551,360	70.2	475,046	64.2	16.1
Port operation	(23,504)	-3.0	(7,706) <sup>1</sup>	-1.0	N/A
Total	527,856	67.2	467,340	63.2	12.9

<sup>1</sup> Port commenced operation in September 2014.

Net profit from non-controlled projects (which were all toll projects with analysis shown in the aforementioned table “analysis of share of results of associates and a joint venture and respective revenue”) has declined 5.0 percent in the Reporting Year to RMB257.9 million as compared with 2014. Among the non-controlled toll projects, profits attributable to the shareholders of the Company from Humen Bridge, Northern Ring Road, Shantou Bay Bridge, Qinglian Expressway and GWSR Expressway accounted for 18.5 percent (2014: 18.2 percent), 8.7 percent (2014: 8.1 percent), 3.9 percent (2014: 4.3 percent), -3.9 percent (2014: 0.3 percent) and 3.2 percent (2014: 2.6 percent) of the net profit from projects respectively.

At the corporate level, there was a net exchange loss of RMB126.6 million of which included a one off exchange gain of RMB72.6 million being a release of currency translation differences upon disposal of subsidiaries. Moreover, there were other gains of RMB30.1 million which were also derived from disposal of subsidiaries. Apart from the aforementioned, there were no material corporate level transactions which have significant impacts to the overall profit attributable to the shareholders of the Company during the Reporting Year.

### **Final dividend**

The Directors have recommended the payment of final dividend for 2015 of HK\$0.16 which is equivalent to approximately RMB0.133917 (2014: HK\$0.17 which was equivalent to approximately RMB0.134885) per share payable to shareholders whose names appear on the register of members of the Company on 27 May 2016. Subject to the approval of shareholders at the Annual General Meeting to be held on 19 May 2016, the final dividend will be paid on or about 28 June 2016. Together with the interim dividend of HK\$0.12 which was equivalent to approximately RMB0.095683 (2014: HK\$0.11 which was equivalent to approximately RMB0.087350) per share, total dividends for the year ended 31 December 2015 will amount to HK\$0.28 which is equivalent to approximately RMB0.2296 (2014: HK\$0.28 which was equivalent to approximately RMB0.222235) per share, representing a dividend payout ratio of 72.2 percent (2014: 61.0 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**

<b>Key financial position figures</b>			
	<b>Reporting Year RMB' 000</b>	2014 RMB' 000	Change %
Total assets	<b>23,419,273</b>	17,509,960	33.7
Total liabilities	<b>12,590,180</b>	7,065,391	78.2
Cash and cash equivalents	<b>866,665</b>	1,123,517	-22.9
Total borrowings	<b>9,296,088</b>	4,998,577	86.0
Of which: bank borrowings	<b>7,784,888</b>	4,876,843	59.6
Notes payable	<b>1,403,973</b>	—	N/A
Current ratio	<b>0.9 times</b>	1.6 times	
Interest coverage	<b>5.8 times</b>	5.6 times	
Equity attributable to the shareholders of the Company	<b>8,571,746</b>	8,527,595	0.5

#### **Assets, Liabilities and Equity**

As at 31 December 2015, the Group's total assets amounted to RMB23.4 billion which was 33.7 percent higher than the balance as at 31 December 2014 (mainly due to the consolidation of the newly acquired Suiyuenan Expressway). The Group's total assets comprised mainly of intangible operating rights of RMB19.0 billion (31 December 2014: RMB13.0 billion); investments in a joint venture and associates of RMB1.85 billion (31 December 2014: RMB1.86 billion); and cash and cash equivalents of RMB866.7 million (31 December 2014: RMB1.1 billion).

As at 31 December 2015, the Group's total liabilities amounted to RMB12.6 billion which was 78.2 percent higher than the balance as at 31 December 2014 (mainly due to the consolidation of the newly acquired Suiyuenan Expressway). The Group's total liabilities comprised mainly of bank borrowings of RMB7.8 billion (31 December 2014: RMB4.9 billion); notes payable of RMB1.4 billion (drawn on 7 May 2015); loans from non-controlling interests of RMB107.2 million (31 December 2014: RMB107.5 million); amount due to non-controlling interests of subsidiaries of RMB175.7 million (31 December 2014: RMB80.6 million); and deferred income tax liabilities of RMB1.9 billion (31 December 2014: RMB1.53 billion).



As at 31 December 2015, the Group's total equity amounted to RMB10.83 billion (31 December 2014: RMB10.44 billion), of which amount attributable to the shareholders of the Company amounted to RMB8.57 billion, an increase of RMB44.0 million over the balance as at 31 December 2014.

Upon completion of acquisition of Suiyuenan Expressway on 21 July 2015, the Group has consolidated RMB6.4 billion of intangible operating rights, RMB263.8 million of goodwill and RMB3.7 billion of bank borrowings.

<b>Analysis of major assets, liabilities and equity items</b>			
<b>Items</b>	<b>Reporting Year RMB' 000</b>	<b>2014 RMB' 000</b>	<b>Change %</b>
<b>Total assets</b>	<b>23,419,273</b>	17,509,960	33.7
Approximately 90.0 % of which:			
Intangible operating rights	<b>18,952,996</b>	12,991,487	45.9
Investments in a joint venture and associates	<b>1,845,439</b>	1,855,924	-0.6
Cash and cash equivalents <sup>1</sup>	<b>866,665</b>	1,123,517	-22.9
<b>Total liabilities</b>	<b>12,590,180</b>	7,065,391	78.2
Approximately 90.0 % of which:			
Bank borrowings <sup>1</sup> – current portion	<b>675,268</b>	358,338	88.4
– long term portion	<b>7,109,620</b>	4,518,505	57.3
Notes payable	<b>1,403,973</b>	—	N/A
Other loans <sup>1</sup>	—	14,200	N/A
Amount due to non-controlling interests of subsidiaries	<b>175,729</b>	80,557	118.1
Loans from non-controlling interests	<b>107,227</b>	107,534	-0.3
Deferred income tax liabilities	<b>1,932,015</b>	1,529,613	26.3
<b>Total equity</b>	<b>10,829,093</b>	10,444,569	3.7
Of which: Attributable to the shareholders of the Company	<b>8,571,746</b>	8,527,595	0.5

<sup>1</sup> Assets and liabilities of Port Segment were reclassified to disposal group classified as held for sale as at 31 December 2015.

### **Cash flows**

It has been the primary objective of the Group to focus on preventing risk and managing liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to approximately RMB866.7 million which was 22.9 percent lower than the level at 31 December 2014. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amount applied to securities investment. As at 31 December 2015, there were short term bank deposits in aggregate of RMB10.0 million with original maturity over 3 months placed in PRC banks.

<b>Analysis of cash flow movement</b>		
	<b>Reporting Year RMB' 000</b>	2014 RMB' 000
Net cash generated from operating activities	<b>1,439,832</b>	1,211,502
Net cash used in investing activities	<b>(1,327,903)</b>	(19,202)
Net cash used in financing activities	<b>(354,881)</b>	(1,674,669)
Decrease in cash and cash equivalents	<b>(242,952)</b>	(482,369)
Cash and cash equivalents at 1 January	<b>1,123,517</b>	1,604,676
Effect of exchange rate changes	<b>1,150</b>	1,210
Less: Cash and cash equivalents classified as assets held for sale	<b>(15,050)</b>	—
Cash and cash equivalents at 31 December	<b>866,665</b>	1,123,517

Net cash generated from operating activities during the Reporting Year amounted to RMB1,439.8 million (2014: RMB1,211.5 million) which was arrived from cash generated from operations of RMB1,720.4 million (2014: RMB1,463.5 million) less China enterprise income tax and withholding tax paid of RMB280.6 million (2014: RMB252.0 million).

Net cash used in investing activities during the Reporting Year amounted to RMB1,327.9 million (2014: RMB19.2 million). The outflow were mainly capital expenditures amounted to approximately RMB1,825.3 million (2014: RMB400.7 million). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB313.1 million (2014: RMB325.0 million); proceeds from compensation arrangement of RMB28.7 million (2014: RMB16.9 million); interest received in aggregate of approximately RMB20.5 million (2014: RMB22.5 million); cash proceed of RMB17.4 million (2014: net investment in short term bank deposits of RMB5.4 million) originally placed to bank for fixed deposits with original maturity over 3 months; and government grant received in connection with construction of expressway of approximately RMB67.7 million (2014: RMB22.6 million); the RMB50.0 million deposit paid in 2014 for acquisition of subsidiary was refunded in 2015.

Net cash used in financing activities during the Reporting Year amounted to RMB354.9 million (2014: RMB1,674.7 million). The outflow mainly included repayment of bank borrowings amounted to RMB1,808.9 million (2014: RMB1,742.9 million); payment of finance costs of RMB343.2 million (2014: RMB280.5 million); repayments of loans from non-controlling interest of subsidiaries in the Reporting Year of RMB3.1 million (2014: RMB3.6 million); repayment of other loan of RMB100.0 million (2014: RMB16.9 million); dividends paid to non-controlling interests of RMB306.5 million (2014: RMB152.9 million); dividends paid to the shareholders of the Company of RMB385.8 million (2014: RMB357.6 million); and acquisition of additional interest in a subsidiary (without change in control) of RMB112.2 million (2014: RMB88.0 million). The inflow mainly included new bank borrowings amounted to approximately RMB1,330.4 million (2014: RMB957.3 million); proceeds from notes payable amounted to RMB1.4 billion (drawn on 7 May 2015).

### ***Current ratio***

The current ratio (current assets over current liabilities) as at 31 December 2015 was 0.9 times (31 December 2014: 1.6 times). The current assets balance as at 31 December 2015 was RMB1.76 billion (31 December 2014: RMB1.4 billion) and current liabilities balance was RMB1.95 billion (31 December 2014: RMB895.5 million). Cash and cash equivalents were the major components of the Group's current assets with balance as at 31 December 2015 of RMB866.7 million (31 December 2014: RMB1.1 billion). There were assets of disposal group classified as held for sale of RMB599.2 million (31 December 2014: nil) and short term bank deposits in aggregate of RMB10.0 million as at 31 December 2015 (31 December 2014: RMB27.4 million) with original maturity over 3 months placed in PRC banks. Included in the Group's current liabilities as at 31 December 2015 were short term borrowings (i.e. maturities within one year) of approximately RMB675.3 million (31 December 2014: RMB358.3 million) which were all bank borrowings; amount due to non-controlling interests of subsidiaries of RMB175.7 million (31 December 2014: RMB80.6 million) and there were also liabilities of disposal group classified as held for sale of RMB417.7 million (31 December 2014: nil). In view of the various capital expenditures committed and investments acquired which had utilized a significant portion of the Group's cash and cash equivalents and increased the Group's bank borrowings level, management will take a prudent approach to effectively match the existing cash and cash equivalents and future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

### ***Interest coverage***

The interest coverage is measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (with cash flow effect). Interest coverage for the year ended 31 December 2015 was 5.8 times (31 December 2014: 5.6 times).

### ***Capital expenditures and investments***

During the Reporting Year, total capital expenditures amounted to RMB1,937.5 million (2014: RMB488.7 million). Capital expenditures related to investment in subsidiaries included: (a) payments of considerations to acquisition of subsidiaries of approximately RMB1,593.3 million (2014: RMB164.9 million) of which as at 31 December 2015, the outstanding cash consideration payable for acquisition of Suiyuan Expressway was RMB179.2 million; and (b) acquisition of additional interest in a subsidiary (without change of control) of RMB112.2 million (2014: RMB88.0 million). Capital expenditures related to intangible operating rights and fixed assets included: (a) payments of construction costs of toll highways and bridges upgrade services of RMB220.8 million (2014: RMB101.5 million) and (b) purchase of property, plant and equipment of RMB11.2 million (2014: RMB74.0 million). Apart from the aforementioned, no material capital expenditures were incurred during the Reporting Year. Going forward, management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

## Capital structures

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

<b>Analysis of capital structures</b>		
	<b>Reporting Year RMB' 000</b>	<b>2014 RMB' 000</b>
Bank borrowings <sup>1</sup>	<b>7,784,888</b>	4,876,843
Notes payable	<b>1,403,973</b>	—
Other loan <sup>1</sup>	—	14,200
Loans from non-controlling interests	<b>107,227</b>	107,534
Amounts due to non-controlling interests of subsidiaries <sup>1</sup>	—	53,395
Amount due to a joint venture	<b>57,050</b>	52,500
<b>Total debts</b>	<b>9,353,138</b>	5,104,472
Less: cash and cash equivalents <sup>1</sup>	<b>(866,665)</b>	(1,123,517)
<b>Net debts</b>	<b>8,486,473</b>	3,980,955
<b>Total Equity</b>	<b>10,829,093</b>	10,444,569
Of which: Equity attributable to the shareholders of the Company	<b>8,571,746</b>	8,527,595
<b>Total capitalization (Net debts + Total equity)</b>	<b>19,315,566</b>	14,425,524
<b>Financial ratios</b>		
Gearing ratio (net debts/total capitalization)	<b>43.9%</b>	27.6%
Debt to Equity ratio (net debts/total equity)	<b>78.4%</b>	38.1%
Total liabilities/Total assets ratio	<b>53.8%</b>	40.4%

<sup>1</sup> Assets and liabilities of Port Segment were reclassified to disposal group classified as held for sale as at 31 December 2015.

## Financing structures

In a way to ensure the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively control the increase of overall finance costs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by and to take advantage of the cost differentials not only of these two markets but also of international markets; and on the other hand, strike a balance between the interest rate savings and exchange risk exposure. As at the end of the Reporting Year, the Group's borrowings comprised of bank borrowings, notes payable, and loans from non-controlling interests.

As at 31 December 2015, the Group's total external debts in aggregate was approximately RMB9.2 billion composed of bank borrowings amounted to approximately RMB7.8 billion (31 December 2014: RMB4.9 billion) and notes payable (drawn on 7 May 2015) amounted to approximately RMB1.4 billion. Offshore and onshore debts ratio was 41.8 percent and 58.2 percent (31 December 2014: 43.9 percent and 56.1 percent). Secured external debts' ratio was 57.5 percent (31 December 2014: 54.0 percent). The effective interest rate of total external debts at 31 December 2015 was 4.08 percent (31 December 2014: 5.05 percent); of which bank borrowings are at floating rates with the effective interest rate of 4.44 percent at 31 December 2015 (31 December 2014: 5.05 percent) while notes payable are at fixed rate with coupon rate of 1.625 percent and effective interest rate at 2.11 percent.

<b>Analysis of total external debts (bank borrowings and notes payable)</b>		
	<b>Reporting Year Percentage of total</b>	<b>2014 Percentage of total</b>
Source		
Onshore	<b>58.2%</b>	56.1%
Offshore	<b>41.8%</b>	43.9%
	<b>100.0%</b>	100.0%
Repayment term		
Within 1 year	<b>7.3%</b>	7.3%
1 to 2 year	<b>18.7%</b>	20.1%
More than 2 years and less than 5 years	<b>40.0%</b>	44.0%
Above 5 years	<b>34.0%</b>	28.6%
	<b>100.0%</b>	100.0%
Currency		
RMB	<b>58.2%</b>	56.0%
HKD	<b>26.5%</b>	37.7%
USD	—	6.3%
EURO	<b>15.3%</b>	—
	<b>100.0%</b>	100.0%
Terms of credit		
Secured	<b>57.5%</b>	54.0%
Unsecured	<b>42.5%</b>	46.0%
	<b>100.0%</b>	100.0%

Loans from non-controlling interests of certain subsidiaries are unsecured, interest-free and long term. The carrying amounts of these loans approximate their fair values which are calculated based on cash flows discounted at a rate of 4.35 percent (2014: 5.6 percent) per annum.

Amounts due to non-controlling interests of subsidiaries/holding companies and joint venture are unsecured, interest free, repayable on demand and are mainly denominated in RMB.

### ***Foreign-currency denominated assets and liabilities***

The Group's businesses are principally conducted in the PRC. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses and capital expenditures are denominated in RMB. As at the end of the Reporting Year, the Group has cash and cash equivalent of HK\$51.9 million (equivalent to approximately RMB43.5 million), EURO\$10.0 million (equivalent to approximately RMB71.0 million) and US\$0.01 million (equivalent to approximately RMB0.66 million); and has external debts of HK\$2.9 billion (equivalent to approximately RMB2.4 billion) and EURO\$197.9 million (net of debt discount and direct issuance costs) (equivalent to approximately RMB1.4 billion). Given the foreign currency debts position as at 31 December 2015, for every 1.0 percent exchange rate change against RMB (with all other variables held constant), the impact to the Group's profit and loss will be approximately RMB38.5 million. In view of the recent RMB currency fluctuation, the Group will closely review and assess its currency risk and will adopt appropriate currency hedge measures when appropriate such as to swap existing HK\$ external debts with CNH external debts and/or with CNY notes. As at the Reporting Date, the Company has refinanced HK\$1.1 billion bank borrowings with the CNH bank borrowings obtained on 4 February 2016. On 28 January 2016 and 6 February 2016, the Company has obtained "AAA" rating from China Chengxin Securities Rating Company Limited and China Chengxin International Credit Rating Company Limited. On 6 February 2016, the Company's wholly owned PRC subsidiary has obtained "AA" rating from China Chengxin International Credit Rating Company Limited.

### **IV. Capital commitments and contingent liabilities**

As at 31 December 2015, the Group had capital commitments related to intangible operating rights and property, plant and equipment of approximately RMB99.7 million being contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2015. There were no significant contingent liabilities as at 31 December 2015.

### **V. Employees**

As at 31 December 2015, the Group had approximately 1,742 employees of whom about 1,403 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.

## INVESTOR RELATIONS REPORT

### INVESTOR RELATIONS AND COMMUNICATION

The Group is committed to maintain a high standard of corporate governance, as well as good and effective communication with shareholders and 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.

The core of investor relations is effective communication, so the Group's investor relations team, including executive directors and senior management officers, initiated proactive communication continuously by meeting and communicating with shareholders, industry analysts, domestic and foreign investors who are concerned about the Group regularly through various platforms and channels, delivering proactive signals to consolidate market confidence. The investor relations team also organizes face-to-face interflows and communication with investors around the world through launching various marketing activities, such as organizing press conferences, participating in results roadshow and participating in various investor conferences. 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 management model, project operations and development strategies.

During the Reporting Year, investment banks such as HSBC, Daiwa Capital and Essence International released research coverage reports on the Group successively, and institutions such as Barclays Capital, Macquarie Equities and Deutsche Bank also organized market briefings on the Group successively and arranged for meetings with international institutional investors, which was a sufficient reflection of the Group's ability to allure interest of investors from various sectors.

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

We gave timely response to enquiries of investors through the investor hotline, company website and emails, and released monthly operational statistics to investors on regular basis.

We organized receptions for visiting investors, on-site research visits for industry analysts, or convened telephone conferences. We received a total of more than 100 persons through our receptions for domestic and foreign investors and visiting industry analysts in the ordinary course of our business.

We launched activities such as news conferences for results announcements, post results non-deal roadshows (NDRs) and investor forums to facilitate face-to-face interflows with investors, including:

- |           |   |
|-----------|---|
| March     | — Press conference for 2014 annual results announcement was launched in Hong Kong and participation in the post results NDR organized by HSBC                         |
| April     | — Investor roadshow activities were launched in Hong Kong and European regions  |
| May       | — Participation in investor conference organized by Haitong International in Ningbo   |
| June      | — Participation in investor conference organized by JP Morgan Chase in Beijing  |
| August    | — Press conference for 2015 interim results announcement was launched in Hong Kong and participation in the post results NDR organized by JP Morgan Chase             |
| September | — Participation in the post results NDR organized by HSBC in Singapore  |
| October   | — Participation in the investor conference organized by Deutsche Bank in Hong Kong  |
| November  | — Participation in the investor conference organized by Essence International in Shenzhen and participation in the investor conference organized by Citibank in Macau |

## Investor Return Mechanism

While leveraging on the capital market for rapid development, the Group also clearly understands that investors are the source for corporate development, and a positive return to shareholders should be regarded as an important mission and the operation philosophy for an enterprise, such that investors are able to share the results of corporate development in a better way, leading investors to establish the concepts of long-term investment and rational investment for the formation of a virtuous cycle of capital.

Since listing, the Company has distributed cash dividends for 17 consecutive years. With effect from 2009, the Group increased the dividend payout ratio significantly and it was maintained at the level of about 60% up to now. From 2009 to 2015, the Company has distributed in aggregate cash dividends of approximately RMB2.25 billion, with an average dividend payout ratio of as high as 62.5%, the cumulative dividend per share was RMB1.34, enabling the shareholders to receive good return from the Group's development.

In 2015, the Group distributed cash dividend of 28 HK cents per share, equivalent to RMB0.2296 per share, the dividend payout ratio is 72.2%.

	2008	2009	2010	2011	2012	2013	2014	2015
Earnings per share (RMB)	0.33	0.2285	0.3195	0.3336	0.2552	0.3314	0.3642	0.3180
Dividend per share (RMB)	0.145	0.141	0.187	0.197	0.163	0.206	0.222	0.2296
Dividend payout ratio (%)	44.1%	61.5%	58.4%	58.9%	63.7%	62.1%	61.0%	72.2%

Creating long-term, reasonable and stable return for shareholders is the first and foremost responsibility of our Group over the years. From the perspective of receiving both long-term benefits and current benefits by investors, the Group will continue to maintain a stable dividend payout ratio in future years.

## CORPORATE GOVERNANCE

Throughout the year ended 31 December 2015, the Company has complied with the code provisions as set out in the Corporate Governance Code, with the exception of code provisions A.4.1 and A.6.7.

### *Code Provision A.4.1*

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

### *Code Provision A.6.7*

Code Provision A.6.7 stipulates that independent non-executive directors should attend general meetings of the Company. Mr Fung Ka Pun, the independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 28 May 2015 because he had other urgent business engagement.

## REVIEW OF ANNUAL RESULTS

The annual results has been reviewed by the audit committee of the Company.



## **PURCHASE, SALE OF 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.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 16 May 2016 to Thursday, 19 May 2016, 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 19 May 2016, 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 Friday, 13 May 2016.

In addition, the register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, 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 Tuesday, 24 May 2016.

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

Hong Kong, 22 February 2016

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

*Executive Directors:* *ZHU Chunxiu (Chairman), LIANG Youpan, HE Baiqing and QIAN Shangning*

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