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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)

2016 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 2016.

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2016 ("Reporting Year"), the Group recorded income from operations of RMB2.519 billion, representing a year-on-year increase of 13.2%, of which the toll income increased by 13.4% to RMB2.512 billion, reaching a new record high. Profit attributable to shareholders amounted to RMB918.8 million, representing a year-on-year increase of 72.7%.

The Board has recommended the payment of a final dividend for 2016 of HK\$0.20 per share, together with the paid interim dividend of HK\$0.13 per share, the total dividends for the Reporting Year amounted to HK\$0.33 per share which is equivalent to RMB0.288457 per share, representing an annual dividend payout ratio of 52.5% (2015: 72.2%).

ANNUAL REVIEW

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

Looking back to 2016, the world economy was still in the deep adjustment phase of the post-crisis era. Organizations, including the International Monetary Fund (IMF) and the World Bank, continued to lower growth projections.

Given the backdrop of continuing slow growth of global economy, divergence of growth in advanced economies remained. While economies of the United State of America and the United Kingdom were under relative fast recovery, other advanced economies including Europe and Japan were unable to get rid of sluggish growth. Although economic growth of emerging markets and developing countries stabilized gradually, structural problems such as single economy structure and high fiscal deficit remained unsolved.

While slow growth painted the entire global economic landscape, markets were hit by 'Black Swan' events such as the United Kingdom's referendum to leave the European Union in June and so on. Moreover, rising populism and trade protectionism, other risk events including geographical political conflicts also increased complexity and uncertainty to the prospects of global economy.

In the face of a slow recovery and complex external economic environment, the central government still adhered to the overall tone of making progress while maintaining stability, promoted the supply-side structural reform, actively adapted to and led the new normal of economic development, insisted on deepening reforms in an all-round way, persisted in innovation-driven development, and expedited the transformation of the mode of economic development and economic restructuring, with economic operation remaining within a reasonable range. According to the releases from the National Bureau of Statistics, the GDP of China grew by 6.7% to RMB74.41 trillion in 2016. The growth rate was in line with the overall characteristic of the “new normal” of economy, representing a good start for the “13th Five-year Plan” period.

During the Reporting Year, the regulatory environment of the toll road sector remained steady, 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, there was no trend of further deepening the relevant rules and enforcement effort. In addition, the relevant government authorities still hasten to amend the Regulations on the Administration of Toll Roads (《收費公路管理條例》) and “insisted on improving and adjusting the toll road policy, determined the vehicle toll standard in a scientific and reasonable way and completed the task by the end of 2017” in accordance with the requirements of the central government.

- **Business development**

During the Reporting Year, the domestic economy remained stable as a whole and the indicators of transportation and economy continued to improve. Against this backdrop, the Group’s projects in general maintained good momentum of growth. Although the operating period of the Xian Expressway ended on 30 September 2016 and this expressway was transferred to the local government, toll income from existing projects, including the GNSR Expressway and the Changzhu Expressway, continued to record a double-digit growth, which gained strong growth momentum for the principal business.

During the Reporting Year, the RMB currency was still under depreciation pressure. In December, the US Federal Reserve triggered the second rate hike in the last decade, the Federal Open Market Committee (FOMC) indicated that it would enter into the rate hike cycle in 2017, the US Dollar appreciated even stronger that resulted in further withdrawals of capital from emerging markets and developing countries. The Group hence took several effective measures to tackle the above challenges. First, the Group, being able to seize the market window, successfully issued RMB2 billion corporate bonds (‘Panda Bonds’) on a basis of public offering in Mainland China, the coupon rate of which was approximately 3%. The proceeds from the issuance were used to repay both onshore and offshore bank loans (including HK Dollars, US Dollars and RMB). Second, exchange rate hedging was carried out for the Euro medium-term notes held by it through financial derivatives Cross Currency Swap (CCS). Through the above measures, the Group had further broadened the financing channel, optimized the debt structure, reduced the comprehensive financial costs and effectively managed the risk arising from the devaluation pressure on the RMB exchange rate.

During the Reporting Year, the Group completed the transfer of a 51% equity interest held by it in Wuzhou Port in Guangxi by agreement on 1 August. In addition, to increase the return on cash assets, the Group announced in December that it entered into a subscription agreement (“Subscription”) with Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司) (“Yuexiu Financial Holdings”), to invest RMB340 million in subscribing for the additional new A shares issued by Yuexiu Financial Holdings, which was expected to account for 0.85% of its enlarged share capital. The Group is optimistic about the prospects for the development of the financial industry in the PRC, and taking into account the growth potential of Yuexiu Financial Holdings, expects that the transaction may enable the Group to share the benefits brought by its continued growth. Completion of the Subscription is subject to the fulfilment of certain conditions under the Subscription. As at date of this announcement, the Subscription was still under process and not yet completed. For details, please refer to the announcement issued by the Group on 27 December 2016.

FUTURE PROSPECT AND OUTLOOK

- **Outlook of macro-economy and the development of the sector**

In its World Economic Outlook released by the IMF on 4 October 2016, the IMF projected a global economic growth rate of 3.4% in 2017. In the medium term, the IMF anticipates that developed economies will continue low-growth path while emerging economies and developing countries will accelerate growth. IMF also emphasizes that since the financial crisis, the various types of uncertainty of the global economy on the road of recovery is worth attention. In order to support short-term growth, developed economies should maintain a lenient monetary policy, but also need to clearly see that the monetary policy itself cannot completely solve the problems caused by a slowdown in production efficiency and aging. In addition, populism, the rise of trade protectionism, the rising sentiment of anti-globalization and geopolitical conflicts, etc. are risks worth vigilance. How to continuously promote reform and innovation, policy coordination and enhancing medium-to-long-term growth potential are still the problems the world needs to seriously face.

The PRC economy is in the ‘new normal’ period. The expected growth rate tends to be more stable and the growth momentum is more diversified. There is still a great potential for economic structural changes. Industrialization, informationization, urbanization and agricultural modernization have yet to be completed, and the prospects for the upgrade of the consumption structure and the production structure can be expected. The benefits contained in marketization and internationalization promoted by the deepening of reforms are still great. Despite the existence of a series of uncertainties and risks in the external environment, the long-term positive trend of the PRC economy is expected to remain unchanged and the economic growth will still remain stable.

Highway transportation is affected by macroeconomic conditions, but its demand is relatively rigid. Driven by factors such as the continuous double-digit growth in private car ownership, an increase in consumption by residents, the fast development of tourism, significant advancement in e-commerce development that leads to rapid development in the logistics industry and the advancement of new urbanization, highway transportation still has a great potential for growth. As a key component of the integrated transportation system, expressways are of great significance to promoting regional economic development. In accordance with the planning of the central government, the national expressway mileage will reach 150,000 km at the end of the “13th Five-Year Plan”. By strengthening and perfecting the construction of the expressway network, it will better support the three major strategies, namely “One Belt, One Road”, the coordinated development of Beijing, Tianjin and Hebei and the Yangtze River Economic Belt, and serves new urbanization, thereby achieving interconnection between city groups and within city groups. Based on the above factors, the Group is still optimistic about the development prospects of the industry.

- **Outlook of development strategies**

Infrastructure facilities play an irreplaceable and important role in the process of economic development. The Group is an operator focusing on transportation infrastructure investment with a wealth of experience in the operation and management of the toll expressway/bridge industry. It will continue to actively seize investment opportunities in the industry by leveraging its advantages such as low-cost financing capability. In terms of regional strategies, the Group is still focusing on major population and labour-intensive provinces in the central region which have benefited from the support of the “New 10-year (2016-2025) Central China Development Plan” and the development opportunities brought by the relocation of labor-intensive processing industries in the eastern coastal areas, and will merge with and acquire high-quality expressway projects at an appropriate time. In the course of merger and acquisition, the Group will place emphasis on the maintenance of credit rating and fully consider and evaluate the impact of merger and acquisition and business operations on the rating indicators. In addition, according to the requirements of the NDRC of the PRC, the amendment of the “Toll Road Management Regulations”(《收費公路管理條例》) is expected to be completed by the end of 2017. In addition to paying close attention to its developments, the Group has also actively promoted to carry out the feasibility study on the implementation of the reconstruction and expansion of the mature projects.

In recent years, the Group has further optimized its asset portfolio by disposing of assets such as Class 1 highways and the Wuzhou Port in Guangxi. The management will continue to review and carry forward plans for optimizing the overall asset portfolio, strengthen the concept of “asset operation”, enhance the Group’s overall profitability, and continue to create better returns for shareholders.

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, 13 February 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 RMB' 000	2015 RMB' 000
Revenue		2,497,848	2,066,848
Other toll operating income		21,155	159,175
Income from operations	3	2,519,003	2,226,023
Cost of services	5,6	(834,900)	(775,247)
Construction income under service concession upgrade services		43,627	213,504
Construction cost under service concession upgrade services		(43,627)	(213,504)
Other income, gains and losses – net	4	135,950	(128,240)
General and administrative expenses	5,6	(226,238)	(202,091)
Operating profit		1,593,815	1,120,445
Finance income	7	47,473	27,783
Finance costs	7	(459,800)	(536,222)
Share of result of a joint venture		40,566	26,849
Share of results of associates		298,510	231,077
Profit before income tax		1,520,564	869,932
Income tax expense	8	(354,087)	(216,910)
Profit for the year		1,166,477	653,022
Attributable to:			
Shareholders of the Company		918,817	532,086
Non-controlling interests		247,660	120,936
		1,166,477	653,022
Earnings per share for profit attributable to the shareholders of the Company			
		RMB	RMB
Basic and diluted earnings per share	9	0.5491	0.3180

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 RMB' 000	2015 RMB' 000
Profit for the year	1,166,477	653,022
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	1,701	1,397
Release of currency translation differences upon disposal of subsidiaries	—	(72,583)
	1,701	(71,186)
Total comprehensive income for the year	1,168,178	581,836
Total comprehensive income attributable to:		
Shareholders of the Company	920,518	460,900
Non-controlling interests	247,660	120,936
	1,168,178	581,836

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	31 December 2016 RMB' 000	31 December 2015 RMB' 000
ASSETS			
Non-current assets			
Intangible operating rights		18,485,580	18,952,996
Goodwill		632,619	632,619
Property, plant and equipment		86,255	93,923
Investment properties		35,271	33,363
Investment in a joint venture		428,570	388,004
Investments in associates		1,495,331	1,457,435
Available-for-sale financial assets		812	812
Derivative financial instruments		26,597	—
Other non-current receivables	11	82,003	95,945
		21,273,038	21,655,097
Current assets			
Trade receivables	12	71,611	102,589
Other receivables, deposits and prepayments	12	105,478	118,042
Amount due from a non-controlling interest of a subsidiary		72,507	67,688
Short term bank deposits		—	10,000
Cash and cash equivalents		1,045,922	866,665
		1,295,518	1,164,984
Assets of disposal group classified as held for sale		—	599,192
		1,295,518	1,764,176
Total assets		22,568,556	23,419,273
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves		8,934,636	8,424,424
		9,081,958	8,571,746
Non-controlling interests		2,222,344	2,257,347
Total equity		11,304,302	10,829,093

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	31 December 2016 RMB' 000	31 December 2015 RMB' 000
LIABILITIES			
Non-current liabilities			
Borrowings		4,808,348	7,216,847
Deferred income		79,105	82,960
Deferred income tax liabilities		1,975,343	1,932,015
Notes payable		1,452,359	1,403,973
Corporate bonds		1,990,978	—
		10,306,133	10,635,795
Current liabilities			
Borrowings		235,193	675,268
Amounts due to non-controlling interests of subsidiaries		—	175,729
Amounts due to holding companies		837	158
Amount due to a joint venture		92,050	57,050
Trade and other payables and accrued charges	13	562,212	572,031
Deferred income		3,660	3,660
Current income tax liabilities		64,169	52,740
		958,121	1,536,636
Liabilities of disposal group classified as held for sale		—	417,749
		958,121	1,954,385
Total liabilities		11,264,254	12,590,180
Total equity and liabilities		22,568,556	23,419,273

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”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, derivative financial instruments and investment properties, which are carried at fair value.

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 new standard, amendments to standards and improvements relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2016 for the Group.

HKASs and HKFRSs	Annual improvements 2012 - 2014 Cycle
HKAS 1 (amendments)	Disclosure initiative
HKAS 27 (amendment)	Equity method in separate financial statements
HKAS 16 and HKAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10, HKFRS 12 and HKAS 28 (amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operation
HKFRS 14	Regulatory deferral accounts

The adoption of these new standard, amendments to standards and improvements 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.

NOTES

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

		Effective for accounting periods beginning on or after
HKAS 12 (amendments)	Income taxes	1 January 2017
HKAS 7 (amendments)	Statement of cash flows	1 January 2017
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sale or Contribution of assets between an investor and its associate or joint venture	To be announced

Management is in the process of making an assessment of the impact of the new 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 consolidated financial statements.

Business segment	Toll roads operations RMB' 000	Port and all other segments RMB' 000	Total RMB' 000
31 December 2016			
Revenue (from external customers)	2,491,151	6,697	2,497,848
Other toll operation income	21,155	—	21,155
Income from operations	2,512,306	6,697	2,519,003
Amortisation of intangible operating rights	(505,763)	—	(505,763)
Depreciation of property, plant and equipment	(17,130)	(730)	(17,860)
Gain on disposal of a subsidiary	—	112,076	112,076
Operating profit	1,486,334	107,481	1,593,815
Finance income	47,461	12	47,473
Finance costs	(446,045)	(13,755)	(459,800)
Share of result of a joint venture	40,566	—	40,566
Share of results of associates	298,510	—	298,510
Profit before income tax	1,426,826	93,738	1,520,564
Income tax expense	(354,087)	—	(354,087)
Profit for the year	1,072,739	93,738	1,166,477

NOTES

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)
Exchange gain from release of currency translation differences upon disposal	72,583	—	72,583
Gain on disposal of subsidiaries	30,087	—	30,087
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
Assets and liabilities			
As at 31 December 2016			
Total segment assets	22,540,943	27,613	22,568,556
Addition to non-current assets	48,873	624	49,497
Total segment assets include:			
Investment in a joint venture	428,570	—	428,570
Investments in associates	1,495,331	—	1,495,331
Total segment liabilities	(11,228,916)	(35,338)	(11,264,254)
Total segment liabilities include:			
Amount due to a joint venture	(92,050)	—	(92,050)
As at 31 December 2015			
Total segment assets	22,794,528	624,745	23,419,273
Addition to non-current assets	6,680,112	690	6,680,802
Total segment assets include:			
Investment in a joint venture	388,004	—	388,004
Investments in associates	1,457,435	—	1,457,435
Assets of disposal group classified as held for sale	—	599,192	599,192
Total segment liabilities	(12,062,043)	(528,137)	(12,590,180)
Total segment liabilities include:			
Amount due to a joint venture	(57,050)	—	(57,050)
Liabilities of disposal group classified as held for sale	—	(417,749)	(417,749)

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

	2016 RMB' 000	2015 RMB' 000
Revenue	2,497,848	2,066,848
Other toll operating income	21,155	159,175
	2,519,003	2,226,023

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

	2016 RMB' 000	2015 RMB' 000
Fair value gain on investment properties	605	1,074
Exchange gain/(loss) - net		
– Release of currency translation differences upon disposal of subsidiaries	—	72,583
– Unrealised and realised exchange loss	(2,142)	(15,156)
Loss on disposal of property, plant and equipment	(304)	(3,457)
Gain on disposal of subsidiaries	112,076	30,087
Compensation for expressways and bridges damages	4,901	11,976
Compensation from a contractor relating to termination of construction contracts	—	3,250
Handling income from toll fee collection	5,162	5,885
Management service income	3,225	3,803
Income from service area and gas station	13,368	13,278
Provision for impairment losses		
– Intangible operating rights	—	(266,435)
Others	(941)	14,872
	135,950	(128,240)

5. EXPENSES BY NATURE

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

	2016 RMB' 000	2015 RMB' 000
Business taxes (note a)	34,060	75,221
Amortisation of intangible operating rights	505,763	419,119
Depreciation of property, plant and equipment	17,860	38,258
Toll highways and bridges maintenance expenses	110,877	82,525
Toll highways and bridges operating expenses	69,762	56,803
Auditor's remuneration		
– Audit services	2,658	2,662
– Non-audit services	209	300
Rental expenses	13,844	11,939
Legal and professional fee	5,732	8,651

Note:

- (a) Pursuant to the "Circular of the Ministry of Finance and the State Administration of Taxation regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知)", effective from 1 May 2016, the operating entities in China are required to pay value added taxes instead of business taxes.

6. EMPLOYEE BENEFIT EXPENSE

	2016 RMB' 000	2015 RMB' 000
Staff costs (including Directors' emoluments)		
– Wages and salaries	162,554	154,041
– Pension costs (defined contribution plan) (note a)	17,480	17,352
– Social security costs	16,333	16,779
– Staff welfare and other benefits	47,417	54,856
Total employee benefit expense	243,784	243,028

NOTES

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 RMB1,299) per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HKD7,100 per month (equivalent to RMB6,150). The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

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

- (b) Pensions – defined contribution plans

There was no forfeited contribution as at 31 December 2016 (2015: nil). No forfeited contribution was utilised during the year (2015: nil). Contributions totalling RMB17,480,000 (2015: RMB17,352,000) were payable to the fund during the year.

7. FINANCE INCOME/COSTS

	2016 RMB' 000	2015 RMB' 000
Bank interest income	9,903	20,510
Interest income on other non-current receivables	6,589	7,273
Interest income on amount due from a non-controlling interest of a subsidiary	4,384	—
Fair value gain on derivative financial instruments	26,597	—
Finance income	<u>47,473</u>	<u>27,783</u>
Interest expenses:		
– Bank borrowings	(322,682)	(320,691)
– Bank facility fees	(14,605)	(9,647)
– Loans from non-controlling interests of certain subsidiaries	(156)	(1,358)
– Loan from an ultimate holding company	(7,824)	—
– Other loans	(468)	(960)
– Notes payable	(30,337)	(18,709)
– Corporate bonds	(31,903)	—
Exchange loss on bank borrowings	(9,971)	(154,673)
Exchange loss on notes payable	(41,854)	(30,184)
Finance costs incurred	<u>(459,800)</u>	<u>(536,222)</u>

NOTES

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 (2015: Nil).
- (b) During the year ended 31 December 2016, 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.

The applicable principal income tax rate for the year ended 31 December 2016 is 25% (2015: 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% (2015: 5% or 10%).

As at 31 December 2016, deferred tax liabilities of RMB23,580,000 (2015: RMB13,593,000) 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 in the PRC.

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

	2016 RMB' 000	2015 RMB' 000
Current income tax		
PRC enterprise income tax		
– current year	309,533	288,802
– Under-provision in prior year	1,226	2,669
Deferred income tax	43,328	(74,561)
	354,087	216,910

NOTES

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:

	2016 RMB' 000	2015 RMB' 000
Profit before income tax	1,520,564	869,932
Less: share of results of associates	(298,510)	(231,077)
Less: share of result of a joint venture	(40,566)	(26,849)
	1,181,488	612,006
Calculated at a tax rate of 25% (2015: 25%)	295,372	153,002
Income not subject to tax	(14,206)	(53,701)
Expenses not deductible for tax purposes	56,509	101,720
Profit of subsidiaries with preferential tax treatment (note (a))	(16,062)	(19,950)
Tax losses not recognised (note (b))	9,331	19,886
Utilisation of previously unrecognised tax losses	(15,646)	(10,214)
Recognition of previously unrecognised tax losses	—	(8,866)
Under-provision in prior year	1,226	2,669
Effect of different taxation rates	(1,007)	(1,014)
Withholding tax on undistributed profits of subsidiaries and associates	38,570	33,378
Income tax expense	354,087	216,910

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 RMB154,253,000 (2015: RMB255,826,000) in respect of unused losses amounting to approximately RMB617,012,000 (2015: RMB1,023,305,000). Unused tax losses will expire in 2017 to 2021.

NOTES

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.

	2016	2015
Profit attributable to shareholders of the Company (RMB' 000)	918,817	532,086
Weighted average number of ordinary shares in issue ('000)	1,673,162	1,673,162
Basic and diluted earnings per share (RMB)	0.5491	0.3180

The diluted earnings per share for the year ended 31 December 2016 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year (2015: Same).

10. DIVIDENDS

	2016 RMB' 000	2015 RMB' 000
Interim, paid, of HKD0.13 equivalent to RMB0.11 (2015: HKD0.12 equivalent to RMB0.10) per share	186,241	160,094
Final, proposed, of HKD0.20 equivalent to RMB0.18 (2015: HKD0.16 equivalent to RMB0.13) per share	296,394	224,065
	482,635	384,159

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

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 in 2009.

As at 31 December 2016, the total remaining balance of the consideration receivable is RMB103.9 million (2015: RMB116.3 million) which will be settled by 10 half yearly installments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB82.0 million (2015: RMB95.9 million) will be received after 31 December 2017 (2015: 31 December 2016) according to the repayment schedule.

The fair value of consideration receivable of approximately RMB110.5 million (2015: RMB125.0 million) is estimated by discounting the remaining balance of RMB125.4 million (2015: RMB145.7 million) at the applicable current interest rate of 4.73% (2015: 4.78%) and is categorised as level 2 under the fair value hierarchy.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 December 2016 RMB' 000	31 December 2015 RMB' 000
Trade receivables (note a)	71,611	102,589
Other receivables, deposits and prepayments	105,478	118,042
	177,089	220,631

Note:

- (a) As at 31 December 2016, trade receivables were all aged below 30 days (2015: 30 days).

The Group's revenue is generally settled in cash and it usually does not maintain any account balances owing. The trade receivables represented amounts due from local transport departments which collected the toll revenue for all operating entities due to the implementation of unified toll collection policy on expressways and highways. The settlement period is normally within a month. As at 31 December 2016, trade receivables were neither past due nor impaired and no provision for impairment loss has been provided for trade receivables (2015: Same).

As at 31 December 2016, all other receivables and deposits were performing (2015: Same).

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

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

	31 December 2016 RMB' 000	31 December 2015 RMB' 000
Trade payables	56,457	79,082
Other payables and accrued charges	505,755	492,949
	562,212	572,031

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

	31 December 2016 RMB' 000	31 December 2015 RMB' 000
0 - 30 days	20,044	25,150
31 - 90 days	—	1,018
Over 90 days	36,413	52,914
	56,457	79,082

Trade and other payables and accrued charges are mainly denominated in RMB except for other payables of approximately RMB12.1 million (2015: RMB12.1 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

	Toll Mileage	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests	Remaining Operating Term
Subsidiaries						
GNSR Expressway	42.5	6	5	Expressway	60.00	16
Xian Expressway	20.1	4	3	Expressway	100.00	N/A ⁽¹⁾
Cangyu Expressway	23.3	4	1	Expressway	100.00	14
Jinbao Expressway	23.9	4	3	Expressway	60.00 ⁽²⁾	14
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	20
Changzhu Expressway	46.5	4	5	Expressway	100.00	24
Weixu Expressway	64.3	6	2	Expressway	100.00	19
Suiyuanan Expressway	98.1	4	4	Expressway	70.00	24
Associates and Joint Venture						
GWSR Expressway	42.1	6	4	Expressway	35.00	14
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽³⁾	13
Northern Ring Road	22.0	6	8	Expressway	24.30	7
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	12
Qinglian Expressway	215.2	4	16	Expressway	23.63	18

- (1) The operation period of Xian Expressway ended on 30 September, 2016 and the expressway has been handed over to the government according to the agreement.
- (2) The Group holds 60% equity interests; profit sharing ratio: 90% up to 2012, 40% from 2013 to 2015, and 60% from 2016 onwards.
- (3) The profit sharing ratio was 18.446% from 2010 onwards.

Toll Summary of Toll Roads and Bridges

For the twelve months ended 31 December 2016

	Average daily toll traffic volume		Average daily toll revenue ⁽¹⁾		Weighted average toll revenue per vehicle	
	2016 (Vehicle/day)	Y-O-Y Change %	2016 (RMB/day)	Y-O-Y Change %	(RMB)	Y-O-Y Change %
Subsidiaries						
GNSR Expressway	194,227	14.3%	2,844,349	9.3%	14.6	-4.4%
Xian Expressway ⁽²⁾	44,200	N/A	741,168	0.8% ⁽³⁾	16.8	N/A
Cangyu Expressway	11,043	51.4%	235,237	28.1%	21.3	-15.4%
Jinbao Expressway	26,993	4.7%	269,413	4.6%	10.0	-0.1%
Han-Xiao Expressway	23,806	26.0%	424,267	10.2%	17.8	-12.5%
Changzhu Expressway	20,577	9.6%	617,057	4.1%	30.0	-5.1%
Weixu Expressway	17,167	6.5%	768,191	2.4%	44.7	-3.8%
Suiyuan Expressway	16,302	4.0%	1,150,852	-8.9%	70.6	-12.4%
Associates and Joint Venture						
GWSR Expressway	58,615	16.6%	1,073,786	8.4%	18.3	-7.0%
Humen Bridge	107,429	7.6%	4,070,068	6.0%	37.9	-1.5%
Northern Ring Road	307,147	13.1%	2,027,121	7.2%	6.6	-5.3%
Shantou Bay Bridge	26,368	24.4%	800,330	17.3%	30.4	-5.7%
Qinglian Expressway	36,753	10.4%	1,834,884	5.1%	49.9	-4.8%

The weighted average toll revenue per vehicle of each project was closely related to factors such as the proportion of passenger vehicles and goods vehicles, the driving paths of vehicles and the number of over-limit and overloaded vehicles. During the Reporting Year, the weighted average toll revenue per vehicle of each project decreased by different degrees, which was mainly attributed to a gradual increase in the proportion of passenger vehicles with the growth of car ownership, the faster growth of the interval toll traffic volume than the transit toll traffic volume and a reduction in over-limit and overloaded vehicles as a result of the increased efforts in the control of expressways in China.

- (1) Pursuant to the "Circular of the MOF and the SAT regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知)", effective from 1 May 2016, taxpayers across the country will be required to pay value added taxes instead of business taxes (abbreviated as the "Replacement of Business Tax with Value-added Tax"). Revenue since May 2016 was net revenue excluding value added taxes and revenue for the full year of 2015 and revenue for January to April 2016 was revenue including business taxes.
- (2) The operation period of Xian Expressway ended on 30 September, 2016 and the expressway has been handed over to the government according to the agreement. All figures for 2016 are figures for the first to third quarter. Meanwhile, Xian Expressway was under the "four lanes to eight lanes" expansion between August 2014 and November 2015, which resulted in the traffic restriction policy during the period. As such, the year-on-year changes in the average daily toll traffic volume and the weighted average toll revenue per vehicle were not applicable.
- (3) Pursuant to the agreement of the "four lanes-to-eight lanes" expansion, the toll revenue for 2016 will record a growth of 3.5% as calculated based on the actual revenue in 2015. The replacement of business tax with value-added tax is the primary reason for the growth rate below 3.5%. Toll revenue in 2016 represents the revenue net of value-added tax. For this reason, the year-on-year growth rate has slightly decreased.

Toll Roads and Bridges

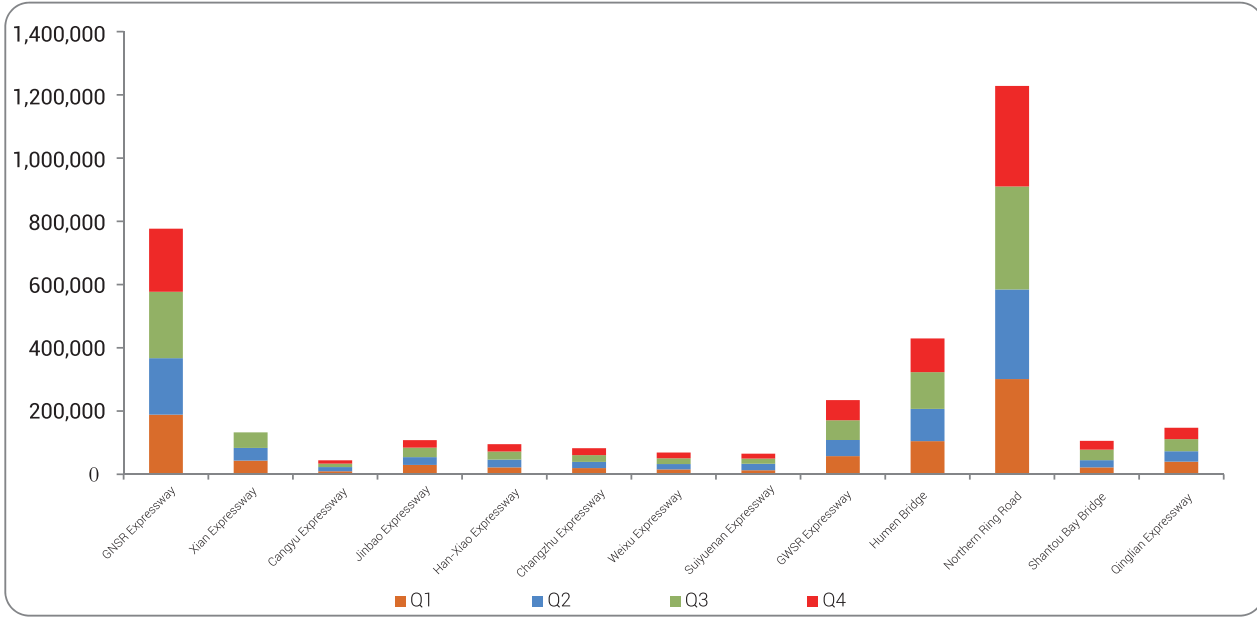
Quarterly analysis of average daily toll traffic volume for 2016

	Average daily toll traffic volume (vehicle/day)			
	First quarter	Second quarter	Third quarter	Fourth quarter
Subsidiaries				
GNSR Expressway	178,709	188,414	210,024	199,529
Xian Expressway ⁽¹⁾	39,747	43,380	49,416	N/A
Cangyu Expressway ⁽²⁾	12,985	9,653	11,173	10,367
Jinbao Expressway	24,928	29,349	29,887	23,812
Han-Xiao Expressway	24,540	21,831	25,330	23,511
Changzhu Expressway	19,588	19,317	21,552	21,827
Weixu Expressway	16,923	15,348	18,237	18,137
Suiyuan Expressway ⁽²⁾	20,414	12,662	16,516	15,623
Associates and Joint Venture				
GWSR Expressway	51,363	57,170	62,248	63,585
Humen Bridge	101,942	104,579	116,403	106,700
Northern Ring Road	283,077	301,098	325,764	318,321
Shantou Bay Bridge	22,640	21,944	33,163	27,636
Qinglian Expressway ⁽²⁾	40,513	32,127	38,457	35,907

(1) The operation period of Xian Expressway ended on 30 September, 2016 and the expressway has been handed over to the government according to the agreement. All figures for 2016 are figures for the first to third quarter.

(2) 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.

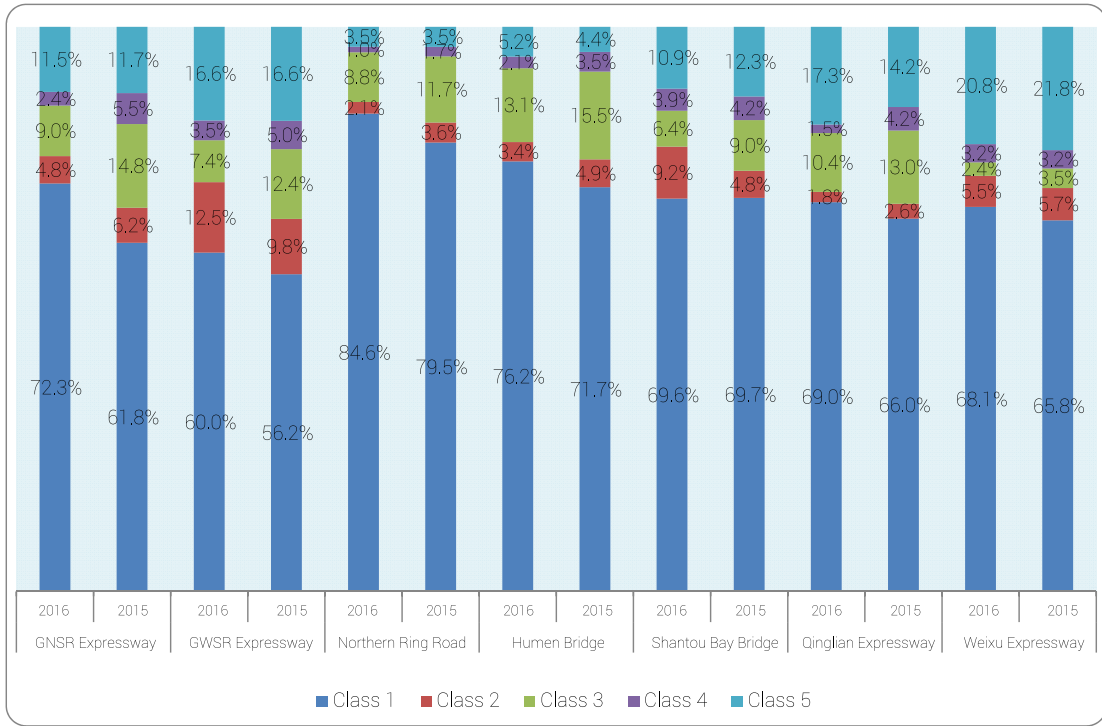
Quarterly analysis of average daily toll traffic volume for 2016



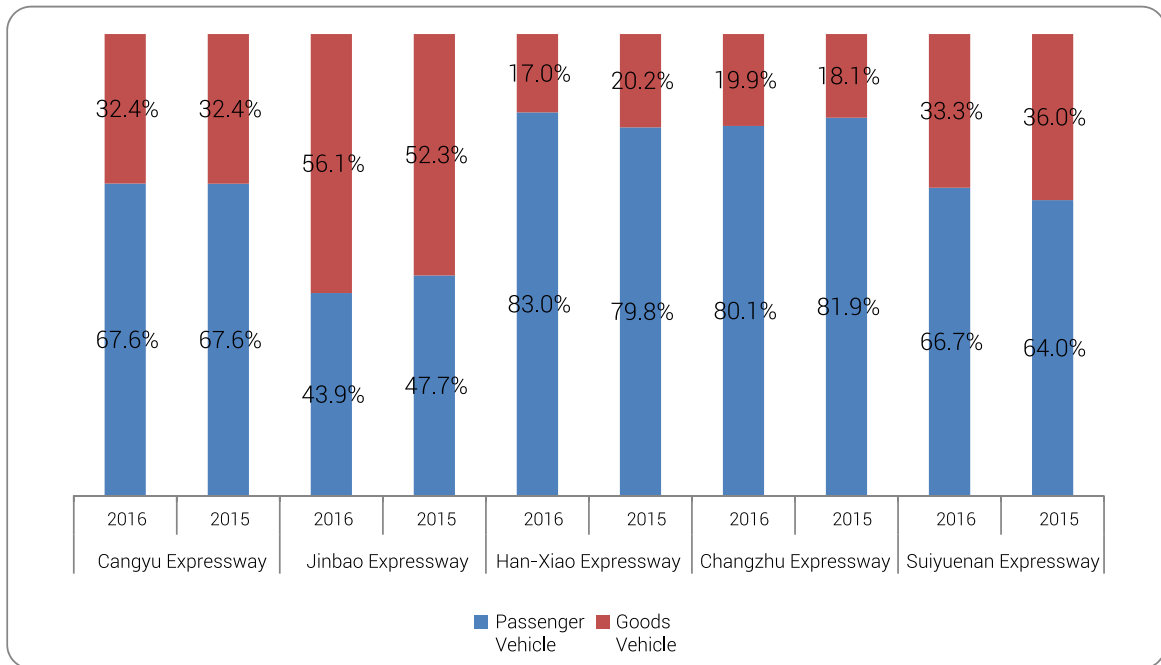
Vehicle type analysis (by traffic volume)

During the Reporting Year, the Group's operating projects were primarily 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 in and operated its projects, the vehicle types of projects operated in the provinces of Guangdong and Henan were classified as Class 1 to Class 5, for projects operated in other areas, the vehicle types were classified into passenger (vehicle) and goods (vehicle). From August 2014 to November 2015, Xian Expressway was under the "four lanes-to-eight lanes" expansion and thus traffic control was imposed during the period, which caused great fluctuations in the toll traffic volume and the vehicle type mix. Besides, toll revenue will register a growth of 3.5% as calculated based on the actual amount for 2015 received. The vehicle type mix did not match the toll revenue. Therefore, an analysis of vehicle types was no longer made.

**Vehicle type analysis on projects operated in the provinces of Guangdong and Henan for 2016
(based on statistics of traffic volume)**



**Vehicle type analysis on projects operated in other regions for 2016
(based on statistics of traffic volume)**



Summary of operating performance

Macroeconomic environment

During the Reporting Year, the global economic recovery showed a sluggish trend. The pickup in growth in developed economies were stronger than expected. The output of the manufacturing industry saw a recovery. Emerging markets and developing economies saw a slowdown in growth, and the financial environment were generally tightened. Overall, the global political and economic risks were on the down side.

Faced with the 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 2016 was RMB74.4127 trillion, increasing by 6.7% year-on-year, and was leading among the major global economies with a trend of stabilization amidst a slowdown and improving while maintaining stability.

Projects invested and operated by the Group are distributed over Guangdong, Shaanxi, Tianjin, Guangxi, Hunan, Hubei and Henan. The total output value of these regions increased by 7.5%, 7.6%, 9.0%, 7.3%, 7.9%, 8.1% and 8.1% year on year, respectively, in 2016, all higher than the national average for the same period.

(RMB100 million)

	National	Guangdong Province	Shaanxi Province	Tianjin Municipality	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
2016 GDP	744,127	79,512	19,165	17,885	18,245	31,245	32,298	40,160
2016 GDP Growth	6.7%	7.5%	7.6%	9.0%	7.3%	7.9%	8.1%	8.1%
2015 GDP Growth	6.9%	8.0%	8.0%	9.3%	8.1%	8.6%	8.9%	8.3%

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

Regulatory Environment of the Sector

During the Reporting Year, policies for the toll road sector remained stable. The Ministry of Transport has stated that the toll road policy should be insisted going forward, and that the revision of the Regulations on the Administration of Toll Roads is expected to be completed by the end of 2017, which will stipulate uniform provisions on matters such as the scope, duration, criteria and reduction or exemption of toll roads. Meanwhile, the adoption of a franchise system for non-government invested toll roads will be continued. The legitimate interests of road users and investors will also be comprehensively protected.

During the Reporting Year, the Ministry of Finance and the NDRC jointly issued the 'Notice of Further Jointly and Effectively Conducting the Work concerning Public-Private Partnerships'. Pursuant to the notice, when promoting the PPP model in the toll road sector, the synergy effect among relevant administration authorities should be strengthened. While a reasonable reward mechanism should be established, the efficiency of fund-raising to support the PPP projects should also be enhanced. Governmental fulfillment of terms of contracts should be under stricter supervision, so as to provide the involved private capital with reasonable returns. Further, enhanced transparency of information could realize the maximization of public interests.

During the Reporting Year, the Ministry of Finance and the State Administration of Taxation jointly issued the "Notice on Expanding the Pilot Program of Replacing Business Tax with Value-Added Tax to All Industries". Since 1 May 2016, the pilot program of replacing business tax with value-added tax (VAT) shall be implemented across the country. For expressways the construction of which commenced before 30 April 2016, the tax rate on toll revenue imposed on the road operators will be reduced to 3% by adopting the applicable simplified tax calculation method. For reference, the currently payable VAT amount declared by project companies of the Group shall be calculated according to the following formula: Tax amount declared = Amount specified on toll invoice of expressway \div (1+3% (or 5%)) x3%.

During the Reporting Year, the Ministry of Transport officially commenced the implementation of Provisions on the Administration of the Running of Transport Vehicles with Out for gauge Goods on the Road (《超限運輸車輛行駛公路管理規定》) and issued the "Special Action Plan for Regulating Overrun and Overloading Trucks"(《整治公路貨車違法超限超載行為專項行動方案》) and the Plan for the Management of Car Carrier Trailers (《車輛運輸車治理工作方案》) jointly with the Ministry of Public Security, pursuant to which special actions will be carried out for a period of one year since September 2016, which will bring a positive effect on the toll road industry in the long run.

During the Reporting Year, in order to promote the structural reform of the supply side, a provisional downward adjustment was made to the toll of expressways in provinces such as Hunan, Hubei, Shanxi, Guizhou and Anhui. Among them, the governments of Hunan Province and Hubei Province implemented a preferential fee reduction policy on truck owners in the provinces holding prepaid cards. This policy, to a certain extent, facilitated the use of expressways by truck owners, and has no significant effect on the Group's toll revenue as a whole.

During the Reporting Year, the new "Green Passage Toll Free Policy" was enforced on the expressways and bridges of the Group in compliance with the relevant national requirements. The enforcement of this policy led to a decrease in the toll revenue of the Group by approximately RMB275.37 million (2015: approximately RMB194.49 million ⁽¹⁾).

Notes:

(1) The figures in respect of Suiyuanan Expressway green passage and major festivals and holidays for 2015 are figures for July to December.

During the Reporting Year, the “Toll Free Policy for Passenger Cars with Seven Seats or Less during Major Festivals and Holidays” was implemented on the expressways and bridges of the Group in compliance with the relevant national requirements. There were a total of 20 days of major festivals and holidays which satisfied the requirements during the year. As initially calculated, the implementation of this policy led to a decrease in the toll revenue of the Group by approximately RMB79.57 million ⁽²⁾ (approximately RMB66.44 million in 2015) ⁽¹⁾⁽²⁾.

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 strengthen road emergency response and smooth traffic as well as toll business standardized management, strived to provide safe, fast and high quality traffic services for drivers and passengers, and achieved a record high in the performance of project operation again. The Group actively broadened the financing channel and successfully issued the first tranche of public Panda Bonds in China, leading to a new record low in financing costs. The Group vigorously promoted the application of new maintenance technology/new processes/new materials to reduce the full life comprehensive maintenance costs for roads. The Group exerted itself to promote the combination of information technology with business and continuously enhanced the management efficiency. The Group actively explored the long-term incentive mechanism to inspire the endogenous capacity of the enterprise.

Progress of investment

During the Reporting Year, the Group would persistently look for high-quality expressway projects of large and medium sizes so that we could strengthen our core business. Established in Guangdong Province, we would actively look for and acquire expressways which have a balanced operating cash flow from economically strong provinces in the central and western parts of the country so as to expand our business scale and would also seek for diversified project development opportunities with stable cash flows.

Notes:

- (1) The figures in respect of Suiyuenan Expressway green passage and major festivals and holidays for 2015 are figures for July to December.
- (2) The estimation result is based on the simulated calculation based on data available to subsidiaries of the Group and historical data and is for reference purpose only.

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 continuously improve, parallel roads or alternative routes may increase continuously, which may have uncertain impact on the growth of toll revenue in individual projects.

Tackling measures: Actively communicate with the competent authorities of the industry and timely obtain the updates for road networks, regularly review and update the planning of road networks where the project locates, collect the statistics of construction status of newly built roads, and evaluate how the changes in road networks affect the traffic flows of the project companies.

Risk of Sectoral and Economic Policies

Risk analysis: Changes in sectoral and economic policies in China will have impact on toll road enterprises. Currently, Regulations on Administration of Tolling Roads is under amendment, and there will be a systematic reform on toll collection; 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: Pay immediate attention to the conditions of the province where the project companies 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 cooperation.

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, further improve the indicator system of investment decision and establish the comparison system for project analysis; conduct in-depth research on the industrial structure, economic structure and the future planning of road networks of the project areas before making investment decision; 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 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.

Risk of Comprehensive Understanding of Fund Status

Risk analysis: As the Group's borrowings gradually increase, there are higher requirements for budgeting, management and control of funds. If the Group does not have a thorough understanding on the fund status, it will be difficult for the company to assess actual requirement of funds and the funding term etc. accurately, which will result in excessive or inadequate financing, low utilizing rate of funds and the increase of unnecessary finance cost.

Tackling measures: Strengthen the tracking analysis on trends of interest rate and exchange rate and timely adjust financing strategy; 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 Stakeholder Relations

Risk analysis: As the acquired projects increase and the areas are expanding, if project companies do not have harmonious relations with the stakeholders such as local competent government authorities, toll splitting units, the police force where the projects locate, residents near the village, the media etc., there will be an adverse effect on the company's operation.

Tackling measures: Guide the project companies to enhance their communication with local governmental departments and toll splitting units etc., establish long-term and benign communication channels and maintain good relations.

Performance of Expressways and Bridges

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll traffic volume was 194,227 vehicles and the average daily toll revenue was RMB2,844,000, representing an increase of 14.3% and 9.3% respectively, when compared with 2015.

Benefiting from favorable factors such as growing ownership of passenger vehicles, the steady improvement of the regional economy and the full adoption of the toll-by-weight policy for trucks in Guangdong Province since 26 June 2015, the average daily toll traffic volume and average daily toll revenue maintained a growth trend year-on-year.

Xian Expressway

During the Reporting Year, the average daily toll traffic volume was 44,200 vehicles and the average daily revenue was RMB741,000, representing an increase of 0.8% when compared with 2015.

The operation period of Xian Expressway ended on 30 September, 2016 and the expressway has been handed over to the government according to the agreement. All figures for 2016 are figures for the first to third quarter. Pursuant to the "four lanes to eight lanes" agreement, the toll revenue for 2016, the calculation of which is based on the actual revenue for 2015, will grow by 3.5%. The replacement of business tax with value-added tax is the primary reason that caused a lower than 3.5% growth rate. Under such an implementation, toll revenue hereby was net of value-added tax. As a result, the year-on-year growth rate dropped slightly.

Cangyu Expressway

During the Reporting Year, the average daily toll traffic volume was 11,043 vehicles and the average daily toll revenue was RMB235,000, representing an increase of 51.4% and 28.1%, respectively, when compared with 2015.

Benefiting from the connected effect brought by the completion of road segments peripheral to Guiwu Expressway, both the average daily toll traffic volume and toll income maintained a year-on-year growth.

Jinbao Expressway

During the Reporting Year, the average daily toll traffic volume was 26,993 vehicles and the average daily toll revenue was RMB269,000, representing an increase of 4.7% and 4.6% respectively, when compared with 2015.

During the Reporting Year, as a result of the traffic control imposed for the construction of the neighboring Jinjing Highway, trucks were partially diverted to Jinbao Expressway which resulted in the sustained year-on-year growth of both the average daily toll traffic volume and toll revenue.

Han-Xiao Expressway

During the Reporting Year, the average daily toll traffic volume was 23,806 vehicles and the average daily toll revenue was RMB424,000, representing an increase of 26.0% and 10.2% respectively, when compared with 2015.

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

Changzhu Expressway

During the Reporting Year, the average daily toll traffic volume was 20,577 vehicles and the average daily toll revenue was RMB617,000, representing an increase of 9.6% and 4.1% respectively, when compared with 2015.

Benefiting from the steady economic growth in the surrounding regions, and the further improvement of the road network, both the average daily toll traffic volume and toll revenue maintained a year-on-year growth.

Weixu Expressway

During the Reporting Year, the average daily toll traffic volume was 17,167 vehicles and the average daily toll revenue was RMB768,000, representing an increase of 6.5% and 2.4% respectively, when compared with 2015.

Benefiting from the resumption of the regional freight demand and the positive impact brought by the new policy of controlling overloaded trucks, both the average daily toll traffic volume and toll revenue recorded a year-on-year increase.

Suiyuanan Expressway

During the Reporting Year, the average daily toll traffic volume was 16,302 vehicles and the average daily toll revenue was RMB 1,151,000, representing an increase of 4.0% and a decrease of 8.9% respectively, when compared with 2015.

Since late June in 2015, the adoption of the national standards for vehicle classification in Hubei Province has led to an increase in the toll rate for trucks. Combined with the effect of the increased efforts in the control of overloaded trucks on expressways by the local transportation administration authorities, some trucks were diverted to municipal roads. As a result, the average daily toll revenue recorded a year-on-year decrease. However, as Suiyuanan Expressway adopted a series of measures to attract more traffic, and the effect of the expressway "Overall reduction in toll fees and preferential treatment for both passenger and cargo vehicles (一降兩惠)" policy implemented by Hubei Province since 1 June 2016 appeared gradually, the average daily toll traffic volume and toll revenue have achieved a year-on-year rebound since October 2016.

Associates and Joint Venture

GWSR Expressway

During the Reporting Year, the average daily toll traffic volume was 58,615 vehicles and the average daily toll revenue was RMB1,074,000, representing an increase of 16.6% and 8.4%, respectively, when compared with 2015.

Benefiting from favorable factors including the growth of car ownership volume and the implementation of a toll-by-weight system for trucks in Guangdong Province since 26 June 2015, both the average daily toll traffic volume and toll revenue maintained a year-on-year growth.

Humen Bridge

During the Reporting Year, the average daily toll traffic volume was 107,429 vehicles and the average daily toll revenue was RMB4,070,000, representing an increase of 7.6% and 6.0%, respectively, when compared with 2015.

Benefiting from favorable factors including the growth of car ownership volume and the implementation of a toll-by-weight system for trucks in Guangdong Province since 26 June 2015, both the average daily toll traffic volume and toll revenue maintained a year-on-year steady growth.

Northern Ring Road

During the Reporting Year, the average daily toll traffic volume was 307,147 vehicles and the average daily toll revenue was RMB2,027,000, representing an increase of 13.1% and 7.2%, respectively, when compared with 2015.

Benefiting from the growth of car ownership volume, and an improvement in traffic conditions and the continuous enhancement of traffic mobility and efficiency as a result of the effective completion of the work for ensuring smooth traffic, the average daily toll traffic volume and toll revenue maintained a year-on-year growth.

Shantou Bay Bridge

During the Reporting Year, the average daily toll traffic volume was 26,368 vehicles and the average daily toll revenue was RMB800,000, representing an increase of 24.4% and 17.3%, respectively, when compared with 2015.

Due to the joint effect of the dual factors of the traffic control imposed on the neighboring road for overhauling, which resulted in certain vehicles using Shantou Bay Bridge alternatively, and a lower base as a result of the implementation of traffic control measures to prohibit some heavy goods vehicles from using the bridge during the maintenance and repair period of last year, both the average daily toll traffic volume and toll revenue recorded a double digit growth.

Qinglian Expressway

During the Reporting Year, the average daily toll traffic volume was 36,753 vehicles and the average daily toll revenue was RMB1,835,000, representing an increase of 10.4% and 5.1%, respectively, when compared with 2015.

Due to the basically bottoming out of the diversion effect of peripheral road networks and the further improvement of the section traffic conditions as a result of the completion of the expansion work of converting “four lanes to eight lanes” of Guangqing Expressway, both the average daily toll traffic volume and toll revenue recorded a year-on-year growth.

FINANCIAL REVIEW

KEY OPERATING RESULTS FIGURES

	Reporting Year RMB' 000	2015 RMB' 000	Change %
Income from operations	2,519,003	2,226,023	13.2
Income from operations, net of tax ¹	2,484,943	2,150,802	15.5
Gross profit	1,684,103	1,450,776	16.1
Operating profit	1,593,815	1,120,445	42.2
Earnings before interests, tax, depreciation and amortization ("EBITDA") ²	2,356,181	2,037,563	15.6
Finance costs	(459,800)	(536,222)	-14.3
Share of result of a joint venture	40,566	26,849	51.1
Share of results of associates	298,510	231,077	29.2
Profit attributable to shareholders of the Company	918,817	532,086	72.7
Basic and diluted earnings per share	RMB0.5491	RMB0.3180	72.7
Dividend	482,635	384,159	

¹ Pursuant to the "Circular of the MOF and the SAT regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知)", effective from 1 May 2016, taxpayers across the country will be required to pay value added taxes instead of business taxes. Toll road operators with expressways the construction of which commenced before 30 April 2016, the tax rate on their toll revenue will be reduced to 3% by choosing applicable simplified tax calculation method. Income from operations effective from 1 May 2016 are recorded excluding value added taxes in the books; and for better comparison and analysis purpose, income from operations prior to 1 May 2016 including comparative figures in this financial review section were shown as net of business tax.

² EBITDA includes profit from associates and joint venture and excludes non-cash gains and losses.

I. OVERVIEW OF OPERATING RESULTS

The Group's income from operations, net of tax grew 15.5 percent to RMB2,484.9 million and profit attributable to shareholders of the Company increased by 72.7 percent to RMB918.8 million in 2016 ("Reporting Year"). The Directors have recommended the payment of final dividend for 2016 of HK\$0.20 which is equivalent to approximately RMB0.177146 (2015: HK\$0.16 which was equivalent to approximately RMB0.133917) per share, together with the interim dividend of HK\$0.13 which was equivalent to approximately RMB0.111311 (2015: HK\$0.12 which was equivalent to approximately RMB0.095683) per share, total dividends for the year ended 31 December 2016 will amount to HK\$0.33 which is equivalent to approximately RMB0.288457 (2015: HK\$0.28 which was equivalent to approximately RMB0.2296) per share, represented a dividend payout ratio of 52.5 percent (2015: 72.2 percent).

The growth in income from operations, net of tax in the Reporting Year was mainly due to revenue increment of GNSR Expressway and the impact of full year consolidation of Suiyuanan Expressway (consolidated to the Group since 21 July 2015) in the toll operation side. Income from operations, net of tax of GNSR Expressway grew 12.0 percent or RMB109.7 million due to growing car ownership volume and full implementation of toll-by-weight. Suiyuanan Expressway's first full year income from operations, net of tax was RMB216.7 million more than 2015 being five-month results from date of consolidation to 31 December 2015. Being benefited from the completion of road segments peripheral to Guiwu Expressway, Cangyu Expressway's income from operations, net of tax grew 31.3 percent or RMB20.3 million. Han-Xiao Expressway's income from operations, net of tax grew 12.7 percent or RMB17.2 million mainly from the growth of car ownership volume. Being benefited from further improvement of the road network, income from operations, net of tax of Changzhu Expressway grew 6.5 percent or RMB13.5 million. Income from operations, net of tax of Weixu Expressway increased 4.9 percent or RMB13.0 million with the resumption of the regional freight demand and the positive impact brought by the new policy of controlling overloaded trucks. Owing to some trucks diverted from neighboring Jinjing Highway which has implemented traffic control due to construction in progress, income from operations, net of tax of Jinbao Expressway increased by 7.3 percent or RMB6.6 million. Xian Expressway's concession was expired on 30 September 2016 and its income from operations, net of tax was RMB58.9 million lower than the 2015 whole year figure. Income from operations, net of tax of non-controlled toll projects in aggregate grew 9.7 percent in the Reporting Year. Income from operations, net of tax of Humen Bridge, Northern Ring Road and GWSR Expressway grew 8.5 percent, 9.7 percent and 11.2 percent respectively. Shantou Bay Bridge was benefited from traffic diverted in due to the construction of neighboring Queshi Bridge, its income from operations, net of tax increased by 20.3 percent in the Reporting Year. Income from operations, net of tax of Qinglian Expressway increased by 7.4 percent as traffic diversion effects from the opening of vicinity roads basically hit bottom.

In the profit attributable to shareholders of the Company (after elimination of inter-company loan interests), controlled projects contributed RMB794.4 million in the Reporting Year with a 34.3 percent increase as compared to 2015. Among the controlled projects, contribution from toll operation in aggregate increased 30.9 percent to RMB802.1 million (which would be an increase of 26.0 percent if taking no account of the consolidation of Suiyuanan Expressway for comparative purpose) while the port operation was at a loss of RMB7.7 million up to its disposal on 1 August 2016. GNSR Expressway with its strong toll revenue growth which led to its net profit increased by 11.4 percent to RMB337.8 million. Suiyuanan Expressway's first full year net profit was RMB66.7 million being RMB37.5 million more than 2015's five-month results from date of consolidation to 31 December 2015. Xian Expressway's net profit up to the expiry of its concession on 30 September 2016 amounted to RMB94.1 million. Owing to the continuous toll revenue growth, Cangyu Expressway's net profit increased by 79.8 percent to RMB40.4 million. Weixu Expressway's net profit increased by 18.5 percent to RMB104.8 million in the Reporting Year. Changzhu Expressway recorded increase in net profit of 9.6 percent to RMB73.7 million in the Reporting Year. Jinbao Expressway recorded net profit increase of 87.7 percent (as compared to 2015's general operating profit attributable to shareholders of the Company) to RMB16.4 million (there was an impairment loss of RMB119.9 million provided in 2015). With the utilisation of 2015 recognised deferred tax assets of RMB8.9 million in the Reporting Year, Han-Xiao Expressway's net profit decreased by 14.6 percent to RMB68.3 million. The Port operation has recorded loss of RMB7.7 million in the Reporting Year. The non-controlled toll projects in aggregate contributed RMB339.1 million of net profit to the Group with an increase of 31.5 percent as compared with 2015. Humen Bridge grew 7.6 percent to RMB169.2 million. Northern Ring Road grew 8.1 percent to RMB79.9 million. Shantou Bay Bridge grew 48.8 percent to RMB49.2 million, Qinglian Expressway turned into profit to RMB0.15 million and GWSR Expressway recorded 51.1 percent increase to RMB40.6 million.

At the corporate level, apart from the gain from disposal of Yuexin Chishui Port of RMB112.1 million (before tax) and the impact of net exchange loss has been substantially offset by the fair value gain of the hedge instrument, 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, net of tax

The Group recorded overall income from operations, net of tax of RMB2,484.9 million in the Reporting Year, an increase of 15.5 percent as compared with 2015. Income from toll operation, net of tax increased 15.8 percent to RMB2,478.3 million in the Reporting Year. Income from Port operation up to its disposal on 1 August 2016 amounted to RMB6.7 million (2015: RMB10.8 million).

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

Controlled Projects	Reporting Year	Percentage	2015		Change
	RMB' 000	of total %	RMB' 000	Percentage of total %	
GNSR Expressway	1,027,575	41.3	917,871	42.7	12.0
Suiyuenan Expressway	415,404	16.7	198,673	9.2	109.1
Weixu Expressway	277,643	11.2	264,632	12.3	4.9
Changzhu Expressway	222,770	9.0	209,253	9.7	6.5
Xian Expressway	199,646	8.0	258,587	12.1	-22.8
Han-Xiao Expressway	152,921	6.2	135,674	6.3	12.7
Jinbao Expressway	97,206	3.9	90,557	4.2	7.3
Cangyu Expressway	85,094	3.4	64,798	3.0	31.3
Total from toll operation	2,478,259	99.7	2,140,045	99.5	15.8
Port Operation	6,684	0.3	10,757	0.5	-37.9
Total income from operations	2,484,943	100.0	2,150,802	100.0	15.5

GNSR Expressway accounted for 41.3 percent (2015: 42.7 percent) of the income from operations, net of tax of the Group's controlled projects in the Reporting Year. With growing car ownership volume and full implementation of toll-by-weight system for trucks in Guangdong Province on 26 June 2015, GNSR Expressway increased by 12.0 percent to RMB1,027.6 million in the Reporting Year.

Suiyuenan Expressway entered into its first full year of consolidation to the Group since its consolidation on 21 July 2015. It ranked second in terms of income from operations, net of tax being amounted to RMB415.4 million and accounted for approximately 16.7 percent (2015: 9.2 percent) among controlled projects.

Weixu Expressway, ranked third in terms of income from operations, net of tax accounted for approximately 11.2 percent (2015: 12.3 percent) among controlled projects. Weixu Expressway increased by 4.9 percent to RMB277.6 million in the Reporting Year with the resumption of the regional freight demand and the positive impact brought by the new policy of controlling overloaded trucks.

Changzhu Expressway, ranked fourth in terms of income from operations, net of tax accounted for approximately 9.0 percent (2015: 9.7 percent) among controlled projects. Being benefited from the further improvement of the road network, Changzhu Expressway grew 6.5 percent to RMB222.8 million in the Reporting Year.

Xian Expressway, ranked fifth in terms of income from operations, net of tax accounted for approximately 8.0 percent (2015: 12.1 percent) among controlled projects. Its income from operations, net of tax up to the expiry of its concession on 30 September 2016 amounted to RMB199.6 million.

Han-Xiao Expressway, ranked sixth in terms of income from operations, net of tax accounted for approximately 6.2 percent (2015: 6.3 percent) among controlled projects. With the growth of car ownership volume, Han-Xiao Expressway grew 12.7 percent to RMB152.9 million in the Reporting Year.

Jinbao Expressway, ranked seventh in terms of income from operations, net of tax accounted for approximately 3.9 percent (2015: 4.2 percent) among controlled projects. Owing to some trucks diverted from neighboring Jinjing Highway which has implemented traffic control due to construction in progress, Jinbao Expressway increased 7.3 percent to RMB97.2 million in the Reporting Year.

Cangyu Expressway, ranked eighth in terms of income from operations, net of tax accounted for approximately 3.4 percent (2015: 3.0 percent) among controlled projects. Being benefited from the completion of road segments peripheral to Guiwu Expressway, Cangyu Expressway grew 31.3 percent to RMB85.1 million in the Reporting Year.

Yuexin Chishui Port has contributed RMB6.7 million (2015: RMB10.8 million) to the Group's income from operations, net of tax up to its disposal on 1 August 2016.

Cost of services (exclude VAT and business tax)

In the Reporting Year, total cost of services (exclude VAT and business tax) of the Group amounted to RMB800.8 million (2015: RMB700.0 million), an increase of RMB100.8 million or 14.4 percent as compared with 2015. Cost ratio (cost of services exclude VAT and business tax/income from operations net of tax) was 32.2 percent in the Reporting Year being 0.3 percentage point lower than 2015, of which cost ratio of toll operation in the Reporting Year was 32.1 percent being 0.6 percentage point higher than 2015. An analysis of cost of services (exclude VAT and business tax) showed (1) increment of RMB91.0 million from full year consolidation of Suiyuanan Expressway over 2015 (consolidation to the Group on 21 July 2015); (2) decrease of RMB30.3 million upon expiry of toll concession of Xian Expressway on 30 September 2016; (3) decrease of RMB21.1 million upon disposal of Yuexin Chishui Port on 1 August 2016; and (4) increase in amortization of intangible operating rights being in line with growth in traffic volume. In the total cost of services, cost related to controlled toll projects amounted to RMB795.0 million and cost of Port operation amounted to RMB5.8 million.

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

Controlled Projects	Reporting Year	Percentage	2015		Change
	RMB' 000	of total %	RMB' 000	of total %	
GNSR Expressway	259,434	32.4	239,070	34.1	8.5
Suiyuanan Expressway	149,194	18.6	58,239	8.3	156.2
Weixu Expressway	93,697	11.8	86,222	12.3	8.7
Changzhu Expressway	89,693	11.2	65,665	9.4	36.6
Jinbao Expressway	59,502	7.4	61,768	8.8	-3.7
Han-Xiao Expressway	59,082	7.4	52,158	7.5	13.3
Xian Expressway	50,602	6.3	80,901	11.6	-37.5
Cangyu Expressway	33,829	4.2	29,131	4.2	16.1
Total from toll operation	795,033	99.3	673,154	96.2	18.1
Port operation ¹	5,807	0.7	26,872	3.8	-78.4
Total	800,840	100.0	700,026	100.0	14.4

Analysis of cost of services by nature

	Reporting Year	Percentage	2015		Change
	RMB' 000	of total %	RMB' 000	of total %	
Amortization of intangible operating rights	505,763	63.2	419,119	59.9	20.7
Toll highways and bridges maintenance expenses	110,877	13.9	82,525	11.8	34.4
Staff costs	102,901	12.8	111,183	15.9	-7.4
Toll highways and bridges operating expenses	69,762	8.7	56,803	8.1	22.8
Depreciation of other fixed assets ¹	11,537	1.4	30,396	4.3	-62.0
Total	800,840	100.0	700,026	100.0	14.4

1 Pursuant to the relevant accounting standard, depreciation of assets will cease once they are classified as held for sale. If Yuexin Chishui Port is not classified as held for sale, further RMB10.0 million depreciation will be needed to be provided in cost of services during the Reporting Year up to its disposal on 1 August 2016.

Gross profit

Gross profit in the Reporting Year increased by 16.1 percent to RMB1,684.1 million, of which gross profit related to toll operation was RMB1,683.2 million and gross profit related to Port operation was RMB0.9 million. Gross profit margin in the Reporting Year was 67.8 percent being 0.3 percentage point higher than 2015, of which gross profit margin of toll operation in the Reporting Year was 67.9 percent being 0.6 percentage point lower than 2015.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year		2015	
	Gross Profit RMB' 000	Gross Margin ¹	Gross Profit RMB' 000	Gross Margin ¹
GNSR Expressway	768,141	74.8%	678,801	74.0%
Suiyuenan Expressway	266,210	64.1%	140,434	70.7%
Weixu Expressway	183,946	66.3%	178,410	67.4%
Xian Expressway	149,044	74.7%	177,686	68.7%
Changzhu Expressway	133,077	59.7%	143,588	68.6%
Han-Xiao Expressway	93,839	61.4%	83,516	61.6%
Cangyu Expressway	51,265	60.2%	35,667	55.0%
Jinbao Expressway	37,704	38.8%	28,789	31.8%
Total from toll operation	1,683,226	67.9%	1,466,891	68.5%
Port operation ²	877	13.1%	(16,115)	N/A
Total	1,684,103	67.8%	1,450,776	67.5%

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

2. Pursuant to the relevant accounting standard, depreciation of assets will cease once they are classified as held for sale. If Yuexin Chishui Port is not classified as held for sale, further RMB10.0 million depreciation will be needed to be provided in cost of services during the Reporting Year up to its disposal on 1 August 2016.

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year increased by 11.9 percent to RMB226.2 million mainly due to (1) the increment of RMB5.0 million from full year consolidation of Suiyuenan Expressway over 2015 (consolidation to the Group on 21 July 2015); and (2) provision of RMB20.0 million for staff layoff costs and other related winding up expenses upon expiry of toll concession of Xian Expressway on 30 September 2016.

Other income, gains and losses – net

The Group's other income, gains and losses – net was a gain of RMB136.0 million in the Reporting Year (2015: net loss of RMB128.2 million). The fluctuation was mainly due to (1) gain from disposal of Yuexin Chishui Port of RMB112.1 million in the Reporting Year; (2) the decrease in exchange loss, net (other than notes payable and bank borrowings which was reflected under finance costs) of RMB13.0 million as compared to 2015; and (3) certain one off losses and gains in 2015 which included provision for impairment losses of intangible operating rights of RMB266.4 million, exchange gain from release of currency translation differences upon disposal of subsidiaries of RMB72.6 million, gain on disposal of subsidiaries of RMB30.1 million and compensation from a contractor relating to termination of construction contracts of RMB3.3 million. 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 RMB47.5 million which was 70.9 percent higher than 2015 mainly due to the fair value gain on derivative financial instruments. These derivative financial instruments were the cross currency swaps entered into in the fourth quarter of 2016 to hedge the exchange fluctuation of Euro175.0 million of the Company's notes payable.

The Group's overall finance costs in the Reporting Year decreased by 14.3 percent to RMB459.8 million as compared to 2015 mainly due to the net decrease in exchange loss of RMB133.0 million, of which exchange loss related to bank borrowings decreased by RMB144.7 million and that related to notes payable increased by RMB11.7 million. Finance costs excluding exchange loss in the Reporting Year amounted RMB408.0 million increased by 16.1 percent as compared to 2015 mainly due to increase of RMB56.7 million from the first full year consolidation of Suiyuenan Expressway (consolidated to the Group since 21 July 2015). Through debts optimization with issuance of corporate bonds at lower costs and obtaining new bank borrowings at lower interest rate, the Group's overall weighted average interest rate in the Reporting Year was 4.20 percent which was lower than the rate of 4.46 percent in 2015.

Share of results of associates and a joint venture

The Group's share of results of associates and a joint venture has increased by 31.5 percent in the Reporting Year to RMB339.1 million.

Share of post-tax profit of Humen Bridge in the Reporting Year increased by 7.6 percent to RMB169.2 million. Having benefited from continued growth in car ownership, income from operation, net of tax at the project company level has increased by 8.5 percent to RMB1,469.3 million in the Reporting Year.

Share of post-tax profit of Northern Ring Road in the Reporting Year increased by 8.1 percent to RMB79.9 million. Income from operation, net of tax at the project company level grew 9.7 percent to RMB732.0 million being benefited from increase in car ownership.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year increased by 48.8 percent to RMB49.2 million. Income from operation, net of tax at the project company level grew 20.3 percent to RMB289.4 million in the Reporting Year due to traffic control on neighboring road.

Share of post-tax result of Qinglian Expressway turned into a net profit of RMB0.15 million as compared to the net loss of RMB33.3 million in 2015. Income from operations, net of tax at the project company level grew 7.4 percent to RMB660.8 million as a result of the completion of the expansion work of converting “four lanes to eight lanes” of Guangqing Expressway thereby improving the section of traffic conditions.

Share of post-tax profit of GWSR Expressway in the Reporting Year increased by 51.1 percent to RMB40.6 million, which if taking no account of the prior year’s tax under provision of RMB1.5 million (attributable to the Group) recorded in 2015, there was still 43.1 percent increase in its net profit attributable to the Group. Income from operation, net of tax at the project company level grew 11.2 percent to RMB388.0 million.

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

	Profit Sharing ratio %	Income from operations, net of tax ⁽¹⁾		Share of results	
		Reporting Year RMB' 000	YoY change %	Reporting Year RMB' 000	YoY change %
Associates					
Humen Bridge	18.446	1,469,309	8.5	169,176	7.6
Northern Ring Road	24.3	731,967	9.7	79,936	8.1
Shantou Bay Bridge	30.0	289,409	20.3	49,246	48.8
Qinglian Expressway	23.63	660,798	7.4	152	turned profit
Sub-total		3,151,483	9.5	298,510	29.2
Joint venture					
GWSR Expressway	35.0	387,972	11.2	40,566	51.1
Total		3,539,455	9.7	339,076	31.5

⁽¹⁾ Represented figures at the respective project companies’ level. Income from operations effective from 1 May 2016 are recorded excluding value added taxes in the books; and for better comparison and analysis purpose, income from operations in the Reporting Year prior to 1 May 2016 and comparative figures used in the calculation of year-on-year change were net of business tax.

Income tax expense

Total income tax expense of the Group in the Reporting Year increased by 63.2 percent to RMB354.1 million mainly due to: (1) the 2015 income tax expense was reduced by the reversal of deferred tax liabilities of RMB66.6 million upon impairment loss provided by Jinbao Expressway; and (2) income tax in the Reporting Year included the utilization and reversals of deferred tax assets in aggregate of RMB14.9 million leaving the deferred tax assets balance as at 31 December 2016 of RMB66.2 million.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB918.8 million in the Reporting Year, an increase of 72.7 percent as compared with 2015. In view of management team's continuous effort in optimizing the Group's overall debt structure and as part of this process, there were inter-company loan interests incurred between the controlled projects level and the corporate entities level which would be eliminated ultimately at the consolidated level.

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

	Reporting Year RMB' 000	Percentage of total %	2015 RMB' 000	Percentage of total %	Change %
Net profit from controlled projects	794,433	70.1	591,489	69.6	34.3
Net profit from non-controlled projects ⁽¹⁾	339,076	29.9	257,926	30.4	31.5
Net profit from projects	1,133,509	100.0	849,415	100.0	33.4
Withholding tax on PRC dividends/income	(38,570)		(33,378)		15.6
Corporate expenses	(119,057)		(117,328)		1.5
Corporate income/gains, net	115,455		101,607		13.6
Corporate finance income	37,825		17,024		122.2
Corporate finance costs	(210,345)		(285,254)		-26.3
Profit attributable to shareholders of the Company	918,817		532,086		72.7

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

An analysis of the profit attributable to shareholders of the Company showed net profit derived from controlled projects amounted to RMB794.4 million in the Reporting Year, accounted for 70.1 percent (2015: 69.6 percent) while net profit from non-controlled projects amounted to RMB339.1 million in the Reporting Year, accounted for 29.9 percent (2015: 30.4 percent).

Net profit from controlled projects of RMB794.4 million represented growth of 34.3 percent or RMB202.9 million higher than 2015; of which net profit from toll operation increased 30.9 percent to RMB802.1 million (which would be an increase of 26.0 percent if taking no account of the consolidation of Suiyuanan Expressway for comparative purpose). The Port operation has recorded loss of RMB7.7 million in 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	2015	Percentage of total	Change
	RMB' 000	%	RMB' 000	%	%
GNSR Expressway	337,764	29.8	303,233	35.8	11.4
Weixu Expressway	104,816	9.2	88,459	10.4	18.5
Xian Expressway	94,112	8.3	133,285	15.7	-29.4
Changzhu Expressway	73,704	6.5	67,263	7.9	9.6
Suiyuenan Expressway	66,673	6.0	29,137	3.4	128.8
Han-Xiao Expressway	68,271	6.0	79,954	9.4	-14.6
Cangyu Expressway	40,379	3.6	22,459	2.6	79.8
Jinbao Expressway					
– operation	16,372	1.4	8,723	1.0	87.7
– impairment loss	—	—	(119,895)	-14.1	-100.0
Total from toll operation	802,091	70.8	612,618	72.1	30.9
Port operation	(7,658)	-0.7	(21,129)	-2.5	-63.8
Total	794,433	70.1	591,489	69.6	34.3

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

Controlled Projects	Reporting Year	Percentage of total	2015	Percentage of total	Change
	RMB' 000	%	RMB' 000	%	%
GNSR Expressway	337,764	31.6	303,233	38.6	11.4
Weixu Expressway	104,816	9.8	88,459	11.3	18.5
Xian Expressway	98,928	9.2	133,285	17.0	-25.8
Suiyuenan Expressway	51,345	4.8	22,972	2.9	123.5
Han-Xiao Expressway	48,668	4.6	59,096	7.5	-17.6
Changzhu Expressway	42,266	4.0	34,361	4.4	23.0
Cangyu Expressway	37,954	3.5	21,126	2.7	79.7
Jinbao Expressway					
– operation	16,372	1.5	8,723	1.1	87.7
– impairment loss	—	—	(119,895)	-15.3	-100.0
Total from toll operation	738,113	69.0	551,360	70.2	33.9
Port operation	(7,669)	-0.7	(23,504)	-3.0	-67.4
Total	730,444	68.3	527,856	67.2	38.4

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 income from operations, net of tax”) has increased 31.5 percent in the Reporting Year to RMB339.1 million as compared with 2015. 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 14.9 percent (2015: 18.5 percent), 7.1 percent (2015: 8.7 percent), 4.3 percent (2015: 3.9 percent), 0.01 percent (2015: -3.9 percent) and 3.6 percent (2015: 3.2 percent) of the net profit from projects respectively.

At the corporate level, apart from the gain from disposal of Yuexin Chishui Port of RMB112.1 million (before tax) and that impact of net exchange loss has been substantially offset by the fair value gain of the hedge instrument, 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 2016 of HK\$0.20 which is equivalent to approximately RMB0.177146 (2015: HK\$0.16 which was equivalent to approximately RMB0.133917) per share payable to shareholders whose names appear on the register of members of the Company on 26 May 2017. Subject to the approval of shareholders at the Annual General Meeting to be held on 18 May 2017, the final dividend will be paid on or about 28 June 2017. Together with the interim dividend of HK\$0.13 which was equivalent to approximately RMB0.111311 (2015: HK\$0.12 which was equivalent to approximately RMB0.095683) per share, total dividends for the year ended 31 December 2016 will amount to HK\$0.33 which is equivalent to approximately RMB0.288457 (2015: HK\$0.28 which was equivalent to approximately RMB0.2296) per share, representing a dividend payout ratio of 52.5 percent (2015: 72.2 percent).

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

III. ANALYSIS OF FINANCIAL POSITION

Key financial position figures

	Reporting Year RMB'000	2015 RMB'000	Change %
Total assets	22,568,556	23,419,273	-3.6
Total liabilities	11,264,254	12,590,180	-10.5
Cash and cash equivalents	1,045,922	866,665	20.7
Total debts	8,578,928	9,353,138	-8.3
Of which: bank borrowings	4,939,891	7,784,888	-36.5
Notes payable	1,452,359	1,403,973	3.4
Corporate bond	1,990,978	—	N/A
Current ratio	1.4 times	0.9 times	
EBITDA interest coverage	5.8 times	5.8 times	
Equity attributable to the shareholders of the Company	9,081,958	8,571,746	6.0

Assets, Liabilities and Equity

As at 31 December 2016, the Group's total assets amounted to RMB22.6 billion which was 3.6 percent lower than the balance as at 31 December 2015 mainly due to the disposal of Port segment. The Group's total assets comprised mainly of intangible operating rights of RMB18.5 billion (31 December 2015: RMB19.0 billion); investments in a joint venture and associates of RMB1.92 billion (31 December 2015: RMB1.85 billion); and cash and cash equivalents of RMB1,045.9 million (31 December 2015: RMB866.7 million).

As at 31 December 2016, the Group's total liabilities amounted to RMB11.3 billion which was 10.5 percent lower than the balance as at 31 December 2015 mainly due to repayment of debts and disposal of Port segment. The Group's total liabilities comprised mainly of bank borrowings of RMB4.9 billion (31 December 2015: RMB7.8 billion); notes payable of RMB1.45 billion (31 December 2015: RMB1.4 billion); corporate bonds in aggregate of RMB2.0 billion (drawn on 22 March 2016 and 28 October 2016); loans from non-controlling interests of RMB103.7 million (31 December 2015: RMB107.2 million); and deferred income tax liabilities of RMB1.98 billion (31 December 2015: RMB1.93 billion).

As at 31 December 2016, the Group's total equity amounted to RMB11.30 billion (31 December 2015: RMB10.83 billion), of which amount attributable to the shareholders of the Company amounted to RMB9.1 billion, an increase of RMB510.2 million over the balance as at 31 December 2015.

Analysis of major assets, liabilities and equity items

Items	Reporting Year RMB' 000	2015 RMB' 000	Change %
Total assets	22,568,556	23,419,273	-3.6
Approximately 90.0 % of which:			
Intangible operating rights	18,485,580	18,952,996	-2.5
Investments in a joint venture and associates	1,923,901	1,845,439	4.3
Cash and cash equivalents	1,045,922	866,665	20.7
Assets of disposal group classified as held for sale ¹	—	599,192	-100.0
Total liabilities	11,264,254	12,590,180	-10.5
Approximately 90.0 % of which:			
Bank borrowings – current portion	235,193	675,268	-65.2
– long term portion	4,704,698	7,109,620	-33.8
Notes payable	1,452,359	1,403,973	3.4
Corporate bonds	1,990,978	—	N/A
Loans from non-controlling interests	103,650	107,227	-3.3
Deferred income tax liabilities	1,975,343	1,932,015	2.2
Liabilities of disposal group classified as held for sale ¹	—	417,749	-100.0
Total equity	11,304,302	10,829,093	4.4
Of which: Attributable to the shareholders of the Company	9,081,958	8,571,746	6.0

1 Assets and liabilities of Port Segment were reclassified to disposal group classified as held for sale as at 31 December 2015 until its disposal completed on 1 August 2016.

Cash flows

It has been the primary objective of the Group to focus on preventing risk and improving liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to approximately RMB1,045.9 million which was 20.7 percent higher than the level at 31 December 2015. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions. As at 31 December 2016, there were no short term bank deposits (31 December 2015: RMB10.0 million) with original maturity over 3 months.

Analysis of cash flow movement

	Reporting Year RMB' 000	2015 RMB' 000
Net cash generated from operating activities	1,721,847	1,439,832
Net cash generated from/(used in) investing activities	289,798	(1,327,903)
Net cash used in financing activities	(1,853,276)	(354,881)
Increase/(decrease) in cash and cash equivalents	158,369	(242,952)
Cash and cash equivalents in the consolidated balance sheet at 1 January	866,665	1,123,517
Cash and cash equivalents of disposal group classified as held for sale at 1 January	15,050	—
Effect of exchange rate changes	5,838	1,150
Less: Cash and cash equivalents of disposal group classified as held for sale at 31 December	—	(15,050)
Cash and cash equivalents at 31 December	1,045,922	866,665

Net cash generated from operating activities during the Reporting Year amounted to RMB1,721.8 million (2015: RMB1,439.8 million) which was arrived from cash generated from operations of RMB2,012.5 million (2015: RMB1,720.4 million) less China enterprise income tax and withholding tax paid of RMB290.7 million (2015: RMB280.6 million).

Net cash generated from investing activities during the Reporting Year amounted to RMB289.8 million (2015 net cash used: RMB1,327.9 million). The inflow mainly consisted of proceeds from disposal of a subsidiary of RMB231.4 million (2015: Nil); dividend distributions from associates and a joint venture of RMB251.9 million (2015: RMB313.1 million); proceeds from compensation arrangement of RMB20.3 million (2015: RMB28.7 million); interest received in aggregate of approximately RMB9.9 million (2015: RMB20.5 million); cash proceed of RMB10.0 million (2015: RMB17.4 million) originally placed to bank for fixed deposits with original maturity over 3 months; and no government grant was received in connection with construction of expressway during the Reporting Year (2015: RMB67.7 million). The outflow was mainly capital expenditures amounted to approximately RMB234.0 million (2015: RMB1,825.3 million).

Net cash used in financing activities during the Reporting Year amounted to RMB1,853.3 million (2015: RMB354.9 million). The outflow mainly included repayment of bank borrowings amounted to RMB6,941.5 million (2015: RMB1,808.9 million); payment of finance costs and related fees of RMB366.8 million (2015: RMB343.2 million); repayments of loans from non-controlling interest of subsidiaries in the Reporting Year of RMB5.1 million (2015: RMB3.1 million); dividends paid to non-controlling interests of RMB236.7 million (2015: RMB306.5 million); dividends paid to the shareholders of the Company of RMB410.3 million (2015: RMB385.8 million); no repayment of other loan and no acquisition of additional interest in a subsidiary (without change in control) during the Reporting Year (2015: RMB100.0 million and RMB112.2 million respectively). The inflow mainly included new bank borrowings amounted to approximately RMB4,082.2 million (2015: RMB1,330.4 million); addition of loans from non-controlling interest of subsidiaries of RMB35.0 million (2015: RMB4.6 million) and net proceeds from corporate bonds (Panda Bonds) amounted to RMB1,989.8 million (drawn on 22 March 2016 and 28 October 2016).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2016 was 1.4 times (31 December 2015: 0.9 times). The current assets balance as at 31 December 2016 was RMB1.3 billion (31 December 2015: RMB1.76 billion) and current liabilities balance was RMB958.1 million (31 December 2015: RMB1.95 billion). Cash and cash equivalents were the major components of the Group's current assets with balance as at 31 December 2016 of RMB1,045.9 million (31 December 2015: RMB866.7 million). There were no short term bank deposits as at 31 December 2016 (31 December 2015: RMB10.0 million) with original maturity over 3 months. Included in the Group's current liabilities as at 31 December 2016 were short term borrowings (i.e. maturities within one year) of approximately RMB235.2 million (31 December 2015: RMB675.3 million) which were all bank borrowings. The assets and liabilities of disposal group classified as held for sale as at 30 June 2016 amounted to RMB587.0 million (31 December 2015: RMB599.2 million) and RMB417.1 million (31 December 2015: RMB417.7 million) respectively were written off upon completion of the transaction on 1 August 2016. In view of the various future capital expenditures which would be committed and investments which would be acquired that would utilize a significant portion of the Group's cash and cash equivalents and increased the Group's bank borrowings level, management will continue to take a prudent approach to effectively match the existing cash and cash equivalents and future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the year ended 31 December 2016 was 5.8 times (31 December 2015: 5.8 times) which is measured as the ratio of earnings before interests, tax, depreciation and amortisation (“EBITDA”) to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the year ended 31 December 2016 was 28.1 percent (31 December 2015: 22.2 percent) which is measured as the ratio of EBITDA to the aggregate balance of bank borrowings, notes payable and corporate bonds (“total external debts”).

Profit before interest and income tax interest coverage for the year ended 31 December 2016 was 4.5 times (31 December 2015: 4.5 times) which is measured as the ratio of profit before interest and tax to interest expenses (profit and loss impact).

Cash interest coverage for the year ended 31 December 2016 was 6.7 times (31 December 2015: 6.0 times) which is measured as the ratio of net cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB234.0 million (2015: RMB1,937.5 million). Capital expenditures related to intangible operating rights and fixed assets included: (1) payments of construction costs of toll highways and bridges upgrade services of RMB43.6 million (2015: RMB220.8 million) and (2) purchase of property, plant and equipment of RMB11.2 million (2015: RMB11.2 million). Capital expenditures related to investment in subsidiaries were mainly payments of considerations to acquisition of subsidiaries of approximately RMB179.2 million (2015: RMB1,593.3 million). There was no acquisition of additional interest in a subsidiary (without change of control) in the Reporting Year (2015: RMB112.2 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.

Analysis of capital structures

	Reporting Year RMB' 000	2015 RMB' 000
Total external debts		
Bank borrowings ¹	4,939,891	7,784,888
Notes payable	1,452,359	1,403,973
Corporate bonds ²	1,990,978	—
Loans from non-controlling interests	103,650	107,227
Amount due to a joint venture	92,050	57,050
Total debts	8,578,928	9,353,138
Less: cash and cash equivalents ¹	(1,045,922)	(866,665)
Net debt	7,533,006	8,486,473
Total Equity	11,304,302	10,829,093
Of which: Equity attributable to the shareholders of the Company	9,081,958	8,571,746
Total capitalization (Net debt + Total equity)	18,837,308	19,315,566

Financial ratios

Gearing ratio (net debt/total capitalization)	40.0%	43.9%
Debt to Equity ratio (net debt/total equity)	66.6%	78.4%
Total liabilities/Total assets ratio	49.9%	53.8%

- Assets and liabilities of Port Segment were reclassified to disposal group classified as held for sale as at 31 December 2015 until its disposal completed on 1 August 2016.
- Basic summary information of corporate bonds:

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

Financing structures

In a way to ensure the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively maintain a cost-efficient funding to its overall funding needs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by and to take advantage of the cost differentials not only of these two markets but also of international markets; and on the other hand, strike a balance between the interest rate savings and exchange risk exposure. As at the end of the Reporting Year, the Group's borrowings comprised of bank borrowings, notes payable, corporate bonds and loans from non-controlling interests of certain subsidiaries. Debt with foreign exchange risk exposure has lowered down from approximately RMB3.8 billion as at 31 December 2015 to approximately RMB1.45 billion as at 31 December 2016 which were substantially hedged with EUR/CNH cross currency swaps. As at 31 December 2016, the Group's total external debts in aggregate was approximately RMB8.4 billion (31 December 2015: RMB9.2 billion) composed of bank borrowings amounted to approximately RMB4.9 billion (31 December 2015: RMB7.8 billion), notes payable amounted to approximately RMB1.45 billion (31 December 2015: RMB1.4 billion) and corporate bonds of RMB2.0 billion (drawn on 22 March 2016 and 28 October 2016). Offshore and onshore debts ratio was 29.2 percent and 70.8 percent (31 December 2015: 41.8 percent and 58.2 percent). Secured external debts' ratio was 47.0 percent (31 December 2015: 57.5 percent). The effective interest rate of total external debts at 31 December 2016 was 3.74 percent (31 December 2015: 4.08 percent). There were RMB3.9 billion of the bank borrowings are at floating rates and RMB1.0 billion at fixed rates with the overall effective interest rate of 4.37 percent at 31 December 2016 (31 December 2015: 4.44 percent). Notes payable and corporate bonds (in four tranches) are at fixed rates with coupon rates of 1.625 percent, 2.85 percent, 3.38 percent, 2.90 percent and 3.18 percent respectively with overall effective interest rate at 2.83 percent (31 December 2015: 2.11 percent).

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

	Reporting Year Percentage of total	2015 Percentage of total
Source		
Onshore	70.8%	58.2%
Offshore	29.2%	41.8%
	100.0%	100.0%
Repayment term		
Within 1 year	2.8%	7.3%
1 to 2 year	22.7%	18.7%
More than 2 years and less than 5 years	41.3%	40.0%
Above 5 years	33.2%	34.0%
	100.0%	100.0%
Currency		
RMB	82.7%	58.2%
HKD	—	26.5%
EURO	17.3%	15.3%
	100.0%	100.0%
Interest rate		
Fixed	53.0%	15.3%
Floating	47.0%	84.7%
	100.0%	100.0%
Terms of credit		
Secured	47.0%	57.5%
Unsecured	53.0%	42.5%
	100.0%	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 (2015: 4.35 percent) per annum.

Amounts due to a joint venture is unsecured, interest free, repayable on demand and are mainly denominated in RMB.

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and functional currency is RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and approximately 82.7 percent (2015: 58.2 percent) external debts are denominated in RMB. As at the end of the Reporting Year, the Group's foreign-currency denominated assets and liabilities mainly included cash and cash equivalent of HK\$29.0 million (equivalent to approximately RMB25.9 million), Euro16.7 million (equivalent to approximately RMB122.4 million) and US\$0.1 million (equivalent to approximately RMB0.7 million); and external debts of Euro198.8 million (net of debt discount and direct issuance costs) (equivalent to approximately RMB1.45 billion) after having restructured all its HK\$2.917 billion external debt with CNH loans and corporate bonds. Given this foreign currency exposure position, as at 31 December 2016, for every 1.0 percent exchange rate change against RMB (with all other variables held constant), the impact to the Group's profit and loss will be approximately RMB13.0 million. After close monitoring of the EURO-RMB trend, the Group has entered into deliverable EUR/CNH cross currency swaps in aggregate of Euro175.0 million in the fourth quarter of the Reporting Year, thereby the foreign currency risk exposure upon maturity of the Euro notes payables is substantially hedged. Given the aforementioned foreign-currency denominated cash and cash equivalent and the remaining Euro25.0 million notes payable, for every 1.0 percent exchange rate change against RMB (with all other variables held constant), the impact to the Group's profit and loss will be approximately RMB0.33 million. As the foreign exchange market is still volatile, the Group will continue to review and assess closely its currency risk.

IV. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2016, the Group had capital commitments related to intangible operating rights and property, plant and equipment of approximately RMB27.7 million being contracted but not provided for.

On 25 December 2016, the Group entered into a subscription agreement ("Subscription") with Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司) ("Yuexiu Financial Holdings"), to invest RMB340 million in subscribing for the additional new A shares issued by Yuexiu Financial Holdings, which was expected to account for 0.85% of its enlarged share capital. Completion of the Subscription is subject to the fulfilment of certain conditions under the Subscription. As at date of this announcement, the Subscription was still under process and not yet completed.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2016. There were no significant contingent liabilities as at 31 December 2016.

V. EMPLOYEES

As at 31 December 2016, the Group had approximately 1,493 employees of whom about 1,271 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

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, Essence International and China Securities International released research coverage reports on the Group successively, and institutions such as JP Morgan Chase, 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 more than 500 domestic and foreign institutional investors, including:

Month	Place	Investment banks as organizers	Event
February	Hong Kong	N/A	Press conference for 2015 results announcement
		HSBC	2015 results roadshow
	Singapore	DBS Vickers Securities	2015 results roadshow
March	Hong Kong	China Securities International	2015 results roadshow
April	Beijing, Shanghai	Essence International	2015 results roadshow
	Shenzhen	HSBC	Industry seminar
May	Singapore	Deutsche Bank	Industry seminar
June	Beijing	JP Morgan Chase	Industry seminar
August	Hong Kong	N/A	Press conference for 2016 interim results announcement
		China Securities International	2016 interim results roadshow
September	Shanghai	Essence International	Industry seminar
October	Beijing, Shanghai, Shenzhen	Guangzhou Securities · Morgan Stanley Huaxin Securities	Deal roadshow for issuance of corporate bond
November	Japan	Nomura Securities	2016 interim results roadshow
December	Guangzhou	Essence International	Industry seminar
	Shenzhen	Everbright Securities	Industry seminar

As a recognition of the operating results, level of corporate governance and investor relations, the Group has successively received the following awards for listed companies from well-known financial media such as “Bloomberg Business Information”, “Quamnet” and “Economic Digest” during the Reporting Period:

- Capital Weekly:**
 - The 11th Outstanding China Enterprise Awards
 - The Excellence of Listed Enterprise Awards 2016
- LACP Vision Awards of USA:**

Transportation and Logistics Industry:

Awards winning:

- Gold
- #48 of Top 80 Annual reports in the Asia-Pacific Region
- Top 50 Chinese annual reports of 2015

- Economic Digest:** Hong Kong Outstanding Enterprise 2016
- Quamnet:** The Excellence of Infrastructure Investment and Development 2016(傑出基建投資及發展 2016)

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 18 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. The dividend payout ratio was higher than 70% in 2015, mainly attributable to the decrease in the profit of the year due to provision of the impairment loss and other non-recurring gains and losses. In view of the fact that such profit or loss does not affect the cash level of the year, in 2015, the Group maintained the same dividend as in 2014 (denominated in HKD). Excluding non-recurring profit and loss items, the Group's dividend payout ratio in 2015 was close to 60%, which was in line with the historical level. From 2009 to 2016, the Company has distributed in aggregate cash dividends of approximately RMB2.73 billion, with an average dividend payout ratio of as high as 61.29%, the cumulative dividend per share was RMB1.6341, enabling the shareholders to receive good return from the Group's development.

	2009	2010	2011	2012	2013	2014	2015	2016
Earnings per share(RMB)	0.2285	0.3195	0.3336	0.2552	0.3314	0.3642	0.3180	0.5491
Dividend per share(RMB)	0.141	0.187	0.197	0.163	0.206	0.222	0.2296	0.2885
Dividend payout ratio	61.50%	58.40%	58.90%	63.70%	62.10%	61.00%	72.20%	52.50%

In 2016, the Group distributed cash dividend of HK\$0.33 per share, equivalent to RMB0.2885 per share, the dividend payout ratio is 52.5%.

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 2016, 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 19 May 2016 because he had other urgent business engagement.

REVIEW OF ANNUAL RESULTS

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

The figures in respect of the annual results announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers, Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers, Hong Kong on the results announcement.

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, 15 May 2017 to Thursday, 18 May 2017, 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 18 May 2017, 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, 12 May 2017.

In addition, the register of members of the Company will be closed from Wednesday, 24 May 2017 to Friday, 26 May 2017, 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, 23 May 2017.

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

Hong Kong, 13 February 2017

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

Executive Directors:

ZHU Chunxiu (Chairman), LIU Yongjie, HE Baiqing and QIAN Shangning

Independent Non-executive Directors:

FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu