GNSR Expressway
Beicun Flyover

GNSR Expressway
Beijing-Zhuhai Expressway

CREATING EXCELLENT VALUES

Annual Report 2017

越秀交通基建有限公司
YUEXIU TRANSPORT INFRASTRUCTURE LIMITED
Stock Code: 01052

越秀交通
YUEXIU TRANSPORT

CONTENTS

Taihe Flyover

FIVE YEARS FINANCIAL SUMMARY

INCOME STATEMENT

Year ended 31 December

(RMB'000)	**2017**	2016	2015	2014	2013
Income from operations	**2,702,844**	2,519,003	2,226,023	1,858,706	1,753,084
Earnings before interests, tax, depreciation and amortisation ("EBITDA")[1]	**2,722,179**	2,356,181	2,037,563	1,670,146	1,687,068
Profit before income tax	**1,638,417**	1,520,564	869,932	1,014,240	953,645
Profit for the year	**1,267,222**	1,166,477	653,022	777,730	692,991
Profit attributable to:					
Shareholders of the Company	**947,942**	918,817	532,086	609,370	554,419
Non-controlling interests	**319,280**	247,660	120,936	168,360	138,572
Basic earnings per share for profit attributable to the shareholders of the Company	**RMB0.5666**	RMB0.5491	RMB0.3180	RMB0.3642	RMB0.3314
Dividend per share	**RMB0.297**	RMB0.2885	RMB0.2296	RMB0.222	RMB0.206

BALANCE SHEET

As at 31 December

(RMB'000)	**2017**	2016	2015	2014	2013
Total Assets	**23,918,489**	22,568,556	23,419,273	17,509,960	18,225,968
Total Liabilities	**12,101,085**	11,264,254	12,590,180	7,065,391	7,947,642
Total Equity	**11,817,404**	11,304,302	10,829,093	10,444,569	10,278,326
Equity attributable to:					
Shareholders of the Company	**9,544,848**	9,081,958	8,571,746	8,527,595	8,275,767
Non-controlling interests	**2,272,556**	2,222,344	2,257,347	1,916,974	2,002,559
Net assets per share to shareholders of the Company	**RMB5.70**	RMB5.43	RMB5.12	RMB5.10	RMB4.95

FINANCIAL RATIOS

Year ended 31 December

	2017	2016	2015	2014	2013
Return on equity attributable to shareholders of the Company	**9.93%**	10.12%	6.21%	7.15%	6.70%
EBITDA Interest Coverage	**8.4 times**	5.8 times	5.8 times	5.6 times	4.5 times
Gearing ratio[2]	**36.0%**	40.0%	43.9%	27.6%	29.4%
Total liabilities/Total assets ratio[3]	**50.6%**	49.9%	53.8%	40.4%	43.6%

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

2: net debts ÷ total capitalization

3: total liabilities ÷ total assets

FINANCIAL HIGHLIGHTS

RESULTS HIGHLIGHTS FOR 2017

Income from operations
RMB2,703 million
▲7.3%

Gross Profit
RMB1,914 million
▲13.7%

Gross Margin*
70.8%
▲3.4 percentage point

Operating Profit
RMB1,649 million
▲3.5%

Profit before income tax
RMB1,638 million
▲7.8%

Profit attributable to shareholders of the company
RMB948 million
▲3.2%

Earnings per share
RMB0.5666
▲3.2%

Total Assets
RMB23.9 billion
▲6.0%

Net assets per share
RMB5.70
▲6.0%

* Gross Margin = Gross profit/Income from operations

CORPORATE PROFILE

廣州越秀集團有限公司
Guangzhou Yue Xiu Holdings Limited
100%

Yue Xiu Enterprises (Holdings) Limited	Public
59.60%	40.40%

Yuexiu Transport Infrastructure Limited

Expressway / Bridge


Qinglian Expressway

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

- ● Northern Ring Road / 24.3%
- ● Humen Bridge / 27.78%[1]
- ● Shantou Bay Bridge / 30%
- ● GWSR Expressway / 35%
- ● Qinglian Expressway / 23.63%

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

■ subsidiaries
● associates and joint venture


Cangyu Expressway

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

As at 31 December 2017, the Group had a total of 12 investments in its operating expressways and bridge projects which included Guangzhou Northern Second Ring Expressway ("GNSR Expressway"), Guangzhou Western Second Ring Expressway ("GWSR Expressway"), Guangzhou Northern Ring Road ("Northern Ring Road"), Guangdong Humen Bridge ("Humen Bridge"), Shantou Bay Bridge and Qinglian Expressway, all of which are located within Guangdong Province; Cangyu Expressway in Guangxi Zhuang Autonomous Region ("Cangyu Expressway"); Jinbao Expressway in Tianjin Municipality; Han-Xiao Expressway and Suiyuenan Expressway in Hubei Province; Changzhu Expressway in Hunan Province; Weixu Expressway in Henan Province.

As at 31 December 2017, the attributable toll length of the Group's subsidiaries is approximately 281.1 km (total toll length is approximately 337.1 km), attributable toll length of the Group's associates and joint venture is approximately 77.3 km, the total attributable toll length of expressways and bridges is approximately 358.4 km.


Weixu Expressway

LOCATION MAPS OF PROJECTS

GUANGDONG

Dongguan City	Humen Bridge
Guangzhou City	GNSR Expressway
Guangzhou City	Northern Ring Road
Guangzhou City	GWSR Expressway
Qingyuan City	Qinglian Expressway
Shantou City	Shantou Bay Bridge

GUANGXI

Wuzhou City	Cangyu Expressway

TIANJIN

Tianjin City	Jinbao Expressway

HUBEI

Wuhan City	Han-Xiao Expressway
Wuhan City	Suiyuenan Expressway

HUNAN

Changsha City	Changzhu Expressway

HENAN

Xuchang City	Weixu Expressway


TIANJIN
HENAN
HUBEI
HUNAN
GUANGXI
GUANGDONG

LOCATION MAPS OF PROJECTS

Humen Bridge

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

GNSR Expressway

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

Northern Ring Road

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

Qinglian Expressway

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

GWSR Expressway

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

Shantou Bay Bridge

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


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

LOCATION MAPS OF PROJECTS

GUANGXI

Cangyu Expressway

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

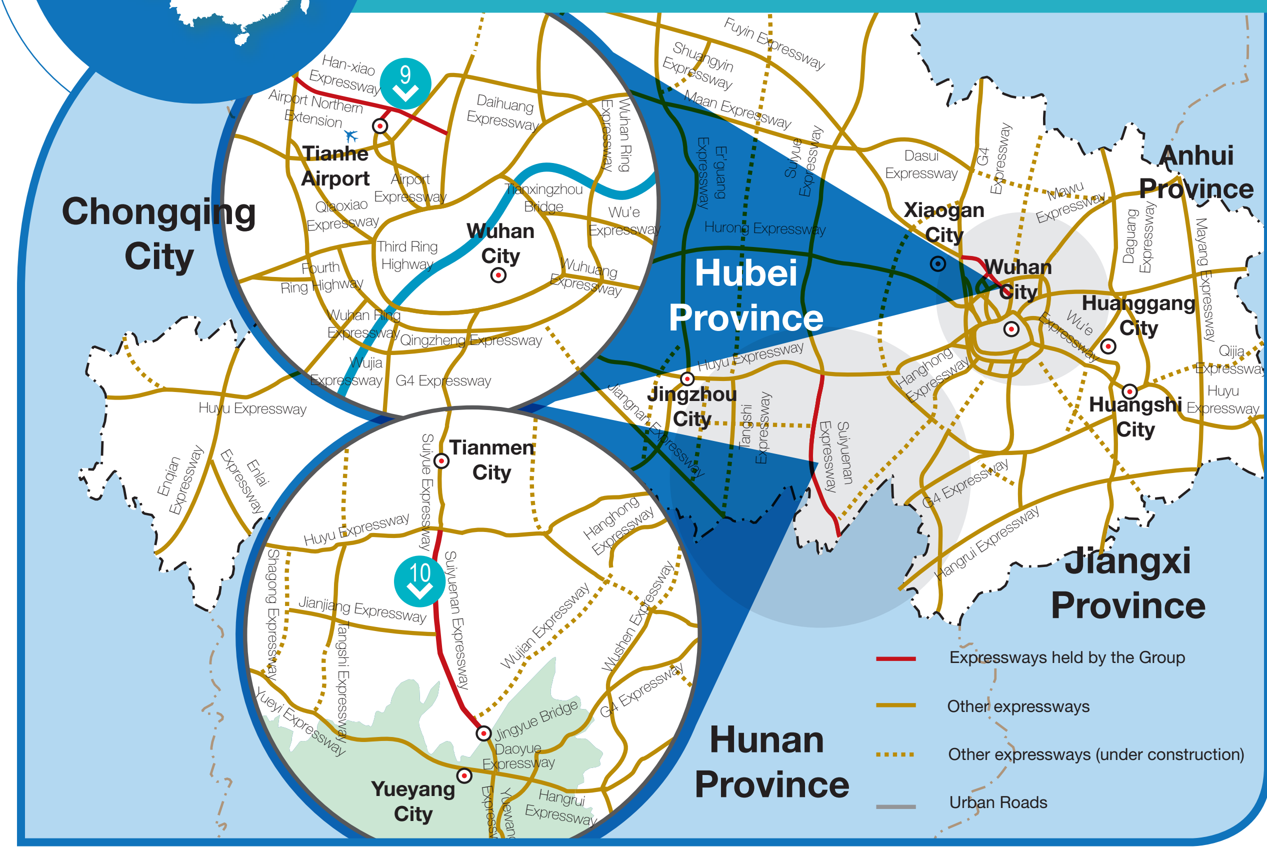
TIANJIN

Jinbao Expressway

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

LOCATION MAPS OF PROJECTS

HUBEI



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Han-Xiao Expressway

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

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Suiyuenan Expressway

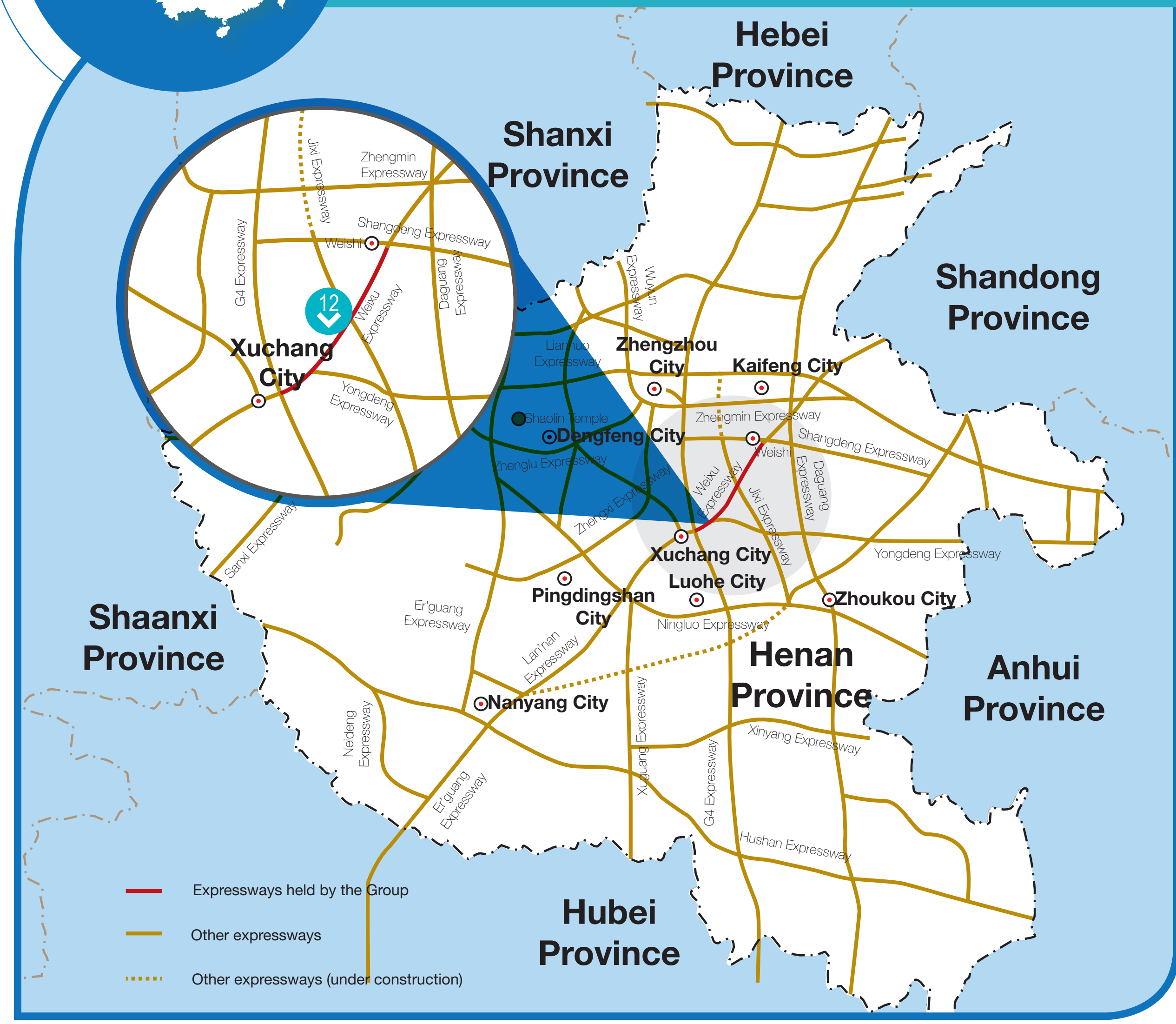
It starts from Hanyi Expressway Zhuji Interchange and ended at north shore of Jinyue Yangtze River Highway Bridge. It is an important expressway in the central region of Hubei for connecting passenger and freight transportation among regions such as Henan and Hunan. The toll length is approximately 98.1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

HUNAN

Changzhu Expressway

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

HENAN



Weixu Expressway

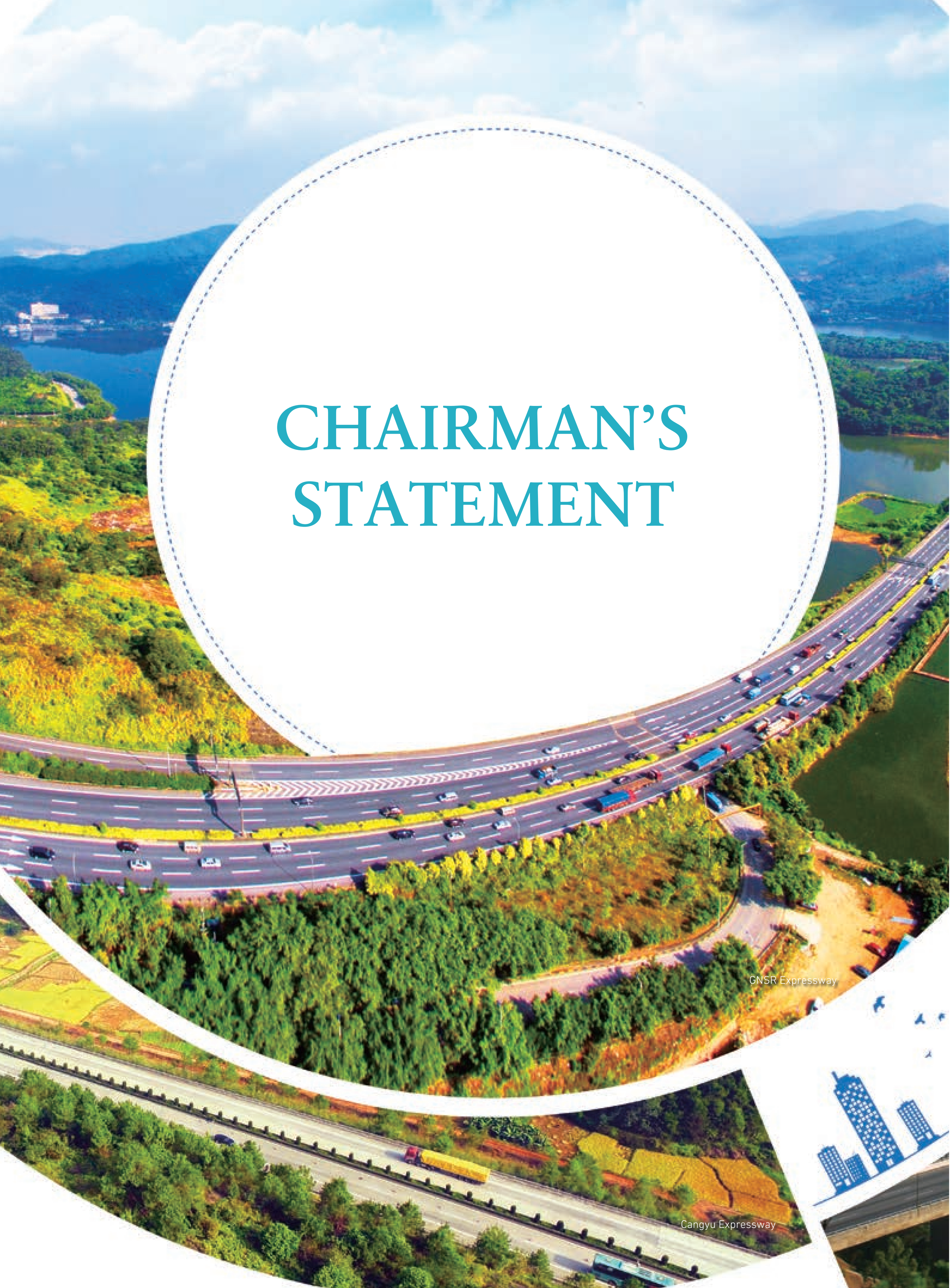
Located in Henan Province, Weixu Expressway is an important part of Lan-nan Expressway as well as the significant linkage between G4 Expressway, Daguang Expressway (G45), Xuguang Expressway (G4W2), Er'guang Expressway (G55), Ningluo Expressway (G36) and Lianhuo Expressway (G30). The toll length is approximately 64.3 km with six lanes.

Cangyu Expressway

Suiyuenan Express - Jianli Section

Qinglian Expressway

CHAIRMAN'S STATEMENT



GNSR Expressway

Cangyu Expressway

Humen Bridge

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2017.

MR ZHU CHUNXIU
Chairman

Han-Xiao Expressway

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2017 (the "Reporting Year"), the Group recorded income from operations of RMB2.70 billion, representing a year-on-year increase of 7.3%, of which the toll income increased by 7.6% to RMB2.70 billion, reaching a new record high. Profit attributable to shareholders amounted to RMB947.9 million, representing a year-on-year increase of 3.2%.

The Board has recommended the payment of a final dividend for 2017 of HK$0.23 per share, together with the paid interim dividend of HK$0.13 per share, the total dividends for the Reporting Year amounted to HK$0.36 per share which is equivalent to RMB0.296950 per share, representing an annual dividend payout ratio of 52.4%.

ANNUAL REVIEW

- ***Macro-Economy and Regulatory Environment of the Sector***

  Looking back in 2017, as the global economy reported a solid overall performance, the scope of economic recovery has further extended. Several advanced economies, including the United States, Europe and Japan, enjoyed an accelerated growth rate in general, whereas the overall growth rate of emerging markets and developing economies rebounded. As global trade recovers, coupled with continuous improvement in the labor market and a moderate inflation, the central banks of major economies gradually shifted to the monetary tightening measures: 1) the Federal Reserve raised the interest rate three times, and has initiated the reduction of balance sheet; 2) the European Central Bank unveiled the plan to reduce the pace of the bond-buying programme from January 2018 onwards; 3) the Bank of England raised the interest rate for the first time in a decade; 4) the Bank of Canada effected two rate hikes for the first time in seven years. Such measures of the central banks indicated that the era of global monetary easing might be approaching to the end.

  During the Reporting Year, the overall Chinese economy remained stable. According to preliminary calculations of the National Bureau of Statistics, China's 2017 gross domestic product (GDP) exceeded RMB80 trillion, representing a year-on-year growth rate of 6.9%, which outperformed the expectation as at the beginning of the year. With the breakthroughs in reform measures in key areas and important aspects, the Chinese economy has transformed from "rapid growth" to a new phase of "high-quality growth".

  During the Reporting Year, the policies concerning the toll road industry remained stable, which provided a favorable business environment for the Group's business development. Since the State Council issued the "Opinions regarding Further Promoting Logistics Cost Reduction and Efficiency Enhancement to Promote the Development of the Real Economy" (《關於進一步推進物流降本增效促進實體經濟發展的意見》), Guangdong Province, Yunnan Province and Hubei Province have successively implemented concessionary policies for freight vehicles. Although the concessionary policies vary from place to place, the overall focus is on the use of cashless payment by vehicles within legal load capacity. Based on the current situation, the above concessionary policies have no significant impact on the operating performance of the Group's projects. The revision of "Toll Road Management Regulations"(《收費公路管理條例》) is still in progress. However, it remains unclear when the new version of the Regulations might be introduced, and the Group shall pay close attention to the relevant developments.

CHAIRMAN'S STATEMENT

- ***Business Development***

During the Reporting Year, under the backdrop of an overall steady domestic economy and optimal economy indicators of the transportation industry, the Group's projects maintained the upward development trend as a whole. Despite the Xian Expressway was smoothly handed over to the local government upon the expiration of operation period on 30 September 2016, the operational performance of core subsidiaries such as the GNSR Expressway, the Suiyuenan Expressway, the Han-Xiao Expressway, and the Weixu Expressway have exceeded the expectation, and recorded double-digit increase in toll revenue and profit contribution. Even with the relatively mature non-controlled projects within the provinces, such as the Humen Bridge, the Northern Ring Road, and the GWSR Expressway, the prime locations of such projects and the encouraging regional economic development also brought about the double-digit growth rate in terms of profit contribution. The strong operation performance of the above projects during the reporting period effectively filled the gap of and exceeded the toll income originally generated by the Xian Expressway. The projects within the central region, such as the Suiyuenan Expressway, gradually matured and became the main source of profit, indicating that the Group's fortitude in adhering to the state policy of "Rise of Central China Strategy" (中部崛起戰略) and the development opportunities brought by such strategy has become increasingly tangible.

Since the second quarter of 2017, the Renminbi exchange rate has rebounded from the trench in August 2015 during the exchange rate reform, coupled with the aggravated bilateral fluctuation, resulted in an accumulated appreciation against the dollar of over 6% during the year. Confronting a relative tighter external funding environment, the Group actively expanded its multiple financing channels. The Group also maintains good cooperating relationships with a number of onshore and offshore commercial banks. At the same time, with the investment-grade credit rating granted by the three major international rating agencies, i.e. Moody's, Standard & Poor's as well as Fitch, the Group is able to rely on its steady business operation and sound financial position, thus maintaining its advantages in terms of financing capability.

Northern Ring Road - Shahe Flyover

FUTURE PROSPECT AND OUTLOOK

- ## *Outlook of Macro-Funds and the Development of the Sector*

Benefited from the recovery of the investment, manufacturing and global trade, the 2017 global economic growth clearly outperform expectations, such encouraging recovery trend might continue in the coming future. To this end, the International Monetary Fund (IMF) raised its projection of global economic growth for 2018 and 2019 to 3.9% in its latest update of the 'World Economic Outlook' on 22 January 2018, up 0.2 percentage points from the October 2017 forecast. However, factors such as tighter monetary policy, intensified trade protectionism and regional political uncertainty remain a concern, which might pose potential threats to the global economic recovery.

As inferred from the report of the 19th CPC National Congress and the Central Economic Work Conference in 2017, the Central Government shall adhere to the general tone of "making progress while maintaining stability", to develop and strengthen the real economy, to deepen the supply-side structural reform and speed up the upgrade of manufacturing industry through innovations, and to implement the strategy of regional coordinated development, so as to propel the Chinese economy further toward the stage of "high quality development." The long-term upward trend of the Chinese economy is expected to remain unchanged, and economic growth remains steady.

Toll road is an important part of the modern integrated transportation system, characterized with being highly efficient, safe and flexible, and is of great significance to the long-term development of the domestic economy. Under the influence of macroeconomic activities, highway transportation has the characteristics of rigid demand. With the support from favorable factors such as the double-digit increase in car ownership in the society, the rising income of citizens leading to an increase in consumption, the gradual development of e-commerce leading to the rapid development of the logistics industry, such factors generated the momentum of continuous growth of the highway transportation sector. Taking into account the above factors, the Group is still optimistic towards the development prospects of the industry, and anticipating a steady growth of the traffic flow and toll revenue of its toll expressways/bridges in 2018. As the maintenance of Wuhan Junshan Bridge of the G4 Expressway is still in progress, the positive effect on Suiyuenan Expressway due to the traffic control thereof will remain in the first half of 2018. On the other hand, according to the currently available source, Humen Second Bridge will commence its operation in 2019, expecting a diversion of traffic from the Group's Humen Bridge.

- ***Outlook of Development Strategies***

According to the "13th Five-year Plan for Promoting the Rise of the Central China Region" promulgated by the National Development and Reform Commission (NDRC), it is clear that the central region is a key area under the new round of industrialization, urbanization, informatization and agricultural modernization in China, and is an important pillar that support China's economy in maintaining a mid-to-high growth rate. Measures to promote the upgrade and renovation of the manufacturing industry, to promote industrial cluster development and to accelerate the construction of urban agglomerations will continue to deepen, and the regional economic development will enter a new phase. To this end, the Group insists on highlighting Central China as the focus of its regional development strategy, and actively look for high-quality expressway projects for mergers and acquisitions. In addition, the proposal of "Guangdong-Hong Kong-Macao Bay Area" will help promote the industrial complementary in the Pearl River Delta region and between Hong Kong and Macao, so as to promote the regional economic development. Presently, the NDRC is taking the lead in compiling the "Guangdong-Hong Kong-Macao Bay Area Development Plan". With the formulation and implementation of future plans, it will further promote transportation enhancement, industrial cluster optimization and upgrades of the manufacturing industry, which are favorable to the Group's core projects, including the GNSR Expressway and the Humen Bridge, as well as bringing about new investment opportunities at the same time.

Since listing of the Group, we have been focusing on the investment and operation of toll expressway/bridge in China, and to accumulate more experience in the industry. As a listed expressway company based in Guangdong Province, the Group has actively seized the development opportunities brought by the national strategy of "Rise of Central China" in recent years, and explored investment opportunities of high quality projects in Central China provinces with a large population of labors that benefited from the shift of labor-intensive processing/manufacturing enterprises along the southeast coast. In the process of implementing the M&A proposals, the Group will fully assess and consider the impact of such mergers and acquisitions on the credit metrics, so as to ensure a steady and sound financial position on the whole alongside our business development.

In regard of our financing strategy, there is little room for interest rates to drop as the People's Bank of China reiterates that it will adhere to a prudent and neutral monetary policy in 2018 and liquidity in the capital market is expected to maintain a "tight balance". With a steady business operation, the Group maintains its advantage in consolidation of financing capability by focusing on maintaining its investment-grade credit ratings. Although the exchange rate of Renminbi against the U.S. dollar temporarily rebounded, the trend of two-way volatility is becoming more pronounced. The Group will keep a close watch on such trend, and will further consolidate and expand its multiple financing channels, so as to guarantee the demand and security of fund for its overall operation and development, and to put in place multiple measures to reduce the financial cost.

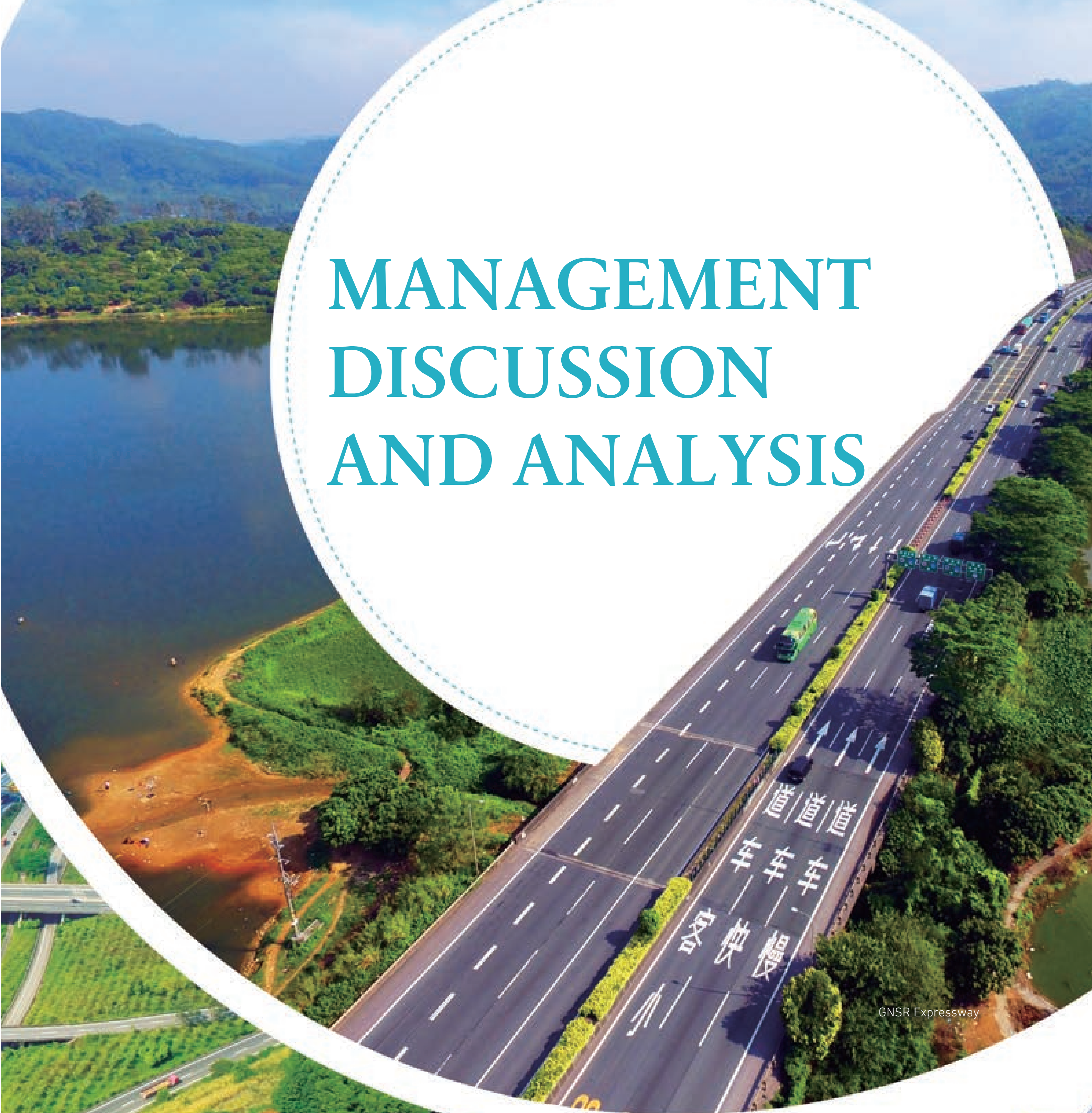
APPRECIATION

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, 12 February 2018


MANAGEMENT DISCUSSION AND ANALYSIS



GNSR Expressway

GNSR Expressway

Shantou Bay Bridge

MANAGEMANT 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 (year)
Subsidiaries						
GNSR Expressway	42.5	6	5	Expressway	60.00	15
Cangyu Expressway	23.3	4	1	Expressway	100.00	13
Jinbao Expressway	23.9	4	3	Expressway	60.00	13
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	19
Changzhu Expressway	46.5	4	5	Expressway	100.00	23
Weixu Expressway	64.3	6	2	Expressway	100.00	18
Suiyuenan Expressway	98.1	4	4	Expressway	70.00	23
Associates and Joint Venture						
GWSR Expressway	42.1	6	4	Expressway	35.00	13
Humen Bridge	15.8	6	4	Suspension Bridge	27.78(1)	12
Northern Ring Road	22.0	6	8	Expressway	24.30	6
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	11
Qinglian Expressway	215.2	4	16	Expressway	23.63	17

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

Toll Summary of Toll Roads and Bridges

For the twelve months ended 31 December 2017

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll revenue per vehicle	
	2017 (Vehicle/day)	Y-O-Y Change %	2017 (RMB/day)	Y-O-Y Change %	(RMB)	Y-O-Y Change %
Subsidiaries						
GNSR Expressway	230,053	18.4%	3,241,782	14.0%	14.1	-3.8%
Cangyu Expressway	12,232	10.8%	234,650	-0.2%	19.2	-9.9%
Jinbao Expressway	24,407	-9.6%	246,151	-8.6%	10.1	1.1%
Han-Xiao Expressway	26,727	12.3%	543,058	28.0%	20.3	14.0%
Changzhu Expressway	21,514	4.6%	670,499	8.7%	31.2	3.9%
Weixu Expressway	23,469	36.7%	899,232	17.1%	38.3	-14.4%
Suiyuenan Expressway	19,942	22.3%	1,569,680	36.4%	78.7	11.5%
Associates and Joint Venture						
GWSR Expressway	71,169	21.4%	1,343,223	25.1%	18.9	3.0%
Humen Bridge	118,462	10.3%	4,418,340	8.6%	37.3	-1.6%
Northern Ring Road	335,287	9.2%	2,121,412	4.7%	6.3	-4.1%
Shantou Bay Bridge	26,374	0.0%	665,441	-16.9%	25.2	-16.9%
Qinglian Expressway	41,190	12.1%	2,016,540	9.9%	49.0	-1.9%

With the continuously rapid development of the economy and society of China, the growth of private car ownership in China remained its fast pace, in which the passenger car was the major driver. Thus, the ratio of the passenger car to the entire toll traffic of certain projects of the Group increased every year, resulted in a decrease of the weighted average toll revenue per vehicle in different extent. The weighted average toll revenue per vehicle of Han-Xiao Expressway and Suiyuenan Expressway increased more rapidly, mainly attributed to a growth of trucks passing Han-Xiao Expressway and Suiyuenan Expressway due to the traffic control of Wuhan Junshan Bridge of the G4 Expressway caused by its maintenance works since 30 July 2017.

MANAGEMANT DISCUSSION AND ANALYSIS

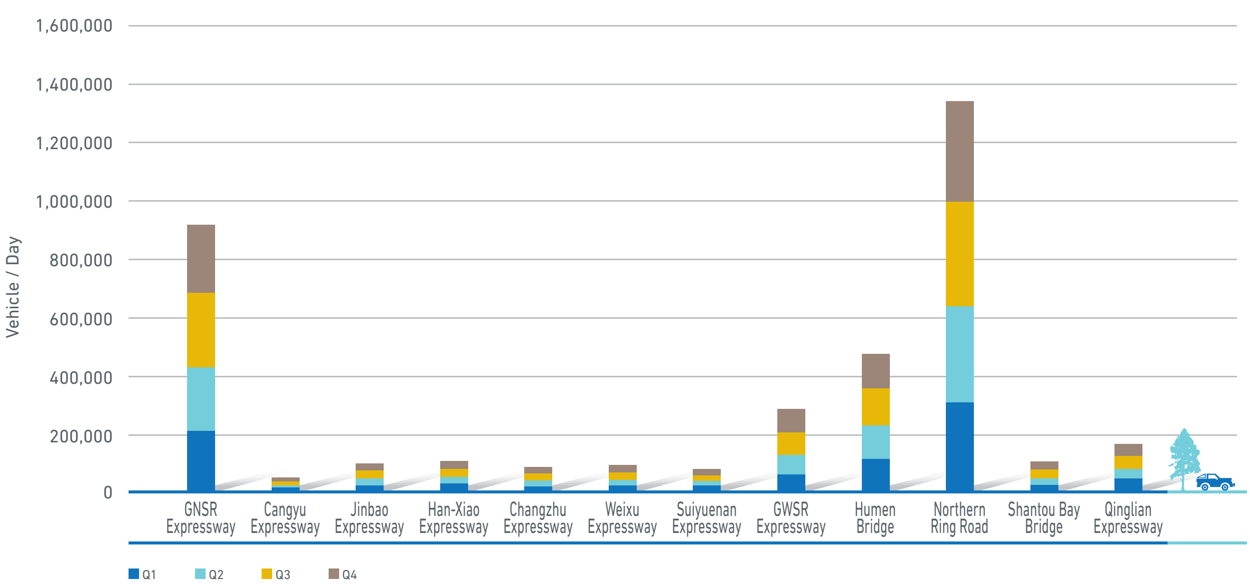
Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for 2017

	Average daily toll traffic volume of the First quarter (vehicle/day)	Average daily toll traffic volume of the Second quarter (vehicle/day)	Average daily toll traffic volume of the Third quarter (vehicle/day)	Average daily toll traffic volume of the Forth quarter (vehicle/day)
Subsidiaries				
GNSR Expressway	209,254	221,852	254,016	234,548
Cangyu Expressway (1)	15,176	10,734	12,470	10,594
Jinbao Expressway	22,594	25,550	27,795	21,660
Han-Xiao Expressway	29,145	24,306	27,614	25,869
Changzhu Expressway	20,159	20,862	24,303	20,695
Weixu Expressway	22,649	21,925	24,653	24,613
Suiyuenan Expressway (1)	23,176	15,863	20,618	20,139
Associates and Joint Venture				
GWSR Expressway	60,985	68,199	77,696	77,543
Humen Bridge	113,930	116,102	126,019	117,671
Northern Ring Road	307,419	330,834	358,335	343,906
Shantou Bay Bridge	25,225	25,625	29,066	25,547
Qinglian Expressway (1)	45,886	36,905	43,140	38,885

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

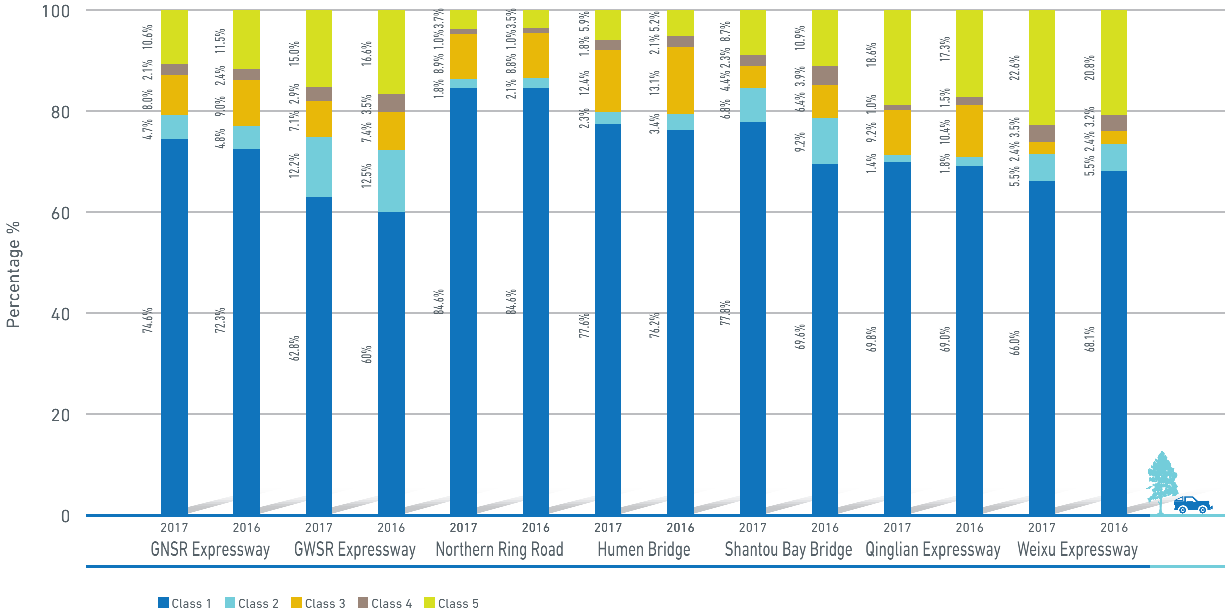
Quarterly analysis of average daily toll traffic volume for 2017

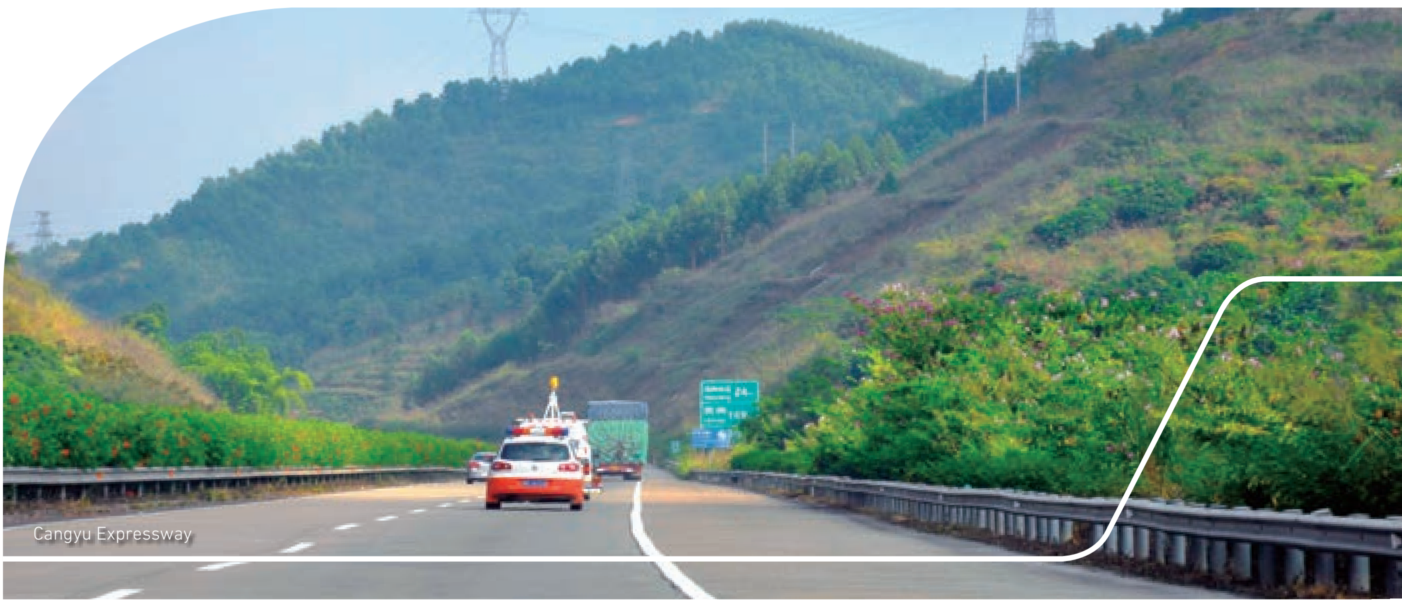


Vehicle type analysis (by traffic volume)

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

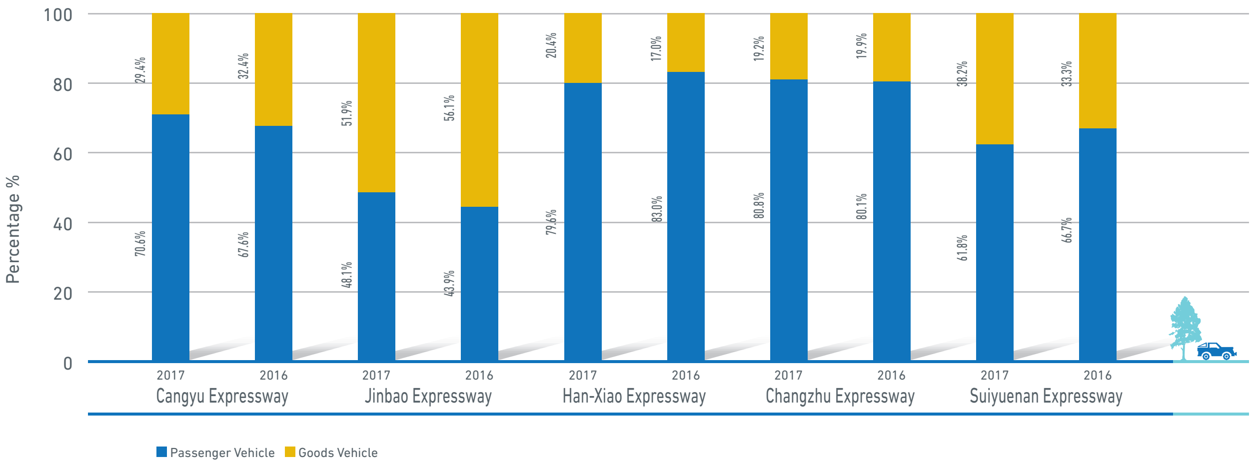
Vehicle type analysis on projects operated in the provinces of Guangdong and Henan for 2017
(based on statistics of traffic volume)





Cangyu Expressway

Vehicle type analysis on projects operated in other regions for 2017
(based on statistics of traffic volume)



SUMMARY OF OPERATING PERFORMANCE

Macroeconomic environment

During the Reporting Year, the global economy continued its recovery with yet stronger momentum. According to the latest report of 'World Economic Outlook' by International Monetary Fund (IMF), projected growth of world economy in 2017 was revised up by 0.1 percentage points to 3.7%. On the whole, the global economy showed good momentum in 2017.

China's economy recorded a steady growth as a whole. As indicated in the information released by the National Bureau of Statistics, GDP for 2017 amounted to RMB82.7122 trillion, representing a year-on-year growth of 6.9%. Such a growth rate was above that of major economies in the world, indicating an increasingly obvious trend of positive improvement with stability.

During the Reporting Year, the scale of investment in transportation fixed assets maintained a rapid growth. Investment in highway construction amounting to RMB2,116.25 billion was completed, a year-on-year increase of 17.7%. Highway passengers decreased by 4.5% year-on-year and cargo turnover increased by 9.2% year-on-year.

The projects invested and operated by the Group are distributed over Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The total output value of these regions in 2017 increased by 7.5%, 3.6%, 7.3%, 8.0%, 7.8% and 7.8%, respectively, saved for Tianjian Municipality, all are higher than the national average for the same period.

(Unit: RMB100 million)

	National	Guangdong Province	Tianjin Municipality	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
2017 GDP	827,122	89,879	18,595	20,396	34,591	36,523	44,988
2017 GDP Growth	6.9%	7.5%	3.6%	7.3%	8.0%	7.8%	7.8%
2016 GDP Growth	6.7%	7.5%	9.0%	7.3%	7.9%	8.1%	8.1%

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

Regulatory Environment of the Sector

During the Reporting Period, the National Development and Reform Commission ("NDRC") issued the "Opinions regarding Further Promoting Logistics Cost Reduction and Efficiency Enhancement to Promote the Development of the Real Economy (Open Consultation Paper)" (《關於進一步推進物流降本增效促進實體經濟發展的意見 (公開徵求意見稿)》), under which, some expressways will be selected for implementing the pilot program of differentiated toll collection at different times. During the Reporting Year, four provinces including Shanxi, Zhejiang, Henan and Hunan have initiated the pilot program of differentiated toll collection at different times.

During the Reporting Year, several provinces including Guangdong, Hunan and Hubei have implemented concessionary toll reduction policy for freight vehicles on state-owned highways, so as to deepen the supply-side structural reform and to lower the transportation costs of corporations.

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 income of the Group by approximately RMB288.56 million (2016: approximately RMB275.37 million [(1)]).

During the Reporting Year, the "Toll Free Policy for Passenger Cars with Seven Seats or Less during Major Holidays" was implemented on the expressways and bridges of the Group in compliance with the relevant national requirements. There were a total of 21 days of major holidays during the year that falls under the requirements. Under preliminary estimation, the implementation of this policy resulted in a decrease in the toll income of the Group by approximately RMB89.37 million [(2)] (2016: approximately RMB79.57 million [(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 employees to develop good habits, conserve resources and energy to build a green and comfortable office environment.

Notes:

(1) The statistics of Xian Expressway was also included in the data of 2016.

(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.

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, deepened the standardization of safety measures, as well as 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 yet again. The Group endeavored to enhance the overall management and control efforts on the whole maintenance process, and strived to promote application of innovative maintenance technologies, such as UAV aerial survey, to reduce the full life comprehensive maintenance costs for roads. The Group exerted itself to promote information technology, and set up the planning and consultation project "Full Life Asset Management Platform", so as to actively develop the data management system which effectively improve the synergy brought about by information technology. The Group also continued to deepen the human resources management system, so as to provide talents for the business development of the Company.

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.

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 to the following risks and will adopt effective tackling measures proactively.

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; with dedicated personnel to conduct data maintenance and reporting, to establish the management methods of data bank, and implement institutionalized and standized management.

Risks 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, coupled with peripheral road segments construction work and improvement in road condition of local highways, 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, utilize such information gathered through the Internet and on-site visits, and conduct timely assessments and analysis, so as to come up with the corresponding strategies in response.

Risks of Sectoral and Economic Policies

Risk analysis: Changes in sectoral and economic policies in China will have impact on toll road enterprises. Macroeconomic growth in China declined further and entered into the transformation and upgrading stage, which may affect the transportation demand, particularly the freight demand. Certain local governments had launched highway toll reduction measures, for example, some provinces had implemented the pilot program of differentiated highway toll collection at different times, while others had implemented concessionary toll reduction policy for freight vehicles on state-owned highways.

Tackling measures: Pay close attention to the conditions of the province where the project companies operate, including transportation industry policies, regional economic policies and macroeconomic changes, collect and 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.

Risks of Setting Strategic Targets

Risk analysis: As the internal and external environment changes, the Group and our project companies are required to make timely adjustments to their strategic plans at the company level, so as to maintain the long-term competitiveness, optimize our resources and maximize the value of assets.

Tackling measures: To step up the strategy research, and conduct regular examination of strategic conditions, strategic inspections and strategic plans ongoing adjustments, and ensure the dynamic planning and timely adjustments, upon which the Group shall continue to enhance the close loop management of strategic planning, publicizing, implementation and assessment.

Risks of Difference in System Requirements and Real-Life Operation

Risk analysis: In terms of the design and set-up of the information system, inadequate deliberation on concepts such as customizable procedures, expandable functionalities, standardized connection settings, standardized data settings, prospective application of technologies, data correlation between business systems, systematic thinking and digitalized management, may result in overhasty reformation of information system, thus causing related wasteful investments.

Tackling measures: The Group is intended to promote main data management system application, and to set up the data standards and establish data correlation between business systems, so as to lessen the differentiation among various systems.

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll traffic volume was 230,053 vehicles and the average daily toll revenue was RMB3,242,000, representing an increase of 18.4% and 14.0% respectively, when compared with 2016.

Benefiting from favorable factors such as growing ownership of passenger vehicles, and the steady improvement of the regional economy, the average daily toll traffic volume and average daily toll revenue recorded a double-digit growth rate year-on-year.

Cangyu Expressway

During the Reporting Year, the average daily toll traffic volume was 12,232 vehicles and the average daily toll revenue was RMB235,000, representing an increase of 10.8% and a flat position, respectively, when compared with 2016.

The average daily toll traffic volume increased due to the positive impact of the increasing ownership of vehicles. However, under the tightening of restrictions on over-limit and overloaded trucks during the period from 18 August 2016 to 31 August 2017, the traffic volume of restricted over-limit and overloaded trucks decreased and the respective toll income was broadly same as last year.

Jinbao Expressway

During the Reporting Year, the average daily toll traffic volume was 24,407 vehicles and the average daily toll revenue was RMB246,000, representing a decrease of 9.6% and 8.6% respectively, when compared with 2016.

A decrease in the traffic volume of trucks resulted from further enhanced efforts in de-capacity, structural adjustment and environmental control in Beijing-Tianjin-Hebei region, coupled with the construction work on peripheral roads during the same period in 2016, causing some vehicles to detour from Jinbao Expressway, which drove up the base amount, resulted in the year-on-year decrease in both the average daily toll traffic volume and toll revenue.

Han-Xiao Expressway

During the Reporting Year, the average daily toll traffic volume was 26,727 vehicles and the average daily toll revenue was RMB543,000, representing an increase of 12.3% and 28.0% respectively, when compared with 2016.

Benefiting from the favorable factors including the increase in car ownership and steady growth in the regional economy, coupled with the traffic control during maintenance of Wuhan Junshan Bridge of the G4 Expressway from 30 July 2017 onwards, some vehicles diverted to Han-Xiao Expressway, resulted in a double-digit growth rate in both the average daily toll traffic volume and toll revenue.

Changzhu Expressway

During the Reporting Year, the average daily toll traffic volume was 21,514 vehicles and the average daily toll revenue was RMB670,000, representing an increase of 4.6% and 8.7% respectively, when compared with 2016.

Benefiting from the favorable factors including the increase in car ownership and steady growth in the regional economy, thus 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 23,469 vehicles and the average daily toll revenue was RMB899,000, representing an increase of 36.7% and 17.1% respectively, when compared with 2016.

Benefiting from the favorable factors including the increase in car ownership and steady growth in the regional economy, resulted in a double-digit growth rate in both the average daily toll traffic volume and toll revenue.

Suiyuenan Expressway

During the Reporting Year, the average daily toll traffic volume was 19,942 vehicles and the average daily toll revenue was RMB1,570,000, representing an increase of 22.3% and 36.4% respectively, when compared with 2016.

Benefiting from opening of peripheral road networks, coupled with the traffic control during maintenance of Wuhan Junshan Bridge of the G4 Expressway from 30 July 2017 onwards, some vehicles diverted to Suiyuenan Expressway, resulted in a double-digit growth rate in both the average daily toll traffic volume and toll revenue.

Associates and Joint Venture

GWSR Expressway

During the Reporting Year, the average daily toll traffic volume was 71,169 vehicles and the average daily toll revenue was RMB1,343,000, representing an increase of 21.4% and 25.1%, respectively, when compared with 2016.

Benefiting from favorable factors including the growth of regional economy and increase in car ownership, coupled with the traffic control during rework of Foshan First Ring Road from 1 August 2017 onwards, some vehicles are diverted to GWSR Expressway, resulted in a double-digit growth rate in both the average daily toll traffic volume and toll revenue.

Humen Bridge

During the Reporting Year, the average daily toll traffic volume was 118,462 vehicles and the average daily toll revenue was RMB4,418,000, representing an increase of 10.3% and 8.6%, respectively, when compared with 2016.

Benefiting from favorable factors including the growth of regional economy and increase in car ownership, coupled with the suspension policy from 22:30 to 06:30 every day since 13 February 2017 implemented at Humen Ferry Pier, as a result some vehicles were diverted to Humen Bridge, thus both the average daily toll traffic volume and toll revenue maintained a year-on-year growth.

Northern Ring Road

During the Reporting Year, the average daily toll traffic volume was 335,287 vehicles and the average daily toll revenue was RMB2,121,000, representing an increase of 9.2% and 4.7%, respectively, when compared with 2016.

Benefiting from favorable factors including the growth of regional economy and increase in car ownership, both 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 26,374 vehicles and the average daily toll revenue was RMB665,000, representing same level of average daily toll traffic volume and a decrease of 16.9% in average toll revenue, when compared with 2016.

Due to the traffic control imposed on the neighboring Queshi Bridge from August to November 2016, which resulted in certain vehicles using Shantou Bay Bridge alternatively, and a higher base amount of income in 2016 as a result, while the average daily toll traffic volume remained at the same level as 2016 and toll revenue recorded a year-on-year decrease.

Qinglian Expressway

During the Reporting Year, the average daily toll traffic volume was 41,190 vehicles and the average daily toll revenue was RMB2,017,000, representing an increase of 12.1% and 9.9%, respectively, when compared with 2016.

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

FINANCIAL REVIEW

Key operating results figures

	Reporting Year RMB'000	2016 RMB'000	Change %
Income from operations	2,702,844	2,519,003	7.3
Income from operations, net of tax[1]	2,690,600	2,484,943	8.3
Gross profit	1,914,392	1,684,103	13.7
Operating profit	1,649,202	1,593,815	3.5
Earnings before interests, tax, depreciation and amortization ("EBITDA")[2]	2,722,179	2,356,181	15.5
Finance costs	(440,577)	(459,800)	-4.2
Share of result of a joint venture	64,599	40,566	59.2
Share of results of associates	338,423	298,510	13.4
Profit attributable to shareholders of the Company	947,942	918,817	3.2
Basic and diluted earnings per share	RMB0.5666	RMB0.5491	3.2
Dividend	496,845	482,635	

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 in this financial review section were shown as net of business tax.

2 EBITDA includes share of results from associates and a joint venture and excludes non-cash gains and losses.

I. OVERVIEW OF OPERATING RESULTS

The Group's income from operations, net of tax grew 8.3 percent to RMB2,690.6 million and profit attributable to shareholders of the Company increased by 3.2 percent to RMB947.9 million in 2017 ("Reporting Year"). The Directors have recommended the payment of final dividend for 2017 of HK$0.23 which is equivalent to approximately RMB0.185291 (2016: HK$0.20 which was equivalent to approximately RMB0.177146) per share, together with the interim dividend of HK$0.13 which was equivalent to approximately RMB0.111659 (2016: HK$0.13 which was equivalent to approximately RMB0.111311) per share, total dividends for the year ended 31 December 2017 will amount to HK$0.36 which is equivalent to approximately RMB0.296950 (2016: HK$0.33 which was equivalent to approximately RMB0.288457) per share, represented a dividend payout ratio of 52.4 percent (2016: 52.5 percent).

The growth in income from operations, net of tax in the Reporting Year was mainly due to revenue increment of GNSR Expressway, Suiyuenan Expressway, Weixu Expressway and Han-Xiao Expressway in the toll operation side. Excluding the effect from expiry of concession in Xian Expressway on 30 September 2016, the income from operations, net of tax in the Reporting Year increased RMB405.3 million or 17.7 percent as compared with 2016. Benefiting from favorable factors such as growing ownership of passenger vehicles, and the steady improvement of the regional economy, income from operations, net of tax of GNSR Expressway grew 14.7 percent or RMB150.9 million. Income from operations, net of tax of Suiyuenan Expressway grew 37.3 percent or RMB155.0 million mainly because of opening of peripheral road networks, coupled with the traffic control during maintenance of Wuhan Junshan Bridge of the G4 Expressway from 30 July 2017 onwards, some vehicles diverted to Suiyuenan Expressway. Benefiting from favorable factors such as growing ownership of passenger vehicles, and the steady improvement of the regional economy, the toll traffic volume recorded an increase in the Reporting Year, income from operations, net of tax of Weixu Expressway increased 17.7 percent or RMB49.2 million. Benefiting from favorable factors such as growing ownership of passenger vehicles, and the steady improvement of the regional economy, income from operations, net of tax of Changzhu Expressway grew 9.1 percent or RMB20.4 million. Due to the growth in car ownership volume and steady growth in the regional economy, coupled with the fact that certain trucks were diverted to Han-Xiao Expressway due to the traffic control implemented for the maintenance of Wuhan Junshan Bridge of the G4 Expressway since 30 July 2017, Han-Xiao Expressway's income from operations, net of tax grew 29.0 percent or RMB44.4 million. The increase in car ownership volume offsetting the decrease in oversize and overload trucks resulted from the implementation of policies for overload control, Cangyu Expressway's income from operations, net of tax basically remained static. Jinbao Expressway's income from operations, net of tax decreased 8.4 percent or RMB8.2 million in the Reporting Year mainly due to further enhanced efforts in de-capacity, structural adjustment and environmental control in Beijing-Tianjin-Hebei region, which resulted in a decrease in the traffic volume of trucks coupled with the construction work on peripheral roads during the same period in 2016, causing some vehicles to detour from Jinbao Expressway, which drove up the base amount. Xian Expressway's concession was expired on 30 September 2016. Income from operations, net of tax of non-controlled toll projects in aggregate grew 8.5 percent in the Reporting Year. Income from operations, net of tax of Humen Bridge, Northern Ring Road, Qinglian Expressway and GWSR Expressway grew 9.3 percent, 5.3 percent, 10.9 percent and 25.8 percent respectively. Income from operation, net of tax of Shantou Bay Bridge decreased by 16.4 percent to RMB242.0 million in the Reporting Year mainly due to higher base as certain vehicles were diverted to Shantou Bay Bridge due to traffic control implemented for the construction in the Queshi Bridge from August to November 2016.

In the profit attributable to shareholders of the Company (after elimination of inter-company loan interests), controlled projects contributed RMB917.2 million in the Reporting Year with a 15.5 percent increase as compared to 2016. Among the controlled projects, contribution from toll operation in aggregate increased 14.4 percent to RMB917.2 million while there was no profit contribution from the port operation for the Reporting Year. The strong toll revenue growth of GNSR Expressway led to its net profit increased by 19.7 percent to RMB404.4 million. Suiyuenan Expressway's net profit increased by 183.5 percent to RMB189.0 million in the Reporting Year. Weixu Expressway's net profit increased by 37.0 percent to RMB143.6 million in the Reporting Year. Changzhu Expressway recorded an increase in net profit of 36.4 percent to RMB100.5 million in the Reporting Year. Han-Xiao Expressway's net profit increased by 20.0 percent to RMB81.9 million. Owing to the continuous toll revenue growth, Cangyu Expressway's net profit increased by 6.6 percent to RMB43.0 million. Jinbao Expressway recorded net profit (before impairment) decreased of 35.5 percent to RMB10.6 million and an impairment loss of RMB48.3 million (impacted by deferred tax loss) was provided in the Reporting Year according to the assessment made by independent Traffic Consultant and Independent Valuer. Xian Expressway recorded a loss of RMB7.6 million mainly related to expenses incurred during winding up process. The non-controlled toll projects in aggregate contributed RMB403.0 million of net profit to the Group with an increase of 18.9 percent as compared with 2016. Humen Bridge grew 13.0 percent to RMB191.1 million. Northern Ring Road grew 16.1 percent to RMB92.8 million. Shantou Bay Bridge decreased 17.0 percent to RMB40.9 million, Qinglian Expressway grew 8,839.5 percent to RMB13.6 million and GWSR Expressway recorded 59.2 percent increase to RMB64.6 million.

At the corporate level, there were no material corporate level transactions which had significant impacts to the overall profit attributable to the shareholders of the Company during the Reporting Year. Also, there was no one off gain on disposal of subsidiary in the Reporting Year (2016: RMB112.1 million), and the profit attributable to the shareholders of the Company increased by 3.2 percent.

II. ANALYSIS OF OPERATING RESULTS

Income from operations, net of tax

The Group recorded overall income from operations, net of tax of RMB2,690.6 million in the Reporting Year, an increase of 8.3 percent as compared with 2016. Income from toll operation, net of tax increased 8.6 percent to RMB2,690.6 million in the Reporting Year. Income from Port operation, net of tax up to its disposal on 1 August 2016 amounted to RMB6.7 million.

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

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2016 RMB'000	Percentage of total %	Change %
GNSR Expressway	**1,178,506**	**43.8**	1,027,575	41.3	14.7
Suiyuenan Expressway	**570,360**	**21.2**	415,404	16.7	37.3
Weixu Expressway	**326,878**	**12.2**	277,643	11.2	17.7
Changzhu Expressway	**243,130**	**9.0**	222,770	9.0	9.1
Han-Xiao Expressway	**197,298**	**7.3**	152,921	6.2	29.0
Jinbao Expressway	**89,017**	**3.3**	97,206	3.9	-8.4
Cangyu Expressway	**85,411**	**3.2**	85,094	3.4	0.4
Xian Expressway	**—**	**—**	199,646	8.0	N/A
Total from toll operation	**2,690,600**	**100.0**	2,478,259	99.7	8.6
Port Operation	**—**	**—**	6,684	0.3	N/A
Total income from operations	**2,690,600**	**100.0**	2,484,943	100.0	8.3

GNSR Expressway accounted for 43.8 percent (2016: 41.3 percent) of the income from operations, net of tax of the Group's controlled projects in the Reporting Year. Benefiting from favorable factors such as growing ownership of passenger vehicles, and the steady improvement of the regional economy, GNSR Expressway increased by 14.7 percent to RMB1,178.5 million in the Reporting Year.

Suiyuenan Expressway, ranked the second in terms of income from operations, net of tax, accounted for approximately 21.2 percent (2016: 16.7 percent) among controlled projects. Toll revenue of Suiyuenan Expressway grew by 37.3 percent to RMB570.4 million mainly because of the opening of peripheral road networks, coupled with the traffic control during maintenance of Wuhan Junshan Bridge of the G4 Expressway from 30 July 2017 onwards, some vehicles were diverted to Suiyuenan Expressway.

Weixu Expressway, ranked the third in terms of income from operations, net of tax accounted for approximately 12.2 percent (2016: 11.2 percent) among controlled projects. Benefiting from favorable factors such as growing ownership of passenger vehicles, and the steady improvement of the regional economy, the toll traffic volume recorded an increase in the Reporting Year. Toll revenue of Weixu Expressway increased by 17.7 percent to RMB326.9 million in the Reporting Year.

Changzhu Expressway, ranked the fourth in terms of income from operations, net of tax, accounted for approximately 9.0 percent (2016: 9.0 percent) among controlled projects. Benefiting from favorable factors such as growing ownership of passenger vehicles, and the steady improvement of the regional economy, Changzhu Expressway grew 9.1 percent to RMB243.1 million in the Reporting Year.

Han-Xiao Expressway, ranked the fifth in terms of income from operations, net of tax, accounted for approximately 7.3 percent (2016: 6.2 percent) among controlled projects. Due to the growth in car ownership volume and steady growth in the regional economy, coupled with the fact that certain trucks were diverted to Han-Xiao Expressway due to the traffic control implemented for the maintenance of the Wuhan Junshan Bridge of the G4 Expressway since 30 July 2017, Han-Xiao Expressway grew 29.0 percent to RMB197.3 million in the Reporting Year.

Jinbao Expressway, ranked the sixth in terms of income from operations, net of tax, accounted for approximately 3.3 percent (2016: 3.9 percent) among controlled projects. Jinbao Expressway decreased 8.4 percent to RMB89.0 million in the Reporting Year mainly due to further enhanced efforts in de-capacity, structural adjustment and environmental control in Beijing-Tianjin-Hebei region, which resulted in a decrease in the traffic volume of trucks, coupled with the construction work on peripheral roads during the same period in 2016, causing some vehicles to detour from Jinbao Expressway, which drove up the base amount.

Cangyu Expressway, ranked the seventh in terms of income from operations, net of tax, accounted for approximately 3.2 percent (2016: 3.4 percent) among controlled projects. The increase in car ownership volume offsetting the decrease in oversize and overload trucks resulted from the implementation of policies for overload control, Cangyu Expressway income from operations, net of tax basically remained static in the Reporting Year.

There was no revenue generated from Xian Expressway for the Reporting Year as the concession was expired on 30 September 2016. The income from operations, net of tax up to the expiry of its concession on 30 September 2016 amounted to RMB199.6 million.

Cost of services (excluding VAT and business tax)

In the Reporting Year, total cost of services (exclude VAT and business tax) of the Group amounted to RMB776.2 million (2016: RMB800.8 million), representing a decrease of RMB24.6 million or 3.1 percent as compared with 2016. Cost ratio (cost of services excluding VAT and business tax/income from operations, net of tax) was 28.8 percent in the Reporting Year, being 3.4 percentage point lower than 2016, of which cost ratio of toll operation in the Reporting Year was 28.8 percent, being 3.3 percentage point lower than 2016. An analysis of cost of services (excluding VAT and business tax) showed that the toll highways and bridges operating expenses decreased by RMB14.0 million, mainly due to the expiry of the concession in Xian Expressway.

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

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2016 RMB'000	Percentage of total %	Change %
GNSR Expressway	**262,732**	**33.8**	259,434	32.4	1.3
Suiyuenan Expressway	**150,042**	**19.3**	149,194	18.6	0.6
Weixu Expressway	**103,788**	**13.4**	93,697	11.8	10.8
Changzhu Expressway	**92,369**	**11.9**	89,693	11.2	3.0
Han-Xiao Expressway	**68,159**	**8.8**	59,082	7.4	15.4
Jinbao Expressway	**66,871**	**8.6**	59,502	7.4	12.4
Cangyu Expressway	**32,247**	**4.2**	33,829	4.2	-4.7
Xian Expressway	**—**	**—**	50,602	6.3	N/A
Total from toll operation	**776,208**	**100.0**	795,033	99.3	-2.4
Port operation	**—**	**—**	5,807	0.7	N/A
Total	**776,208**	**100.0**	800,840	100.0	-3.1

Analysis of cost of services by nature

	Reporting Year RMB'000	Percentage of total %	2016 RMB'000	Percentage of total %	Change %
Amortization of intangible operating rights	**528,970**	**68.2**	505,763	63.2	4.6
Toll highways and bridges maintenance expenses	**96,891**	**12.5**	110,877	13.9	-12.6
Staff costs	**94,707**	**12.2**	102,901	12.8	-8.0
Toll highways and bridges operating expenses	**46,728**	**6.0**	69,762	8.7	-33.0
Depreciation of other fixed assets	**8,912**	**1.1**	11,537	1.4	-22.8
Total	**776,208**	**100.0**	800,840	100.0	-3.1

Gross profit

Gross profit in the Reporting Year increased by 13.7 percent to RMB1,914.4 million. When excluding the effect of Port Operation which was disposed on 1 August 2016, the gross profit in the Reporting Year increased by 13.7 percent. Gross profit margin in the Reporting Year was 71.2 percent, being 3.4 percentage point higher than 2016, of which gross profit margin of toll operation in the Reporting Year was 71.2 percent, being 3.3 percentage point higher than 2016.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year Gross Profit RMB'000	Reporting Year Gross Margin[1]	2016 Gross Profit RMB'000	2016 Gross Margin[1]
GNSR Expressway	**915,774**	**77.7%**	768,141	74.8%
Suiyuenan Expressway	**420,318**	**73.7%**	266,210	64.1%
Weixu Expressway	**223,090**	**68.2%**	183,946	66.3%
Changzhu Expressway	**150,761**	**62.0%**	133,077	59.7%
Han-Xiao Expressway	**129,139**	**65.5%**	93,839	61.4%
Cangyu Expressway	**53,164**	**62.2%**	51,265	60.2%
Jinbao Expressway	**22,146**	**24.9%**	37,704	38.8%
Xian Expressway	**—**	**N/A**	149,044	74.7%
Total from toll operation	**1,914,392**	**71.2%**	1,683,226	67.9%
Port operation	**—**	**N/A**	877	13.1%
Total	**1,914,392**	**71.2%**	1,684,103	67.8%

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

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year decreased by 13.3 percent to RMB196.2 million. The decrease was mainly due to (1) the cost saving effect of RMB11.7 million on staff cost due to the disposal of Port operation and expiry of the concession in Xian Expressway; (2) there was no one-off provision for staff layoff costs and other related winding up expenses of Xian Expressway in the Reporting Year (2016: RMB20.0 million); offsetted by the increase in professional fee of RMB7.3 million in the Reporting Year in relation to project consultation fee and enhancement of internal control.

Other income, gains and losses – net

The Group's other income, gains and losses – net was a loss of RMB69.0 million in the Reporting Year (2016: gain of RMB136.0 million). The fluctuation was mainly due to offset effect of (1) impairment loss (before tax impact) of RMB107.2 million; (2) increase in fair value gain of RMB2.1 million on the investment properties; (3) net exchange gain of RMB0.9 million for the Reporting Year where there was net exchange loss of RMB2.1 million in 2016; and (4) one-off gain from disposal of Yuexin Chishui Port of RMB112.1 million in 2016. There were no material other income, gains and losses – net in the Reporting Year saved for the abovementioned.

Finance income/Finance costs

The Group's finance income in the Reporting Year amounted to RMB26.8 million (2016: RMB47.5 million) which was 43.6 percent lower than 2016 mainly due to the fact that there was no fair value gain on derivative financial instruments in the Reporting Year (2016: RMB26.6 million).

The Group's overall finance costs in the Reporting Year decreased by 4.2 percent to RMB440.6 million (2016: RMB459.8 million) as compared to 2016 mainly due to offset effect by the decrease in interest expenses through the refinance of bank loans at a lower interest rate and the net increase in exchange loss for the Reporting Year. The Group has entered the hedge of the Company's notes payable in issue of EURO175.0 million with cross currency swaps in the fourth quarter of 2016, in order to lock the exchange rate and control the exchange risk effectively. The Group's overall weighted average interest rate in the Reporting Year was 3.77 percent which was lower than the rate of 4.20 percent in 2016.

Share of results of associates and a joint venture

The Group's share of results of associates and a joint venture has increased by 18.9 percent in the Reporting Year to RMB403.0 million.

Share of post-tax profit of Humen Bridge in the Reporting Year increased by 13.0 percent to RMB191.1 million. Income from operation, net of tax at the project company level has increased by 9.3 percent to RMB1,605.7 million in the Reporting Year being benefited from favorable factors including the growth of regional economy and increase in car ownership, coupled with the suspension policy from 22:30 to 06:30 every day since 13 February 2017 implemented at Humen Ferry Pier, as a result some vehicles were diverted to Humen Bridge.

Share of post-tax profit of Northern Ring Road in the Reporting Year increased by 16.1 percent to RMB92.8 million. Income from operation, net of tax at the project company level grew 5.3 percent to RMB770.5 million being benefited from the growth of regional economy and the increase in car ownership.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year decreased by 17.0 percent to RMB40.9 million. Income from operation, net of tax at the project company level decreased by 16.4 percent to RMB242.0 million in the Reporting Year mainly due to higher base as certain vehicles were diverted to Shantou Bay Bridge due to traffic control implemented for the construction in the Queshi Bridge from August to November 2016.

Share of post-tax result of Qinglian Expressway in the Reporting Year increased significantly from RMB0.2 million for 2016 to RMB13.6 million. Income from operations, net of tax at the project company level grew 10.9 percent to RMB732.6 million as a result of the growth of regional economy and the increase in car ownership volume.

Share of post-tax profit of GWSR Expressway in the Reporting Year increased by 59.2 percent to RMB64.6 million. Income from operation, net of tax at the project company level grew 25.8 percent to RMB488.1 million. This mainly benefited from the growth of regional economy, increase in car ownership volume; and certain trucks were diverted to GWSR Expressway due to the traffic control implemented for construction in the Foshan 1st Ring Road since 1 August 2017.

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] Reporting Year RMB'000	YoY change %	Share of results Reporting Year RMB'000	YoY change %
Associates					
Humen Bridge	18.446	**1,605,679**	9.3	**191,130**	13.0
Northern Ring Road	24.3	**770,529**	5.3	**92,842**	16.1
Shantou Bay Bridge	30.0	**242,017**	-16.4	**40,863**	-17.0
Qinglian Expressway	23.63	**732,615**	10.9	**13,588**	8,839.5
Sub-total		**3,350,840**	6.3	**338,423**	13.4
Joint venture					
GWSR Expressway	35.0	**488,134**	25.8	**64,599**	59.2
Total		**3,838,974**	8.5	**403,022**	18.9

(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 prior to 1 May 2016 were net of business tax.

Income tax expense

Total income tax expense of the Group in the Reporting Year increased by 4.8 percent to RMB371.2 million.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB947.9 million in the Reporting Year, an increase of 3.2 percent as compared with 2016. 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 %	2016 RMB'000	Percentage of total %	Change %
Net profit from controlled projects	917,244	69.5	794,433	70.1	15.5
Net profit from non-controlled projects[1]	403,022	30.5	339,076	29.9	18.9
Net profit from projects	1,320,266	100.0	1,133,509	100.0	16.5
Withholding tax on PRC dividends/income	(36,867)		(38,570)		-4.4
Corporate expenses	(122,784)		(119,057)		3.1
Corporate income/gains, net	3,296		115,455		-97.1
Corporate finance income	18,830		37,825		-50.2
Corporate finance costs	(234,799)		(210,345)		11.6
Profit attributable to shareholders of the Company	947,942		918,817		3.2

[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 RMB917.2 million in the Reporting Year, accounted for 69.5 percent (2016: 70.1 percent) while net profit from non-controlled projects amounted to RMB403.0 million in the Reporting Year, accounted for 30.5 percent (2016: 29.9 percent).

Net profit from controlled projects of RMB917.2 million represented growth of 15.5 percent or RMB122.8 million higher than 2016; of which net profit from toll operation increased 14.4 percent to RMB917.2 million. There was no profit generated from Yuexin Chishui Port during the Reporting Year as it has been disposed on 1 August 2016.

MANAGEMANT DISCUSSION AND ANALYSIS

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

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2016 RMB'000	Percentage of total %	Change %
GNSR Expressway	404,392	30.6	337,764	29.8	19.7
Suiyuenan Expressway	189,006	14.3	66,673	6.0	183.5
Weixu Expressway	143,640	10.9	104,816	9.2	37.0
Changzhu Expressway	100,523	7.6	73,704	6.5	36.4
Han-Xiao Expressway	81,940	6.2	68,271	6.0	20.0
Cangyu Expressway	43,030	3.3	40,379	3.6	6.6
Jinbao Expressway					
– operation	10,561	0.8	16,372	1.4	-35.5
– impairment loss	(48,255)	-3.6	—	—	N/A
Xian Expressway	(7,593)	-0.6	94,112	8.3	-108.1
Total from toll operation	917,244	69.5	802,091	70.8	14.4
Port operation	—	—	(7,658)	-0.7	N/A
Total	917,244	69.5	794,433	70.1	15.5

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

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2016 RMB'000	Percentage of total %	Change %
GNSR Expressway	404,392	31.8	337,764	31.6	19.7
Suiyuenan Expressway	180,298	14.2	51,345	4.8	251.2
Weixu Expressway	143,640	11.3	104,816	9.8	37.0
Han-Xiao Expressway	73,653	5.8	48,668	4.6	51.3
Changzhu Expressway	70,095	5.5	42,266	4.0	65.8
Cangyu Expressway	41,869	3.3	37,954	3.5	10.3
Jinbao Expressway					
– operation	10,561	0.8	16,372	1.5	-35.5
– impairment loss	(48,255)	-3.8	—	—	N/A
Xian Expressway	(7,593)	-0.6	98,928	9.2	-107.7
Total from toll operation	868,660	68.3	738,113	69.0	17.7
Port operation	—	—	(7,669)	-0.7	N/A
Total	868,660	68.3	730,444	68.3	18.9

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 18.9 percent in the Reporting Year to RMB403.0 million as compared with 2016. 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 14.5 percent (2016: 14.9 percent), 7.0 percent (2016: 7.1 percent), 3.1 percent (2016: 4.3 percent), 1.0 percent (2016: 0.01 percent) and 4.9 percent (2016: 3.6 percent) of the net profit from projects respectively.

At the corporate level, there were no material corporate level transactions which had significant impacts to the overall profit attributable to the shareholders of the Company during the Reporting Year. Also, there was no one-off gain on disposal of subsidiary in the Reporting Year (2016: RMB112.1 million), the profit attributable to the shareholders of the Company increased by 3.2 percent.

Final dividend

The Directors have recommended the payment of final dividend for 2017 of HK$0.23 which is equivalent to approximately RMB0.185291 (2016: HK$0.20 which was equivalent to approximately RMB0.177146) per share payable to shareholders whose names appear on the register of members of the Company on 7 June 2018. Subject to the approval of shareholders at the Annual General Meeting to be held on 30 May 2018, the final dividend will be paid on or about 28 June 2018. Together with the interim dividend of HK$0.13 which was equivalent to approximately RMB0.111659 (2016: HK$0.13 which was equivalent to approximately RMB0.111311) per share, total dividends for the year ended 31 December 2017 will amount to HK$0.36 which is equivalent to approximately RMB0.296950 (2016: HK$0.33 which was equivalent to approximately RMB0.288457) per share, representing a dividend payout ratio of 52.4 percent (2016: 52.5 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	2016 RMB'000	Change %
Total assets		**23,918,489**	22,568,556	6.0
Total liabilities		**12,101,085**	11,264,254	7.4
Short-term bank deposits, cash and cash equivalents		**2,958,818**	1,045,922	182.9
Total debts		**9,496,449**	8,578,928	10.7
Of which:	bank borrowings	**5,750,163**	4,939,891	16.4
	Notes payable	**1,557,953**	1,452,359	7.3
	Corporate bond	**1,993,263**	1,990,978	0.1
Current ratio		**1.3 times**	1.4 times	
EBITDA interest coverage		**8.4 times**	5.8 times	
Equity attributable to the shareholders of the Company		**9,544,848**	9,081,958	5.1

Assets, Liabilities and Equity

As at 31 December 2017, the Group's total assets amounted to RMB23.9 billion which was 6.0 percent higher than the balance as at 31 December 2016. The Group's total assets comprised mainly of intangible operating rights of RMB17.9 billion (31 December 2016: RMB18.5 billion); investments in a joint venture and associates of RMB1.98 billion (31 December 2016: RMB1.92 billion); and short-term bank deposits, cash and cash equivalents of RMB2,958.8 million (31 December 2016: RMB1,045.9 million).

As at 31 December 2017, the Group's total liabilities amounted to RMB12.1 billion which was 7.4 percent higher than the balance as at 31 December 2016. The Group's total liabilities comprised mainly of bank borrowings of RMB5.75 billion (31 December 2016: RMB4.94 billion); notes payable of RMB1.56 billion (31 December 2016: RMB1.45 billion); corporate bonds in aggregate of RMB2.0 billion (31 December 2016: RMB2.0 billion); loans from non-controlling interests of RMB103.0 million (31 December 2016: RMB103.7 million); and deferred income tax liabilities of RMB1.99 billion (31 December 2016: RMB1.98 billion).

As at 31 December 2017, the Group's total equity increased by RMB513.1 million to RMB11.82 billion (31 December 2016: RMB11.30 billion), of which equity attributable to the shareholders of the Company amounted to RMB9.54 billion.

Analysis of major assets, liabilities and equity items

Items	Reporting Year RMB'000	2016 RMB'000	Change %
Total assets	**23,918,489**	22,568,556	6.0
Approximately 90.0 % of which:			
Intangible operating rights	**17,915,044**	18,485,580	-3.1
Investments in a joint venture and associates	**1,983,851**	1,923,901	3.1
Short-term bank deposits, cash and cash equivalents	**2,958,818**	1,045,922	182.9
Of which: cash and cash equivalents	**2,842,452**	1,045,922	171.8
Total liabilities	**12,101,085**	11,264,254	7.4
Approximately 90.0 % of which:			
Bank borrowings – due within 1 year	**319,724**	235,193	35.9
– long term portion	**5,430,439**	4,704,698	15.4
Notes payable	**1,557,953**	1,452,359	7.3
Corporate bonds	**1,993,263**	1,990,978	0.1
Loans from non-controlling interests	**103,020**	103,650	-0.6
Deferred income tax liabilities	**1,988,483**	1,975,343	0.7
Total equity	**11,817,404**	11,304,302	4.5
Of which: Attributable to the shareholders of the Company	**9,544,848**	9,081,958	5.1

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 RMB2,842.5 million which was 171.8 percent higher than the level at 31 December 2016. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions. As at 31 December 2017, there were short-term bank deposits in aggregate of RMB116.4 million (31 December 2016: Nil) with original maturity over 3 months.

Analysis of cash flow movement

	Reporting Year RMB'000	2016 RMB'000
Net cash generated from operating activities	**1,943,311**	1,721,847
Net cash generated from investing activities	**144,717**	289,798
Net cash used in financing activities	**(289,855)**	(1,853,276)
Net increase in cash and cash equivalents	**1,798,173**	158,369
Cash and cash equivalents in the consolidated balance sheet at 1 January	**1,045,922**	866,665
Cash and cash equivalents of disposal group classified as held for sale at 1 January	**—**	15,050
Effect of exchange rate changes on cash and cash equivalents	**(1,643)**	5,838
Cash and cash equivalents at 31 December	**2,842,452**	1,045,922

Net cash generated from operating activities during the Reporting Year amounted to RMB1,943.3 million (2016: RMB1,721.8 million) which was arrived from cash generated from operations of RMB2,279.3 million (2016: RMB2,012.5 million) less China enterprise income tax and withholding tax paid of RMB336.0 million (2016: RMB290.7 million).

Net cash generated from investing activities during the Reporting Year amounted to RMB144.7 million (2016: RMB289.8 million). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB340.6 million (2016: RMB251.9 million); proceeds from compensation arrangement of RMB21.9 million (2016: RMB20.3 million); interest received in aggregate of approximately RMB18.6 million (2016: RMB9.9 million). There was no proceeds from disposal of a subsidiary (2016: RMB231.4 million) and no cash proceed (2016: RMB10.0 million) originally placed to bank for short-term deposits with original maturity over 3 months in the Reporting Year. The outflow were mainly capital expenditures amounted to approximately RMB120.8 million (2016: RMB234.0 million) and an aggregate of RMB116.4 million placed to bank short-term deposits with original maturity over 3 months (2016: Nil).

Net cash used in financing activities during the Reporting Year amounted to RMB289.9 million (2016: RMB1,853.3 million). The outflow mainly included repayment of bank borrowings amounted to RMB1,395.8 million (2016: RMB6,941.5 million); payment of finance costs and related fees of RMB344.5 million (2016: RMB366.8 million); repayments of loans from non-controlling interest of subsidiaries in the Reporting Year of RMB1.8 million (2016: RMB5.1 million); dividends paid to non-controlling interests of RMB269.1 million (2016: RMB236.7 million); dividends paid to the shareholders of the Company of RMB483.2 million (2016: RMB410.3 million). The inflow mainly included new bank borrowings amounted to approximately RMB2,204.5 million (2016: RMB4,082.2 million). There were no addition of loans from non-controlling interest of subsidiaries (2016: RMB35.0 million) and no proceeds from corporate bonds (Panda Bonds) (2016: RMB1,989.8 million).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2017 was 1.3 times (31 December 2016: 1.4 times). The current assets balance as at 31 December 2017 was RMB3.2 billion (31 December 2016: RMB1.3 billion) and current liabilities balance was RMB2,498.8 million (31 December 2016: RMB958.1 million). Cash and cash equivalents were the major components of the Group's current assets with balance as at 31 December 2017 of RMB2,842.4 million (31 December 2016: RMB1,045.9 million). There was short-term bank deposits in aggregate of RMB116.4 million as at 31 December 2017 (31 December 2016: Nil) with original maturity over 3 months. Included in the Group's current liabilities as at 31 December 2017 were short-term borrowings (i.e. maturities within one year) of approximately RMB1,877.7 million (31 December 2016: RMB235.2 million) which include notes payable of RMB1,558.0 million and bank borrowings of RMB319.7 million. Management will continue to take a prudent approach to effectively utilize 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 2017 was 8.4 times (31 December 2016: 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 total external debt for the year ended 31 December 2017 was 29.3 percent (31 December 2016: 28.1 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 2017 was 6.7 times (31 December 2016: 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 2017 was 7.6 times (31 December 2016: 6.7 times) which is measured as the ratio of cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB120.8 million (2016: RMB234.0 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 RMB88.8 million (2016: RMB43.6 million) and (2) purchase of property, plant and equipment of RMB20.4 million (2016: RMB11.2 million). There were a payment of consideration to acquisition of subsidiary of RMB9.3 million (2016: RMB179.2 million) and a capital injection in a new associate of RMB2.3 million (2016: Nil) in the Reporting Year. 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 financing 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	2016 RMB'000
Total external debts		
Bank borrowings	**5,750,163**	4,939,891
Notes payable	**1,557,953**	1,452,359
Corporate bonds[1]	**1,993,263**	1,990,978
Loans from non-controlling interests	**103,020**	103,650
Amount due to a joint venture	**92,050**	92,050
Total debts	**9,496,449**	8,578,928
Less: cash and cash equivalents	**(2,842,452)**	(1,045,922)
Net debt	**6,653,997**	7,533,006
Total Equity	**11,817,404**	11,304,302
Of which: Equity attributable to the shareholders of the Company	**9,544,848**	9,081,958
Total capitalization (Net debt + Total equity)	**18,471,401**	18,837,308
Financial ratios		
Gearing ratio (net debt/total capitalization)	**36.0%**	40.0%
Debt to Equity ratio (net debt/total equity)	**56.3%**	66.6%
Total liabilities/Total assets ratio	**50.6%**	49.9%

[1] Basic summary information of corporate bonds:

	RMB300 million five-year corporate bonds (Phase 1)	RMB700 million seven-year corporate bonds (Phase 1)	RMB200 million five-year corporate bonds (Phase 2)	RMB800 million seven-year corporate bonds (Phase 2)
Drawdown date:	22 March 2016	22 March 2016	28 October 2016	28 October 2016
Principal:	RMB300 million	RMB700 million	RMB200 million	RMB800 million
Principal repayment date:	21 March 2021	21 March 2023	26 October 2021	26 October 2023
Coupon rate (per annum):	2.85%	3.38%	2.90%	3.18%
Upcoming interest payment date:	21 March 2018	21 March 2018	26 October 2018	26 October 2018
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 total debt comprised of bank borrowings, notes payable, corporate bonds and loans from non-controlling interests of certain subsidiaries. Debt with foreign exchange risk exposure as at 31 December 2017 was approximately RMB1.56 billion (31 December 2016: approximately RMB1.45 billion), the cost of exchange was generally locked by EUR/CNH cross currency swaps.

As at 31 December 2017, the Group's total external debts in aggregate was approximately RMB9.3 billion (31 December 2016: RMB8.4 billion) composed of bank borrowings amounted to approximately RMB5.75 billion (31 December 2016: RMB4.9 billion), notes payable amounted to approximately RMB1.56 billion (31 December 2016: RMB1.45 billion) and corporate bonds of RMB2.0 billion (31 December 2016: RMB2.0 billion). Onshore and offshore debts ratio was 83.3 percent and 16.7 percent (31 December 2016: 70.8 percent and 29.2 percent). Secured external debts' ratio was 58.6 percent (31 December 2016: 47.0 percent). The effective interest rate of total external debts at 31 December 2017 was 3.83 percent (31 December 2016: 3.74 percent). There were RMB5.20 billion of the bank borrowings are at floating rates and RMB0.55 billion at fixed rates with the overall effective interest rate of 4.46 percent at 31 December 2017 (31 December 2016: 4.37 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 2.81 percent (31 December 2016: 2.83 percent).

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

	Reporting Year Percentage of total	2016 Percentage of total
Source		
Onshore	**83.3%**	70.8%
Offshore	**16.7%**	29.2%
	100.0%	100.0%
Repayment term		
Within 1 year	**20.2%**	2.8%
1 to 2 years	**11.9%**	22.7%
More than 2 years and less than 5 years	**26.6%**	41.3%
Above 5 years	**41.3%**	33.2%
	100.0%	100.0%
Currency		
RMB	**83.3%**	82.7%
EURO	**16.7%**	17.3%
	100.0%	100.0%
Interest rate		
Fixed	**44.1%**	53.0%
Floating	**55.9%**	47.0%
	100.0%	100.0%
Terms of credit		
Secured	**58.6%**	47.0%
Unsecured	**41.4%**	53.0%
	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 (2016: 4.35 percent) per annum.

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

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and approximately 83.3 percent (2016: 82.7 percent) of 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$246.9 million (equivalent to approximately RMB206.4 million), and US$27,000 (equivalent to approximately RMB0.2 million); short-term bank deposits of Euro14.9 million (equivalent to approximately RMB116.4 million); and external debts of Euro199.7 million (net of debt discount and direct issuance costs) (equivalent to approximately RMB1.56 billion). Given this foreign currency exposure position, as at 31 December 2017, 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 RMB12.4 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 2016, 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, short-term bank deposits and the remaining notes payable of Euro25.0 million, 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 RMB1.3 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 2017, the Group had capital commitments related to intangible operating rights and property, plant and equipment of approximately RMB2.0 million being contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2017. There were no significant contingent liabilities as at 31 December 2017.

V. EMPLOYEES

As at 31 December 2017, the Group had approximately 1,482 employees of whom about 1,263 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

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

On 7 May 2015, Famous Kind International Limited (a wholly-owned subsidiary of the Company) issued Euro 200,000,000 1.625 per cent. guaranteed notes due 2018 to investors under a US$1,000,000,000 guaranteed medium term note programme established on 24 April 2015. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holdings Limited is required to maintain control of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the note holders are entitled to exercise their change of control put options.

These obligations have been duly complied with for the year ended 31 December 2017.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS AND COMMUNICATIONS

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

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 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 project operations and management as well as our development strategies.

During the Reporting Year, investment banks such as HSBC, Essence International, China Securities International and China Galaxy International released research coverage reports on the Group successively, and institutions such as JP Morgan Chase 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 popularity and influence in the capital market.

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:

INVESTOR RELATIONS REPORT

Month	Place	Organizers	Event
February	Hong Kong	HSBC	2016 Results announcement roadshow
March	Shenzhen	Essence International	2016 Results announcement roadshow
April	Shenzhen	Everbright Securities	Industry seminar
	Guangzhou	Wonderful Sky	On-site project research for the financial press
May	Shenzhen	HSBC	Industry seminar
	Changsha	Essence International	Industry seminar
June	Beijing	JP Morgan Chase	Industry seminar
	Hong Kong	Deutsche Bank	Convertible bonds' investors seminar
	Hong Kong	Citibank	Industry seminar
August	Hong Kong	JP Morgan Chase	2017 Interim results announcement roadshow
September	Changsha and Yueyang	The Company	On-site project research for commentators
	Shanghai	Essence International	2017 Interim results announcement roadshow
December	Hong Kong	Citibank	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:

Economic Digest:
Outstanding Enterprise Award 2017

Quamnet:
Outstanding Enterprises Awards 2017 - Outstanding Investment and Development of Infrastructure

Bloomberg Businessweek:
Listed Enterprises of the Year 2017

LACP2016 Vision Awards of USA – Annual Report Competition:
Transportation & Logistics Industry: Gold Winner
Top 80 Reports Asia-Pacific Region
Top 40 Reports China

IADA International Annual Report Design Awards:
2016 Annual Report Design Bronze Award

2017 ARC International Awards:
2016 Annual Report Interior Design Honors

INVESTOR RETURN MECHANISM

While leveraging on the capital market for rapid development, the Group also understands that a positive return to shareholders should be regarded as an important mission and the operation philosophy for an enterprise, 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 20 consecutive years. From 2009 to date, the Group has distributed in aggregate cash dividends of approximately RMB3.23 billion, with an average dividend payout ratio of as high as 61.0%, the cumulative dividend per share was RMB1.6341. The annual compound growth rate of the dividend per share was 9.76%, which served as a continuous return to our shareholders while we recorded consistent growth of our operating results.

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Earnings per share (RMB)	0.2285	0.3195	0.3336	0.2552	0.3314	0.3642	0.318	0.5491	0.5666
Dividend per share (RMB)	0.141	0.187	0.197	0.163	0.206	0.222	0.230	0.289	0.297
Dividend payout ratio	61.7%	58.5%	59.1%	63.9%	62.2%	61.0%	72.2%	52.5%	52.4%

In 2017, the Group distributed cash dividend of HK$0.36 per share, equivalent to RMB0.296950 per share, the dividend payout ratio is 52.4%. The Group will continue to maintain a stable dividend payout ratio in future years, as our policy in this respect was a balance between our business development and return to shareholders.

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Zhu Chunxiu, aged 55, was appointed an executive director and Chairman of the Company on 19 March 2014. He is also vice chairman and general manager of Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu"), the ultimate holding company of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"). He is also a non-executive director of Yuexiu Financial Holdings Limited, and vice chairman and an executive director of Yuexiu Property Company Limited ("Yuexiu Property")(Stock Code: 123) and a non-executive director of Chong Hing Bank Limited (Stock Code: 1111), both being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Prior to joining Yue Xiu in 2013, Mr Zhu was vice chairman and general manager of Guangzhou Finance Holdings Group Co., Ltd. He was also a director of Guangzhou Rural Commercial Bank. Mr Zhu was awarded the Degree in Executive Master of Business Administration by Sun Yat-Sen University. Mr Zhu holds the economist qualification in China and has extensive experience in the operation and management of large financial institutions and banks. He is a deputy of the 14th and 15th session of the Guangzhou City People's Congress.

Mr He Baiqing, aged 53, was appointed an executive director of the Company on 19 March 2014 and a Deputy Chairman on 31 July 2014. He has been General Manager of the Company since January 2013. Before being appointed as General Manager of the Company, Mr He was appointed deputy general manager in 2009 and senior deputy general manager in 2011. Mr He graduated from Changsha Transport Institute in China with a Bachelor's Degree majoring in Highway and City Roads. Mr He had held position of the head of Guangzhou Highway Prospecting and Design Institute. He is a senior engineer of Highway and Bridge, and a chartered civil engineer in China. Mr He was in charge of the thirty-year plan of Guangzhou highway network between 1997 and 1998. He has participated in surveying and designing of Guangzhou Northern Second Ring Expressway, Guangzhou Western Second Ring Expressway and has extensive experience in the industry. He previously served as a director of the Company from April 2005 to April 2007.

Mr Qian Shangning, aged 55, was appointed an executive director of the Company on 12 April 2007. Mr Qian graduated from Chongqing Transport Institute in Highway and Urban Transportation, and later from Sun Yat-Sen University in Guangzhou in Legal Studies. Mr Qian also holds an Executive Master of Business Administration degree awarded by South China University of Technology. Between 1998 to 2001, Mr Qian had been a senior management member of GNSR Expressway Co. Mr Qian has more than 30 years of experience in highway construction and is a senior engineer in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Fung Ka Pun, aged 72, has been an independent non-executive director of the Company since 20 November 1996. Mr Fung is the founder and chairman of the Goodwill International (Holdings) Limited. Mr Fung has over 30 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. Mr Fung is also an independent non-executive director of Lee Hing Development Limited, the shares of which are listed on the Stock Exchange (Stock Code: 68).

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 70, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr Lau is currently an independent non-executive director of China Jinmao Holdings Group Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property, Joy City Property Limited (Stock Code: 207), Brightoil Petroleum (Holdings) Limited (Stock Code: 933), and The People's Insurance Company (Group) of China Limited (Stock Code: 1339). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, OCBC Wing Hang Bank Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Investment Limited, Helicoin Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

Mr Cheung Doi Shu, aged 56, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his bachelor's and master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors.

CORPORATE GOVERNANCE REPORT

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

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

The Company has complied throughout the year ended 31 December 2017 with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term under Code Provision A.4.1 and the attendance at general meetings by the independent non-executive directors of the Company under Code Provision A.6.7, details of which will be explained below.

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

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

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

THE BOARD

Responsibilities

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

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

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

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. As at 31 December 2017, the Board comprised three executive directors and three independent non-executive directors.

For a list of directors during the year ended 31 December 2017 and up to the date of this annual report, please refer to page 72 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

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

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

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

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

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

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

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 18 May 2017 because he had other urgent business engagement.

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

Training for Directors

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

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

During the year, the Company arranged training programmes and provided training materials to the Directors with an emphasis on national economic landscape and financial regulatory trends, risk management and internal control, industry and finance integration, connected transaction and disclosure of inside information, corporate governance etc. According to the records maintained by the Company, the Directors received trainings in the following areas:

	Corporate Governance/ Updates on Laws, Rules & Regulations	
Directors	Read Materials	Attended Seminars/ Briefings
Executive Directors		
Zhu Chunxiu	✓	✓
Liu Yongjie (resigned on 28 September 2017)	✓	✓
He Baiqing	✓	✓
Qian Shangning	✓	✓
Independent Non-Executive Directors		
Fung Ka Pun	✓	✓
Lau Hon Chuen Ambrose	✓	✓
Cheung Doi Shu	✓	✓

Board Meetings

Number of Meetings and Directors' Attendance

In year 2017, the Board held 11 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below:

Directors	Attendance/ Number of Board meetings	Written Resolutions	Annual General Meeting
Executive Directors			
Zhu Chunxiu	3/4	7/7	✓
Liu Yongjie (resigned on 28 September 2017)	3/3	4/4	✓
He Baiqing	4/4	7/7	✓
Qian Shangning	4/4	7/7	✓
Independent Non-Executive directors			
Fung Ka Pun	4/4	7/7	×
Lau Hon Chuen Ambrose	4/4	7/7	✓
Cheung Doi Shu	3/4	7/7	✓

Practices and Conduct of Meetings

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

The Audit Committee held two meetings during the year ended 31 December 2017 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditor. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

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

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

Remuneration Committee

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

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

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

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

The Remuneration Committee met once during the year ended 31 December 2017 with 100% attendance to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

Nomination Committee

The Nomination Committee comprises two executive directors, namely Mr Zhu Chunxiu and Mr Liu Yongjie (resigned on 28 September 2017), and three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu. The committee is chaired by Mr Zhu Chunxiu, the Chairman of the Board.

The role and function of Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship and the appointment or re-appointment of Directors and succession planning for Directors.

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

Members	Meetings Attended
Executive Directors	
Zhu Chunxiu	1/1
Liu Yongjie (resigned on 28 September 2017)	1/1
Independent Non-Executive Directors	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

The Nomination Committee met once during the year ended 31 December 2017 to review the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

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

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is the Group General Counsel of Yue Xiu, and also the company secretary of Yue Xiu, Yuexiu Property and Yue Xiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2017, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

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

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

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2017.

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

During the year ended 31 December 2017, the remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit related services amounted to approximately RMB2,953,000 and non-audit services fees amounted to RMB292,000 have been incurred.

RISK MANAGEMENT AND INTERNAL CONTROLS

Role of the Board

The Board has overall responsibility for evaluating and determining the nature and extent of the risks taken by the Group to achieve its strategic business objectives. The Board, through its Audit Committee, regularly reviews the effectiveness of the risk management and internal control systems and monitors the corporate governance practices and compliance procedures on an ongoing basis. To assist the Audit Committee to fulfill its responsibilities, the management has formed a task force, comprising representatives from major departments of the Company, to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board quarterly. The possible risk exposure of the Group is set out on pages 32 to 33 of this Annual Report.

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

Risk management structural framework

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

Audit Committee of the Board

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

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

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

Management

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

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

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

Audit and risk management department

— Prepare and amend the risk appetite measures

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

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

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

Internal control system

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

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

Internal audit

The Group's audit and risk management department plays an important role in reviewing and monitoring the overall internal compliance and governance system of the Group. The department directly reports to the Audit Committee and performs specific internal audit projects. The department has unrestricted access to review all the Group's business activities, departments and subsidiaries and identify the areas of concern. During the Year, the department has completed 14 internal audit projects covering performance, human resources and internal control areas.

Handling and dissemination of inside information

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

The Company's Bye-Laws are available on the websites of the Company and the Stock Exchange. During 2017, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 83.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2017:

	RMB'000
Interim dividend of HK$0.13 equivalent to approximately RMB0.11 per share paid on 17 November 2017	186,823
Proposed final dividend of HK$0.23 equivalent to approximately RMB0.19 per share	310,022
	496,845

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 25 May 2018 to Wednesday, 30 May 2018, 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 Wednesday, 30 May 2018, 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 Thursday, 24 May 2018.

In addition, the register of members of the Company will be closed from Tuesday, 5 June 2018 to Thursday, 7 June 2018, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Monday, 4 June 2018.

REPORT OF THE DIRECTORS

DONATIONS

During the year, charitable donations made by the Group amounted to approximately RMB3,523,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the section headed "Management Discussion And Analysis" on pages 24 to 54 of this Annual Report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2017 are set out in note 40 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the distributable reserves of the Company available for distribution amounted to RMB2,793,168,000 (2016: RMB2,825,498,000).

DIRECTORS

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

Executive directors
Mr Zhu Chunxiu
Mr Liu Yongjie (resigned on 28 September 2017)
Mr He Baiqing
Mr Qian Shangning

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

The Directors' Profiles are set out on pages 58 to 59.

ROTATION AND RE-ELECTION OF DIRECTORS

Mr He Baiqing and Mr Cheung Doi Shu retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONNECTED TRANSACTIONS

Framework Lease Agreement

On 6 January 2015, the Company entered into the framework lease agreement ("2015 Framework Lease Agreement") with Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("YX IFC"), which is a connected person of the Company by virtue of its being an indirect associate of Guangzhou Yue Xiu Holdings Limited, ultimate holding company of the Company, in respect of the lease of certain lettable premises of The Guangzhou International Finance Center, Guangzhou, PRC. The rent payable under the 2015 Framework Lease Agreement are subject to the annual caps of RMB13,200,000, RMB15,000,000 and RMB15,100,000 for the years ended 31 December 2015, 2016 and 2017 respectively. During the year, approximately RMB11,335,000 has been paid by the Group to YX IFC pursuant to the specified lease agreements. This transaction had also been disclosed as a related party transaction in note 37(b)(iii) to the consolidated financial statements.

On 28 December 2017, the Company entered into another framework lease agreement ("2017 Framework Lease Agreement") with YX IFC to renew the term of the 2015 Framework Lease Agreement, and pursuant to which the rent payable under the 2017 Framework Lease Agreement are subject to the annual caps of RMB17,000,000 for each of the years ending 31 December 2018, 2019 and 2020 respectively. An announcement in respect of the above continuing connected transaction was published on 28 December 2017 in accordance with the Listing Rules.

REPORT OF THE DIRECTORS

Bank Deposits Agreement

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

On 28 December 2016, the Company entered into another bank deposits agreement with Chong Hing Bank to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB260 million on any given day during the period from 1 January 2017 to 31 December 2019. As at 31 December 2017, the aggregate bank balances deposited by the Group with Chong Hing Bank amounted to approximately RMB231,241,000. The maximum daily aggregate amount of outstanding deposits maintained by the Group with Chong Hing Bank for the year ended 31 December 2017 amounted to approximately RMB244,504,000. This transaction had also been disclosed as a related party transaction in note 37(c)(i) to the consolidated financial statements.

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

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

Other related party transactions disclosed in note 37(b)(i), (ii), (iv) and (v) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as "exempted transaction" or "de minimis transaction", pursuant to the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2017 is set out in note 28 to the consolidated financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

The Company

Long positions in shares of the Company:

Name	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr He Baiqing	Personal	52,000	0.003
Mr Qian Shangning	Personal	250,000	0.015
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012

Yuexiu Property Company Limited

Long positions in shares of Yuexiu Property Company Limited:

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

Save as disclosed herein, as at 31 December 2017, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2017, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity in holding interest	Long/Short position/ Lending pool	Approximate % of shareholding in shares	Number of shares held
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interest of controlled corporations	Long position	59.60	997,247,598
	Interest of controlled corporations	Short position	15.40	257,721,434
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") (Notes 1 & 2)	Beneficial owner and interest of controlled corporations	Long position	59.60	997,247,598
	Interest of controlled corporations	Short position	15.40	257,721,434
Grace Lord Group Limited (Note 2)	Beneficial owner	Long position	33.52	560,880,485
First Dynamic Limited (Note 3)	Interest of controlled corporation	Long position	21.96	367,500,000
Housemaster Holdings Limited (Notes 2 & 3)	Beneficial owner	Long position	21.96	367,500,000
Matthews International Capital Management, LLC	Investment manager	Long position	6.98	116,934,000
JP Morgan Chase & Co.	Beneficial owner	Long position	0.34	5,620,457
	Beneficial owner	Short position	0.07	1,264,000
	Investment manager	Long position	7.37	123,295,513
	Custodian corporation/ approved lending agent	Long position	1.31	22,011,778

Notes:

(1) The entire issued shares of Yue Xiu is owned by 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited). By virtue of the SFO, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in the interest of Yue Xiu in the shares of the Company as described in note(2) below. 257,721,434 shares out of its interest in the shares of the Company were listed derivative interests (physically settled).

(2) Yue Xiu was interested in an aggregate of 997,247,598 shares of the Company (long position) of which 8,653 shares were held by it as beneficial owner. By virtue of the SFO, Yue Xiu is also deemed to be interested in the balance of 997,238,945 shares (long position) through its wholly-owned subsidiaries, namely, Housemaster Holdings Limited, Grace Lord Group Limited, Greenwood Pacific Limited, Yue Xiu Finance Company Limited and Dragon Year Industries Limited. 257,721,434 shares out of its interest in the shares of the Company were listed derivative interests (physically settled). Yue Xiu's interest in short position was held through its wholly-owned subsidiary, namely Asia View Limited.

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

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Zhu Chunxiu
Chairman

Hong Kong, 12 February 2018

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Yuexiu Transport Infrastructure Limited (the "Company") and its subsidiaries (the "Group") set out on pages 83 to 167, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Amortisation of intangible operating rights and impairment assessment of intangible operating rights and goodwill *Refer to notes 14 and 15 in the Group financial statements.* The Group has intangible operating rights of RMB17,915 million, goodwill of RMB633 million and deferred tax liabilities of RMB1,477 million relating to business acquisitions in obtaining those intangible operating rights in previous years. Amortisation of intangible operating rights is calculated to write off their cost on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the operating period of the intangible operating rights. This projected total traffic volume estimation takes into account the historical operating information, the expected development of the toll road and its adjacent traffic network and where applicable, independent professional traffic studies prepared by traffic consultants which require significant management judgement and estimates. Management has assessed the recoverable amount of the goodwill and intangible operating rights by preparing impairment assessments based on value in use or fair value less costs of disposal calculation. The calculations requires the Group to estimate the future cash flows expected to arise from the cash-generating units to which the goodwill and intangible operating rights belong and the use of suitable discount rates in order to calculate the present value. This requires significant management judgement with respect to the use of discount rates and the underlying cash flows, in particular future revenue growth and capital expenditure.	Our procedures in relation to management's estimation of projected total traffic volume and impairment assessments included: — Understanding the procedures taken by management in estimating the projected total traffic volume of the intangible operating rights and assessing the reasonableness of such estimation; — Where traffic studies prepared by traffic consultant has been used and referenced by management, performing evaluation of the independent external traffic consultants' qualifications, competence, capabilities and objectivity; — Evaluating the process by which the management's future cash flow forecasts and impairment assessments were prepared; — Considering the results of sensitivity analysis on reasonably possible downside changes in key assumptions adopted including discount rate and the growth in revenue generated from future traffic; — Assessing the methodologies used, the appropriateness of the key assumptions based on our knowledge of the industry and using our in-house valuation experts; — Reconciling input data to supporting evidence, such as historical financial information, approved budgets and considering the reasonableness of these budgets; and — Checking the mathematical accuracy of the value in use or fair value less costs of disposal calculation in the management's impairment assessments. We found the assumptions made by management in relation to the value in use or fair value less costs of disposal calculations to be supportable based on available evidence. The significant inputs have been appropriately disclosed in note 15.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12 February 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue		**2,702,844**	2,497,848
Other toll operating income		**—**	21,155
Income from operations	6	**2,702,844**	2,519,003
Cost of services	8,9	**(788,452)**	(834,900)
Construction income under service concession upgrade services	35	**95,981**	43,627
Construction costs under service concession upgrade services	35	**(95,981)**	(43,627)
Other income, gains and losses – net	7	**(68,997)**	135,950
General and administrative expenses	8,9	**(196,193)**	(226,238)
Operating profit		**1,649,202**	1,593,815
Finance income	10	**26,770**	47,473
Finance costs	10	**(440,577)**	(459,800)
Share of result of a joint venture	19	**64,599**	40,566
Share of results of associates	20	**338,423**	298,510
Profit before income tax		**1,638,417**	1,520,564
Income tax expense	11	**(371,195)**	(354,087)
Profit for the year		**1,267,222**	1,166,477
Attributable to:			
Shareholders of the Company		**947,942**	918,817
Non-controlling interests		**319,280**	247,660
		1,267,222	1,166,477
Earnings per share for profit attributable to the shareholders of the Company		**RMB**	RMB
Basic and diluted earnings per share	12	**0.5666**	0.5491

The notes on pages 90 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	**1,267,222**	1,166,477
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(1,835)**	1,701
Total comprehensive income for the year	**1,265,387**	1,168,178
Total comprehensive income attributable to:		
Shareholders of the Company	**946,107**	920,518
Non-controlling interests	**319,280**	247,660
	1,265,387	1,168,178

The notes on pages 90 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights	14	**17,915,044**	18,485,580
Goodwill	15	**632,619**	632,619
Property, plant and equipment	16	**87,473**	86,255
Investment properties	17	**36,484**	35,271
Investment in a joint venture	19	**433,465**	428,570
Investments in associates	20	**1,550,386**	1,495,331
Available-for-sale financial assets	21	**200**	812
Derivative financial instruments	22	**—**	26,597
Other non-current receivables	23	**65,440**	82,003
		20,721,111	21,273,038
Current assets			
Trade receivables	24	**140,476**	71,611
Other receivables, deposits and prepayments	24	**60,091**	105,478
Amount due from a non-controlling interest of a subsidiary	37	**2,470**	72,507
Derivative financial instruments	22	**35,523**	—
Short-term bank deposits, cash and cash equivalents	25	**2,958,818**	1,045,922
		3,197,378	1,295,518
Total assets		**23,918,489**	22,568,556
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	26	**147,322**	147,322
Reserves	27	**9,397,526**	8,934,636
		9,544,848	9,081,958
Non-controlling interests		**2,272,556**	2,222,344
Total equity		**11,817,404**	11,304,302

The notes on pages 90 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	**5,533,459**	4,808,348
Deferred income	29	**87,075**	79,105
Deferred income tax liabilities	30	**1,988,483**	1,975,343
Notes payable	31	**—**	1,452,359
Corporate bonds	32	**1,993,263**	1,990,978
		9,602,280	10,306,133
Current liabilities			
Borrowings	28	**319,724**	235,193
Notes payable	31	**1,557,953**	—
Amount due to a non-controlling interest of a subsidiary	37	**1,611**	—
Amounts due to holding companies	37	**696**	837
Amount due to a joint venture	37	**92,050**	92,050
Trade and other payables and accrued charges	33	**441,352**	562,212
Deferred income	29	**3,935**	3,660
Current income tax liabilities		**81,484**	64,169
		2,498,805	958,121
Total liabilities		**12,101,085**	11,264,254
Total equity and liabilities		**23,918,489**	22,568,556

The financial statements on pages 83 to 167 were approved by the Board of Directors on 12 February 2018 and were signed on its behalf

Zhu Chunxiu
Director

He Baiqing
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**2,279,294**	2,012,501
China enterprise income tax and withholding tax paid		**(335,983)**	(290,654)
Net cash generated from operating activities		**1,943,311**	1,721,847
Cash flows from investing activities			
Payments of construction costs under service concession upgrade services		**(88,857)**	(43,627)
Payments for acquisition of subsidiaries		**(9,333)**	(179,200)
Proceeds from disposal of a subsidiary		**—**	231,374
Investment in an associate		**(2,250)**	—
Proceeds from compensation arrangements		**21,850**	20,320
Proceeds from disposal of property, plant and equipment		**881**	247
Purchase of property, plant and equipment		**(20,384)**	(11,157)
Dividends received from associates		**280,861**	251,938
Dividend received from a joint venture		**59,704**	—
(Increase)/decrease of short-term bank deposits, net		**(116,366)**	10,000
Interest received		**18,611**	9,903
Net cash generated from investing activities		**144,717**	289,798
Cash flows from financing activities			
Proceeds from bank borrowings		**2,204,500**	4,082,200
Repayment of bank borrowings		**(1,395,787)**	(6,941,494)
Payment of bank facility fees		**—**	(10,779)
Proceed from corporate bonds, net with transaction fee incurred		**—**	1,989,849
Repayment of loans from non-controlling interests of subsidiaries		**(1,820)**	(5,052)
Increase in amount due to a joint venture		**—**	35,000
Dividends paid to the shareholders of the Company		**(483,217)**	(410,306)
Dividends paid to non-controlling interests		**(269,068)**	(236,694)
Interest paid		**(344,463)**	(356,000)
Net cash used in financing activities		**(289,855)**	(1,853,276)
Net increase in cash and cash equivalents		**1,798,173**	158,369
Cash and cash equivalents in the consolidated balance sheet at 1 January		**1,045,922**	866,665
Cash and cash equivalents of disposal group classified as held for sale at 1 January		**—**	15,050
Effects of exchange rate changes on cash and cash equivalents		**(1,643)**	5,838
Cash and cash equivalents at 31 December	25	**2,842,452**	1,045,922
Analysis of cash and cash equivalents			
Bank balances and cash		**2,842,452**	1,045,922

The notes on pages 90 to 167 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

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

For the year ended 31 December 2017

	Attributable to shareholders of the Company			
	Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016	147,322	8,424,424	2,257,347	10,829,093
Comprehensive income				
Profit for the year	—	918,817	247,660	1,166,477
Other comprehensive income				
Currency translation differences	—	1,701	—	1,701
Total other comprehensive income	—	1,701	—	1,701
Total comprehensive income	—	920,518	247,660	1,168,178
Transactions with owners				
Disposal of a subsidiary	—	—	(45,969)	(45,969)
Dividends to the shareholders of the Company	—	(410,306)	—	(410,306)
Dividends to non-controlling interests	—	—	(236,694)	(236,694)
Total transactions with owners	—	(410,306)	(282,663)	(692,969)
Balance at 31 December 2016	147,322	8,934,636	2,222,344	11,304,302

The notes on pages 90 to 167 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is an exempted Company incorporated under the laws of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is 23rd Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

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

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 12 February 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") (Cap. 622).

(ii) Historical cost convention

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

- available-for-sale financial assets, financial assets and liabilities (including derivative financial instruments) and investment property - measured at fair value

(iii) New standards, amendments to standards and interpretation

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 January 2017:

HKAS 7 (amendments)	Statement of cash flows
HKAS 12 (amendments)	Income taxes
HKFRS 12 (amendments)	Disclosure of interest in other entities

The adoption of these amendments to standards did not have any impact on the amounts recognised in prior periods. The amendments to standards will also not significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKAS 28 (amendments)	Investments in associates and joint ventures	1 January 2018
HKFRS 1 (amendments)	First time adoption of HKFRS	1 January 2018
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HK (IFRIC) - Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) - Interpretation 23	Uncertainty over Income Tax Treatments	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 determined

The Group's assessment of the impact of these new standards is set out below.

HKFRS 9, *"Financial instruments"*

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018. The financial assets held by the Group include equity instruments that are currently classified as available-for-sale financial assets for which a fair value through other comprehensive income ("FVOCI") election is available and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group does not involve any hedging accounting, it does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect significant increase or decrease in the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative for 2017 will not be restated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

HKFRS 15, *"Revenue from contracts with customers"*

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The management of the Group has assessed the effects of applying the new standard on the Group's consolidated financial statements and does not expect a significant impact on the recognition of revenue.

Date of adoption by the Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16, *"Leases"*

Nature of change

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

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB33,072,000. The Group estimates those related to payments for short-term and low value lease which will be recognised on straight-line basis as an expense in profit or loss are insignificant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation *(Continued)*

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

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

The adoption of this standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

(ii) Associates

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Joint arrangements

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

Joint ventures

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

(iv) Equity accounting

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

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

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

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

(v) Changes in ownership interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(v) Changes in ownership interests (Continued)

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

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

(vi) Business combinations

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Separate financial statements

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

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and notes payable are presented in the consolidated income statement within 'finance income/cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'Other income, gains and losses - net'.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (Continued)

(iii) Group companies

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

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible operating rights

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

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

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

(g) Goodwill

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

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

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

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

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

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

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

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

(i) Investment properties

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of investments in non-financial assets

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

(k) Investments and other financial assets

(i) Classification

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) *Investments and other financial assets (Continued)*

(ii) Recognition and derecognition

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

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

(iii) Measurement

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

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

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

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

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

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

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial asset

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For debt securities, the Group uses the criteria refer to (i) above.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Derivative financial instruments

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

(n) Trade receivables

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

(o) Cash and cash equivalents

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

(p) Share capital

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

(q) Trade and other payables

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

(r) Borrowings

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowings (Continued)

Borrowing costs are capitalised when funds are borrowed to finance the construction of highways, bridges and ports up to the commencement of their economic operations.

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

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

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

(s) Notes payable

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

(t) Corporate bonds

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

(u) Current and deferred income tax

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Current and deferred income tax (Continued)

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Provisions

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

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

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

(w) Leases

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

Lease income from operating leases where the Group is a lessor is recognised in "Other income, gains and losses, net" straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

(x) Retirement benefit costs

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition

(i) Toll revenue and other toll operating income are recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group.

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

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

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

(v) Construction income generated from construction and upgrade services rendering by the Group is recognised under the percentage of completion method. The stage of completion is measured on the basis of contract costs incurred up to the balance sheet date as a percentage to the total estimated cost to be incurred for each contract.

(z) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

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

As at 31 December 2016	Denominated in Hong Kong dollars ("HKD") RMB'000	Denominated in United States dollar ("USD") RMB'000	Denominated in Euro ("EUR") RMB'000	Total RMB'000
Cash and cash equivalents	25,906	743	122,375	149,024
Other payable	12,065	—	—	12,065
Notes payable	—	—	1,452,359	1,452,359

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

During the year ended 31 December 2017, the following foreign-exchange related amounts were recognised in consolidated income statement and consolidated statement of comprehensive income:

	2017 RMB'000	2016 RMB'000
Amounts recognised in consolidated income statement		
Net foreign exchange gain/(loss) included in other income, gains and losses, net	**916**	(2,142)
Exchange loss on foreign currency borrowings and notes payable included in finance costs	**(98,632)**	(51,825)
Total net foreign exchange loss recognised in profit before income tax for the year	**(97,716)**	(53,967)
Net (loss)/gain recognised in other comprehensive income (note 27)		
Currency translation differences	**(1,835)**	1,701

During the year ended 31 December 2016, the Group has entered into cross currency swaps with notional principal amounts of EUR175,000,000 in order to mitigate the foreign exchange rate risk arising from notes payable.

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

As at 31 December 2017, if HKD, USD and EUR had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB5,765,000 lower/higher (2016: RMB2,229,000 higher/lower), mainly as a result of net foreign exchange gain/loss on translation of foreign currency denominated balances after considering the effect of cross currency swaps.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from bank balances and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balance held at variable rates. Group policy is to minimise the interest rate risk by closely monitor the ratio between borrowings at variable rates and borrowings at fixed rates. During 2017 and 2016, the Group's borrowings at variable rate were mainly denominated in RMB.

At 31 December 2017, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been decreased/increased by RMB10,854,000 (2016: RMB14,991,000).

(iii) Price risk

The Group is exposed to equity securities price risk because the available-for-sale financial assets held by the Group, which are not publicly traded, would be influenced by market price. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's consolidated financial statements.

(b) Credit risk

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

The Group has no significant concentration of credit risk arising from its customers, except for the consideration receivable of RMB89.0 million (2016: RMB103.9 million) which is due from government authorities in the PRC in relation to compensation for surrendering the toll stations to the Xiangtan Municipal People's Government (note 23), which is of minimal risk taking into account the relationship and financial ability of the counter-party.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

(a) all non-derivative financial liabilities, and

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
Contractual maturities of financial liabilities							
As at 31 December 2016							
Borrowings	–	469,837	772,387	1,976,712	2,951,060	6,169,996	5,043,541
Notes payable	–	23,747	1,485,107	–	–	1,508,854	1,452,359
Corporate bonds	–	63,450	63,450	2,161,650	–	2,288,550	1,990,978
Amounts due to holding companies	837	–	–	–	–	837	837
Amount due to a joint venture	92,050	–	–	–	–	92,050	92,050
Trade and other payables and accrued charges	–	413,847	–	–	–	413,847	562,212
	92,887	970,881	2,320,944	4,138,362	2,951,060	10,474,134	9,141,977

3.2 Capital risk management

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management *(Continued)*

The gearing ratio is calculated as follows:

	2017 RMB'000	2016 RMB'000
Borrowings	**5,853,183**	5,043,541
Notes payable	**1,557,953**	1,452,359
Corporate bonds	**1,993,263**	1,990,978
Amount due to a joint venture	**92,050**	92,050
Total debt	**9,496,449**	8,578,928
Less: cash and cash equivalents	**(2,842,452)**	(1,045,922)
Net debt	**6,653,997**	7,533,006
Total equity	**11,817,404**	11,304,302
Total capital	**18,471,401**	18,837,308
Gearing ratio	**36.0%**	40.0%

The decrease in the gearing ratio during 2017 primarily resulted from increase in cash and cash equivalent due to increase in cash generated from operating and investing activities.

The Group has complied with all financial covenants throughout the reporting period.

3.3 Fair value estimation

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2017				
Derivative financial instruments	**—**	**35,523**	**—**	**35,523**
Available-for-sale financial assets	**—**	**—**	**200**	**200**
As at 31 December 2016				
Derivative financial instruments	—	26,597	—	26,597
Available-for-sale financial assets	—	—	812	812

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. For unlisted securities without an active market, the Group establishes the fair value by reference to the latest audited financial statements. The fair values of cross currency swaps are calculated as the present value of the estimated future cash flows. There were no changes in valuation techniques during the year. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 items for the years ended 31 December 2017 and 31 December 2016:

	Unlisted equity securities RMB'000
Balance as at 31 December 2016 and 1 January 2017	812
Disposals	(612)
Balance as at 31 December 2017	200

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The fair value of other non-current receivables and non-current borrowings approximate to the present value of future cash flows discounted at the applicable interest rates and are categorised at level 2. The fair value of notes payable is estimated with reference to the quoted price from the Irish Stock Exchange and is categorised at level 1. The fair value of corporate bonds is determined by using valuation techniques as it is not traded in an active market and is categorised at level 2.

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

	Carrying amount		Fair value	
	31 December 2017 RMB'000	31 December 2016 RMB'000	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Other non-current receivables	**65,440**	82,003	**70,419**	89,276
Non-current borrowings	**5,533,459**	4,808,348	**5,193,998**	4,637,608
Notes payable (due after one year)	**—**	1,452,359	**—**	1,446,162
Corporate bonds	**1,993,263**	1,990,978	**1,911,233**	1,943,215

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of goodwill and intangible operating rights

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

For the current financial year, the average daily toll traffic volume and average daily toll revenue of Tianjin Jinbao Expressway has recorded a year-on-year decrease, which is mainly due to the impact of road closures due to heavy smog and traffic restriction measures in Tianjin. The Group has performed an impairment assessment on the intangible operating rights of Tianjin Jinfu Expressway Company Limited, a partially-owned subsidiary which operates Tianjin Jinbao Expressway. The recoverable amount was determined by measuring the fair value less costs of disposal. It was derived from a discounted cash flow model over the remaining concession period of Tianjin Jinbao Expressway with key assumptions including the revenue growth rates and the discount rates and was categorised as a level 3 measurement. The revenue growth rates were projected by an independent traffic consultant based on traffic survey, historic traffic data, historic economic indices and expected toll network development at nearby areas. The discount rates were determined by an independent professional valuer with reference to risk-free rate, data of toll road operators, market risk premium, lack of marketability discount and other specific adjustments applicable to the Group. The estimated revenue growth rates over the remaining operating period of Tianjin Jinbao Expressway range from -11% to 13% and the discount rate adopted was 8.1%.

Based on the impairment assessment, the recoverable amount is RMB388,376,000 which is lower than the carrying amount of RMB495,610,000 as at 31 December 2017. As such, an impairment charge to intangible operating rights of RMB107,234,000 relating to Tianjin Jinbao Expressway has been recognised. With all other variables held constant, if the revenue growth rate in 2018 is decreased by 3% to -1%, the profit before taxation would have been decreased by RMB18,648,000. Similarly, with all other variables held constant, if the discount rate increase by 1% to 9.1%, the profit before taxation would have been decreased by RMB19,641,000.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Amortisation of intangible operating rights

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

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

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around -11% to 19% (excluding the growth rates in the year of performing significant repair and maintenance).

(c) Current income tax and deferred income tax

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

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

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 17.

(e) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques including discounted cash flow analysis.

5 SEGMENT INFORMATION

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

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

Business segment	**Toll roads operations RMB'000**	**All other segments RMB'000**	**Total RMB'000**
31 December 2017			
Revenue (from external customers)	2,702,844	—	2,702,844
Amortisation of intangible operating rights	(528,970)	—	(528,970)
Depreciation of property, plant and equipment	(14,416)	(775)	(15,191)
Provision for impairment loss			
— Intangible operating rights	(107,234)	—	(107,234)
Operating profit	1,645,689	3,513	1,649,202
Finance income	26,770	—	26,770
Finance costs	(440,577)	—	(440,577)
Share of result of a joint venture	64,599	—	64,599
Share of results of associates	338,423	—	338,423
Profit before income tax	1,634,904	3,513	1,638,417
Income tax expense	(371,195)	—	(371,195)
Profit for the year	1,263,709	3,513	1,267,222

5 SEGMENT INFORMATION (CONTINUED)

Business segment	Toll roads operations RMB'000	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
Assets and liabilities			
As at 31 December 2017			
Total segment assets	**23,886,140**	**32,349**	**23,918,489**
Addition to non-current assets	**86,052**	**—**	**86,052**
Total segment assets include:			
Investment in a joint venture	**433,465**	**—**	**433,465**
Investments in associates	**1,548,136**	**2,250**	**1,550,386**
Total segment liabilities	**(12,100,922)**	**(163)**	**(12,101,085)**
Total segment liabilities include:			
Amount due to a joint venture	**(92,050)**	**—**	**(92,050)**
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)

5 SEGMENT INFORMATION (CONTINUED)

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

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

6 INCOME FROM OPERATIONS

	2017 RMB'000	2016 RMB'000
Revenue	**2,702,844**	2,497,848
Other toll operating income	**—**	21,155
	2,702,844	2,519,003

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.

7 OTHER INCOME, GAINS AND LOSSES - NET

	2017 RMB'000	2016 RMB'000
Fair value gain on investment properties (note 17)	**2,664**	605
Exchange gain/(loss) – net		
– Unrealised and realised exchange gain/(loss)	**916**	(2,142)
Loss on disposal of property, plant and equipment	**(3,530)**	(304)
Gain on disposal of a subsidiary	**—**	112,076
Compensation for expressways and bridges damages	**9,198**	4,901
Compensation from a contractor relating to termination of construction contracts	**993**	—
Handling income from toll fee collection	**5,173**	5,162
Management service income	**1,677**	3,225
Income from service area and gas station	**18,870**	13,368
Provision for impairment loss		
– Intangible operating rights (note 14)	**(107,234)**	—
Others	**2,276**	(941)
	(68,997)	135,950

8 EXPENSES BY NATURE

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

	2017 RMB'000	2016 RMB'000
Taxes and surcharges (note a)	**12,244**	34,060
Amortisation of intangible operating rights (note 14)	**528,970**	505,763
Depreciation of property, plant and equipment (note 16)	**15,191**	17,860
Toll highways and bridges maintenance expenses	**96,891**	110,877
Toll highways and bridges operating expenses	**46,728**	69,762
Auditor's remuneration		
– Audit services	**2,953**	2,658
– Non-audit services	**292**	209
Rental expenses	**12,413**	13,844
Legal and professional fee	**13,033**	5,732

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、國家税務總局關於全面推開營業税改徵增值税試點的通知)", effective from 1 May 2016, the operating entities in China are required to pay value added taxes instead of business taxes.

9 EMPLOYEE BENEFIT EXPENSE

	2017 RMB'000	2016 RMB'000
Staff costs (including directors' emoluments)		
– Wages and salaries	**154,999**	162,554
– Pension costs (defined contribution plan) (note a)	**15,690**	17,480
– Social security costs	**13,267**	16,333
– Staff welfare and other benefits	**40,370**	47,417
Total employee benefit expense	**224,326**	243,784

Notes:

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

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

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

9 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

Notes: (Continued)

(b) Pensions - defined contribution plans

There was no forfeited contribution as at 31 December 2017 (2016: Nil). No forfeited contribution was utilised during the year (2016: Nil). Contributions totalling RMB15,690,000 (2016: RMB17,480,000) were payable to the fund during the year.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2016: three) directors whose emoluments are reflected in the analysis shown in note 39. The emoluments payable to the remaining two (2016: two) individuals during the year amounted to RMB2,592,000 (2016: RMB2,388,000), which include salaries of RMB1,040,000 (2016: RMB1,159,000) and discretionary bonuses of RMB1,552,000 (2016: RMB1,229,000).

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK dollar)		
HK$1,000,001 - HK$1,500,000	**—**	2
HK$1,500,001 - HK$2,000,000	**2**	—

10 FINANCE INCOME/COSTS

	2017 RMB'000	2016 RMB'000
Bank interest income	**18,610**	9,903
Interest income on other non-current receivables	**5,814**	6,589
Interest income on amount due from a non-controlling interest of a subsidiary	**2,346**	4,384
Fair value gain on derivative financial instruments	**—**	26,597
Finance income	**26,770**	47,473
Interest expenses:		
– Bank borrowings	**(225,000)**	(322,682)
– Bank facility fees	**(1,559)**	(14,605)
– Loans from non-controlling interests of certain subsidiaries	**(27)**	(156)
– Loan from an ultimate holding company	**—**	(7,824)
– Other loans	**—**	(468)
– Notes payable (note 31)	**(31,808)**	(30,337)
– Corporate bonds (note 32)	**(65,800)**	(31,903)
Fair value loss on derivative financial instruments	**(17,751)**	—
Exchange loss on bank borrowings	**—**	(9,971)
Exchange loss on notes payable	**(98,632)**	(41,854)
Finance costs incurred	**(440,577)**	(459,800)

11 INCOME TAX EXPENSE

(a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable income subject to Hong Kong profits tax during the year (2016: Nil).

(b) During the year ended 31 December 2017, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and joint venture in the PRC in accordance with the Corporate Income Tax Law of China. The applicable principal income tax rate for the year ended 31 December 2017 is 25% (2016: 25%). Certain subsidiaries of the Group enjoy six years' professional tax treatment of income tax, at a preferential income tax rate of 15%.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2016: 5% or 10%).

As at 31 December 2017, deferred tax liabilities of RMB41,043,000 (2016: RMB23,580,000) 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:

	2017 RMB'000	2016 RMB'000
Current income tax		
PRC enterprise income tax		
– Current year	**354,586**	309,533
– Under-provision in prior year	**3,469**	1,226
Deferred income tax (note 30)	**13,140**	43,328
	371,195	354,087

11 INCOME TAX EXPENSE (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Profit before income tax	**1,638,417**	1,520,564
Less: share of results of associates	**(338,423)**	(298,510)
Less: share of result of a joint venture	**(64,599)**	(40,566)
	1,235,395	1,181,488
Calculated at a tax rate of 25% (2016: 25%)	**308,849**	295,372
Income not subject to tax	**(7,944)**	(14,206)
Expenses not deductible for tax purposes	**75,601**	56,509
Profit of subsidiaries with preferential tax treatment (note (a))	**(4,825)**	(16,062)
Tax losses not recognised (note (b))	**9,749**	9,331
Utilisation of previously unrecognised tax losses	**(11,116)**	(15,646)
Recognition of previously unrecognised tax losses	**(38,945)**	—
Under-provision in prior year	**3,469**	1,226
Effect of different taxation rates	**(510)**	(1,007)
Withholding tax on undistributed profits of subsidiaries and associates	**36,867**	38,570
Income tax expense	**371,195**	354,087

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 RMB81,576,000 (2016: RMB154,253,000) in respect of unused losses amounting to approximately RMB326,303,000 (2016: RMB617,012,000). Unused tax losses will expire in 2018 to 2022.

12 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.

	2017	2016
Profit attributable to shareholders of the Company (RMB'000)	947,942	918,817
Weighted average number of ordinary shares in issue ('000)	1,673,162	1,673,162
Basic and diluted earnings per share (RMB)	0.5666	0.5491

The diluted earnings per share for the year ended 31 December 2017 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year (2016: Same).

13 DIVIDENDS

	2017 RMB'000	2016 RMB'000
Interim, paid, of HKD0.13 equivalent to approximately RMB0.11 (2016: HKD0.13 equivalent to approximately RMB0.11) per share	186,823	186,241
Final, proposed, of HKD0.23 equivalent to approximately RMB0.19 (2016: HKD0.20 equivalent to approximately RMB0.18) per share	310,022	296,394
	496,845	482,635

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

14 INTANGIBLE OPERATING RIGHTS

	RMB'000
Year ended 31 December 2017	
Opening net book amount	**18,485,580**
Additions	**65,668**
Amortisation	**(528,970)**
Provision for impairment loss (note 7)	**(107,234)**
Closing net book amount	**17,915,044**
At 31 December 2017	
Cost	**21,578,336**
Accumulated amortisation and impairment loss	**(3,663,292)**
Net book amount	**17,915,044**
Year ended 31 December 2016	
Opening net book amount	18,952,996
Additions	38,347
Amortisation	(505,763)
Closing net book amount	18,485,580
At 31 December 2016	
Cost	21,512,668
Accumulated amortisation and impairment loss	(3,027,088)
Net book amount	18,485,580

At 31 December 2017, toll highway operating rights with net book amount of RMB13,470,311,000 (2016: RMB11,995,738,000) were pledged to secure the Group's bank borrowings.

15 GOODWILL

	2017 RMB'000	2016 RMB'000
At 1 January and at 31 December	632,619	632,619

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

The recoverable amounts of the above cash-generating units are determined based on value-in-use or fair value less costs of disposal calculations. These calculations use cash flow projections based on financial budgets approved by management covering the operating period of the expressways and the growth rates ranged from -11% to 19% (excluding the growth rates in the year of performing significant repair and maintenance), which is similar to industry practice.

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

Management determined the above key assumptions and considerations based on historical records, past performance and its expectations for the market development. Both internal and external factors are considered, independent professional traffic studies on traffic flow growth will be obtained where appropriate. Discount rates adopted are ranging from 8.5% to 13%. The specific risks underlying the toll highways industry are incorporated in the calculations.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2017					
Opening net book amount	**468**	**22,668**	**55,581**	**7,538**	**86,255**
Exchange differences	**(31)**	**(342)**	**(15)**	**—**	**(388)**
Additions	**—**	**—**	**18,533**	**1,851**	**20,384**
Disposals	**—**	**—**	**(3,319)**	**(268)**	**(3,587)**
Depreciation	**(15)**	**(693)**	**(12,310)**	**(2,173)**	**(15,191)**
Closing net book amount	**422**	**21,633**	**58,470**	**6,948**	**87,473**
At 31 December 2017					
Cost	**479**	**38,960**	**164,052**	**18,667**	**222,143**
Accumulated depreciation	**(57)**	**(17,327)**	**(105,582)**	**(11,719)**	**(134,670)**
Net book amount	**422**	**21,633**	**58,470**	**6,948**	**87,473**
Year ended 31 December 2016					
Opening net book amount	454	22,365	61,562	9,542	93,923
Exchange differences	30	350	18	—	398
Additions	—	616	9,461	1,073	11,150
Disposals	—	—	(1,165)	(191)	(1,356)
Depreciation	(16)	(663)	(14,295)	(2,886)	(17,860)
Closing net book amount	468	22,668	55,581	7,538	86,255
At 31 December 2016					
Cost	510	40,143	156,462	18,863	215,978
Accumulated depreciation	(42)	(17,475)	(100,881)	(11,325)	(129,723)
Net book amount	468	22,668	55,581	7,538	86,255

Note:

At 31 December 2017 (2016: Same), no property, plant and equipment were pledged to secure the Group's bank borrowings.

17 INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
At 1 January	**35,271**	33,363
Exchange differences	**(1,451)**	1,303
Fair value gain	**2,664**	605
At 31 December	**36,484**	35,271

Amounts recognised in profit and loss for investment properties are insignificant to the Group.

Independent valuations of the Group's investment properties were performed by the valuers, C S Surveyors Limited and Savills Valuation and Professional Services Limited, to determine the fair value of the investment properties as at 31 December 2017 (2016: C S Surveyors Limited and Greater China Appraisal Limited). The fair value of each investment property is individually determined at the end of each reporting period by the independent valuers. The revaluation gains or losses is included in "Other income, gains and losses – net" in consolidated income statement (note 7).

Description	**Fair value measurements using significant unobservable inputs (Level 3)**	
	2017 RMB'000	2016 RMB'000
Recurring fair value measurements		
Investment properties:		
– Office units – PRC	**14,500**	14,250
– Office units – Hong Kong	**15,883**	15,206
– Residential units – Hong Kong	**6,101**	5,815
	36,484	35,271

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

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

17 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3)

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

	31 December 2016		
	Office units – PRC RMB'000	Office units – Hong Kong RMB'000	Residential units – Hong Kong RMB'000
Opening balance	14,010	14,242	5,111
Net gains from fair value adjustment	240	—	365
Exchange difference	—	964	339
Closing balance	14,250	15,206	5,815
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other income, gains and losses - net"	240	—	365
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	240	—	365

17 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2017 by independent professionally qualified valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued (2016: Same). For all investment properties, their current use equates to the highest and best use.

Valuation techniques

For office units in the PRC, the valuations were based on income capitalisation approach which largely used observable inputs (e.g. market rent, yield, etc.) taking into account the significant adjustment on term yield to account for the risk upon reversionary.

For office and residential units in Hong Kong, the valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

There were no changes in valuation techniques during the year and all investment properties are included in level 3 fair value hierarchy as at 31 December 2017.

Description	Fair value at 31 December 2017 (RMB'000)	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office units – PRC	14,500	Income capitalisation approach	Adjustment on term yield	6.0% - 6.5%	The higher the term yield, the lower the fair value
Office units – Hong Kong	15,883	Sale comparison approach	Adjusted average price per square foot	RMB11,295 per square foot	The higher the adjusted average price per square foot, the higher the fair value
Residential units – Hong Kong	6,101	Sale comparison approach	Adjusted average price per square foot	RMB5,675 per square foot	The higher the adjusted average price per square foot, the higher the fair value

18 SUBSIDIARIES

(a) Subsidiaries

Details of the principal subsidiaries of the Company are set out in note 40.

(b) Material non-controlling interests

As at 31 December 2017, the total non-controlling interests were RMB2,272,556,000 (2016: RMB2,222,344,000).

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

Summarised balance sheet

Name of subsidiary with material non-controlling interests	Percentage of equity interests held by non-controlling interests		Non-controlling interests	
	31 December 2017	31 December 2016	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Guangzhou Northern Second Ring Expressway Company Limited	**40%**	40%	**1,236,687**	1,228,473
Hubei Suiyuenan Expressway Company Limited	**30%**	30%	**830,477**	753,852
Tianjin Jinfu Expressway Company Limited	**40%**	40%	**202,052**	236,680

	Guangzhou Northern Second Ring Expressway Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Current						
Assets	**372,340**	248,977	**275,679**	275,080	**42,816**	20,992
Liabilities	**(197,579)**	(230,706)	**(226,590)**	(890,913)	**(16,276)**	(8,306)
Total net current assets/(liabilities)	**174,761**	18,271	**49,089**	(615,833)	**26,540**	12,686
Non-current						
Assets	**3,502,027**	3,647,620	**6,248,264**	6,349,193	**513,696**	642,038
Liabilities	**(587,175)**	(596,815)	**(3,529,097)**	(3,220,521)	**(160,731)**	(188,649)
Total net non-current assets	**2,914,852**	3,050,805	**2,719,167**	3,128,672	**352,965**	453,389
Net assets	**3,089,613**	3,069,076	**2,768,256**	2,512,839	**379,505**	466,075

18 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)

Summarised income statement

	Guangzhou Northern Second Ring Expressway Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Revenue	**1,183,250**	1,041,032	**572,933**	421,212	**89,945**	98,605
Profit/(loss) before income tax	**903,525**	747,687	**288,634**	103,032	**(87,278)**	33,788
Income tax (expense)/credit	**(231,162)**	(188,212)	**(33,217)**	(31,762)	**21,553**	(8,768)
Profit/(loss) and total comprehensive income	**672,363**	559,475	**255,417**	71,270	**(65,725)**	25,020
Total comprehensive income/(loss) attributable to non-controlling interests	**268,945**	223,790	**76,625**	21,381	**(26,290)**	10,008
Dividends declared to non-controlling interests	**260,731**	224,865	**—**	—	**8,338**	11,829

18 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)

Summarised cash flows

	Guangzhou Northern Second Ring Expressway Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Cash flows from operating activities						
Cash generated from operations	**1,216,552**	753,486	**537,055**	363,859	**57,916**	64,623
Income tax paid	**(233,735)**	(187,713)	**(19,800)**	—	**(7,179)**	(8,107)
Net cash generated from operating activities	**982,817**	565,773	**517,255**	363,859	**50,737**	56,516
Net cash used in investing activities	**(66,025)**	(16,322)	**(11,276)**	(12,560)	**(7,783)**	(1,067)
Net cash used in financing activities	**(814,999)**	(604,625)	**(547,296)**	(270,689)	**(20,220)**	(50,116)
Net increase/ (decrease) in cash and cash equivalents	**101,793**	(55,174)	**(41,317)**	80,610	**22,734**	5,333
Cash and cash equivalents at 1 January	**241,440**	296,614	**115,590**	34,980	**17,207**	11,874
Cash and cash equivalents at 31 December	**343,233**	241,440	**74,273**	115,590	**39,941**	17,207

The information above is stated before inter-company eliminations.

19 INVESTMENT IN A JOINT VENTURE

	Guangzhou Western Second Ring Expressway Co., Ltd. Share of net assets	
	2017 RMB'000	2016 RMB'000
At 1 January	**428,570**	388,004
Share of results for the year		
– profit before income tax	**87,538**	55,150
– income tax expense	**(22,939)**	(14,584)
	64,599	40,566
Dividends	**(59,704)**	—
At 31 December	**433,465**	428,570

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

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

	Guangzhou Western Second Ring Expressway Co., Ltd.	
	2017 RMB'000	2016 RMB'000
Revenue	**490,276**	393,006
Depreciation and amortisation	**(105,709)**	(105,674)
Interest income	**707**	519
Interest expense	**(47,906)**	(55,662)
Other expense - net	**(87,260)**	(74,619)
Profit before income tax	**250,108**	157,570
Income tax expense	**(65,540)**	(41,668)
Profit and total comprehensive income	**184,568**	115,902

19 INVESTMENT IN A JOINT VENTURE (CONTINUED)

	Guangzhou Western Second Ring Expressway Co., Ltd.	
	2017	2016
	RMB'000	RMB'000
Current		
Cash and cash equivalents	**109,578**	71,435
Other current assets	**322,330**	353,016
Total current assets	**431,908**	424,451
Financial liabilities	**—**	(80,000)
Trade payables and other current liabilities	**(152,659)**	(191,488)
Total current liabilities	**(152,659)**	(271,488)
Non-current		
Assets	**2,037,403**	2,140,890
Financial liabilities	**(1,062,000)**	(1,062,000)
Other liabilities	**(16,182)**	(7,367)
Total non-current liabilities	**(1,078,182)**	(1,069,367)
Net assets	**1,238,470**	1,224,486

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

19 INVESTMENT IN A JOINT VENTURE (CONTINUED)

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

	Guangzhou Western Second Ring Expressway Co., Ltd	
	2017	2016
	RMB'000	RMB'000
Opening net assets at 1 January	**1,224,486**	1,108,584
Profit for the year	**184,568**	115,902
Dividends paid	**(170,584)**	—
Closing net assets at 31 December	**1,238,470**	1,224,486
Group's share of net assets	**433,465**	428,570
Carrying amount of investment in the joint venture	**433,465**	428,570

Details of the Group's joint venture are set out in note 40.

20 INVESTMENTS IN ASSOCIATES

	2017	2016
	RMB'000	RMB'000
At 1 January	**1,495,331**	1,457,435
Share of results for the year		
– profit before income tax	**451,321**	398,818
– income tax expense	**(112,898)**	(100,308)
	338,423	298,510
Addition	**2,250**	—
Dividends	**(285,618)**	(260,614)
At 31 December	**1,550,386**	1,495,331

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

20 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Revenue	**1,612,694**	1,489,645	**736,037**	671,568	**774,315**	741,926	**242,886**	292,921
Profit and total comprehensive income	**1,036,165**	917,143	**57,505**	641	**382,063**	328,953	**136,209**	164,157
Dividends received from the associates	**(190,462)**	(173,860)	**–**	–	**–**	(86,754)	**(95,156)**	–
Assets:								
Non-current assets	**1,432,746**	1,558,590	**7,095,865**	7,383,202	**740,127**	768,618	**351,824**	383,823
Current assets	**472,438**	190,886	**119,583**	95,570	**434,254**	186,352	**44,933**	213,861
	1,905,184	1,749,476	**7,215,448**	7,478,772	**1,174,381**	954,970	**396,757**	597,684
Liabilities:								
Non-current liabilities	**(424,591)**	(173,118)	**(4,531,678)**	(4,861,709)	**(66,864)**	(272,332)	**(66,025)**	(74,418)
Trade payables and other current liabilities	**(346,848)**	(446,240)	**(174,470)**	(165,268)	**(123,402)**	(80,586)	**(28,571)**	(40,126)
	(771,439)	(619,358)	**(4,706,148)**	(5,026,977)	**(190,266)**	(352,918)	**(94,596)**	(114,544)
Net assets	**1,133,745**	1,130,118	**2,509,300**	2,451,795	**984,115**	602,052	**302,161**	483,140

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

20 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.		Total	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Opening net assets at 1 January	1,130,118	1,155,513	2,451,795	2,451,154	602,052	630,125	483,140	318,983	4,667,105	4,555,775
Addition during the year	—	—	—	—	—	—	—	—	5,000	—
Profit for the year	1,036,165	917,143	57,505	641	382,063	328,953	136,209	164,157	1,611,942	1,410,894
Dividends	(1,032,538)	(942,538)	—	—	—	(357,026)	(317,188)	—	(1,349,726)	(1,299,564)
Closing net assets at 31 December	1,133,745	1,130,118	2,509,300	2,451,795	984,115	602,052	302,161	483,140	4,934,321	4,667,105
Group's share of net assets	441,893	441,224	592,947	579,359	239,145	146,304	80,096	134,389	1,356,331	1,301,276
Goodwill	93,684	93,684	—	—	—	—	106,073	106,073	199,757	199,757
Provision for impairment losses	—	—	(5,702)	(5,702)	—	—	—	—	(5,702)	(5,702)
Carrying amount of investments in the associates	535,577	534,908	587,245	573,657	239,145	146,304	186,169	240,462	1,550,386	1,495,331

In addition to the investments in associates disclosed above, the Group also has investment in an associate that is accounted for using the equity method. The carrying amount of individually immaterial associate is RMB2,250,000. (2016: Nil)

Details of the Group's associates are set out in note 40.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
At 1 January	812	812
Disposal		
At 31 December 2017	(612)	—
	200	812

The balance represents unlisted equity securities stated at fair value, which was referenced to the latest audited financial statements.

22 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 RMB'000	2016 RMB'000
Cross currency swaps		
– Current	35,523	—
– Non-current	—	26,597
	35,523	26,597

The notional principal amounts of the outstanding cross currency swaps at 31 December 2017 were EUR175,000,000 (2016: EUR175,000,000).

Cross currency swaps are classified as current (2016: non-current) as the remaining maturities are less than one year (2016: more than one year).

Changes in fair values of derivative financial instruments are recorded in "Finance income/costs" in the consolidated income statement (note 10).

23 OTHER NON-CURRENT RECEIVABLES

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

As at 31 December 2017, the total remaining balance of the consideration receivable (including current and non-current portions) is RMB89.0 million (2016: RMB103.9 million) which will be settled by 8 half yearly instalments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB65.4 million (2016: RMB82.0 million) will be received after 31 December 2018 (2016: 31 December 2017) according to the repayment schedule.

The fair value of consideration receivable (including current and non-current portions) of approximately RMB93.2million (2016: RMB110.5 million) is estimated by discounting remaining balance of RMB103.6 million (2016: RMB125.4 million) at the applicable current interest rate of 4.72% (2016: 4.73%) and is categorised as level 2 under the fair value hierarchy.

24 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 **RMB'000**	2016 RMB'000
Trade receivables (note a)	**140,476**	71,611
Other receivables, deposits and prepayments	**60,091**	105,478
	200,567	177,089

Note:

(a) As at 31 December 2017, trade receivables were all aged below 30 days (2016: 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 2017, trade receivables were neither past due nor impaired nor no provision for impairment losses has been provided for trade receivables (2016: Same).

As at 31 December 2017, all other receivables, deposits and prepayments were performing (2016: 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, deposits and prepayments approximate their fair values and are mainly denominated in RMB.

25 SHORT-TERM BANK DEPOSITS, CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash at bank and in hand	**2,277,123**	936,922
Short-term bank deposits with original maturities of less than three months	**565,329**	109,000
Cash and cash equivalents	**2,842,452**	1,045,922
Short-term bank deposits with original maturity of more than three months but less than a year	**116,366**	—
Total	**2,958,818**	1,045,922
Maximum exposure to credit risk	**2,928,032**	1,019,758

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

Cash and cash equivalents are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
EUR dollars	**—**	122,375
HK dollars	**206,396**	25,906
US dollars	**177**	743
Renminbi	**2,635,879**	896,898
	2,842,452	1,045,922

26 SHARE CAPITAL

	2017		2016	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Issued and fully paid:				
Ordinary shares of RMB0.08805 each	**1,673,162,295**	**147,322**	1,673,162,295	147,322

27 RESERVES

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Asset revaluation reserve (note (c)) RMB'000	Transaction with non-controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2017	**2,375,743**	**1,501,716**	**422,245**	**105,286**	**(135)**	**4,037,266**	**558,250**	**(65,735)**	**8,934,636**
Profit for the year	—	—	—	—	—	**947,942**	—	—	**947,942**
Currency translation differences	—	—	**(1,835)**	—	—	—	—	—	**(1,835)**
Transfers	—	—	—	**7,158**	—	**(7,158)**	—	—	—
Dividends									
- 2016 Final dividend (note 13)	—	—	—	—	—	**(296,394)**	—	—	**(296,394)**
- 2017 Interim dividend (note 13)	—	—	—	—	—	**(186,823)**	—	—	**(186,823)**
Balance at 31 December 2017	**2,375,743**	**1,501,716**	**420,410**	**112,444**	**(135)**	**4,494,833**	**558,250**	**(65,735)**	**9,397,526**
Representing:									
Retained profits						**4,184,811**			
2017 Final dividend proposed (note 13)						**310,022**			
						4,494,833			

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Asset revaluation reserve (note (c)) RMB'000	Transaction with non-controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2016	2,375,743	1,501,716	420,544	62,127	(135)	3,571,914	558,250	(65,735)	8,424,424
Profit for the year	—	—	—	—	—	918,817	—	—	918,817
Currency translation differences	—	—	1,701	—	—	—	—	—	1,701
Transfers	—	—	—	43,159	—	(43,159)	—	—	—
Dividends									
- 2015 Final dividend	—	—	—	—	—	(224,065)	—	—	(224,065)
- 2016 Interim dividend (note 13)	—	—	—	—	—	(186,241)	—	—	(186,241)
Balance at 31 December 2016	2,375,743	1,501,716	422,245	105,286	(135)	4,037,266	558,250	(65,735)	8,934,636
Representing:									
Retained profits						3,740,872			
2016 Final dividend proposed (note 13)						296,394			
						4,037,266			

Note:

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

27 RESERVES (CONTINUED)

Note: (Continued)

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

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

28 BORROWINGS

	2017 RMB'000	2016 RMB'000
Long-term bank borrowings	5,750,163	4,939,891
Loans from non-controlling interests of certain subsidiaries	103,020	103,650
Total borrowings	5,853,183	5,043,541
Less: Amounts due within one year as shown under current liabilities	(319,724)	(235,193)
Total non-current borrowings	5,533,459	4,808,348

(a) As at 31 December 2017, the Group's borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	319,724	235,193
Between one and two years	706,181	548,914
Between two and five years	982,305	1,473,439
Later than five years	3,844,973	2,785,995
	5,853,183	5,043,541

(b) The bank borrowings of RMB5,450,163,000 (2016: RMB3,941,450,000) were secured by intangible operating rights (note 14) of the Group. All bank borrowings were interest bearing at rates ranging from 4.17% to 4.90% (2016: 3.60% to 4.90%). The effective interest rate of these borrowings at 31 December 2017 was 4.46% (2016: 4.37%).

28 BORROWINGS (CONTINUED)

(c) Loans from non-controlling interests of certain subsidiaries were unsecured and interest-free. The carrying amounts of these interest-free loans approximated their fair values which are calculated based on cash flows discounted at a rate of 4.35% (2016: 4.35%) per annum.

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

(d) The borrowings were denominated in RMB (2016: RMB).

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are within one year (2016: within one year).

29 DEFERRED INCOME

Deferred income of the Group mainly represents the fees received in advance from contractors relating to operation of service areas and petrol stations along a toll highway for the remaining 23 years.

	2017 RMB'000	2016 RMB'000
At 1 January	**82,765**	86,620
Addition	**11,905**	—
Credited to other income, gains and losses - net	**(3,660)**	(3,855)
At 31 December	**91,010**	82,765
Less: non-current portion	**(87,075)**	(79,105)
Current portion	**3,935**	3,660

30 DEFERRED INCOME TAX

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

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

	2017 RMB'000	2016 RMB'000
Deferred tax assets:		
Deferred income tax assets to be recovered after 12 months	**(38,692)**	(59,590)
Deferred income tax assets to be recovered within 12 months	**(17,839)**	(6,591)
	(56,531)	(66,181)
Deferred tax liabilities:		
Deferred income tax liabilities to be recovered after 12 months	**2,021,813**	2,022,442
Deferred income tax liabilities to be recovered within 12 months	**23,201**	19,082
	2,045,014	2,041,524
Deferred tax liabilities (net)	**1,988,483**	1,975,343

30 DEFERRED INCOME TAX (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
At 1 January	**1,975,343**	1,932,015
Charged to consolidated income statement (note 11)	**13,140**	43,328
At 31 December	**1,988,483**	1,975,343

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

Deferred tax liabilities

	Withholding tax on undistributed profits of subsidiaries and associates RMB'000	Fair value gain on interest in toll highway arising from acquisition of subsidiaries RMB'000	Accelerated amortisation of intangible operating rights RMB'000	Available- for-sale financial assets RMB'000	Fair value gain on investment properties RMB'000	Total RMB'000
At 1 January 2017	**38,269**	**1,556,319**	**446,921**	**(45)**	**60**	**2,041,524**
Charged/(credited) to consolidated income statement	**36,867**	**(79,571)**	**75,837**	**—**	**63**	**33,196**
Transferred to current income tax expenses for dividends declared	**(29,706)**	**—**	**—**	**—**	**—**	**(29,706)**
At 31 December 2017	**45,430**	**1,476,748**	**522,758**	**(45)**	**123**	**2,045,014**
At 1 January 2016	40,212	1,603,756	369,156	(45)	—	2,013,079
Charged/(credited) to consolidated income statement	38,570	(47,437)	77,765	—	60	68,958
Transferred to current income tax expenses for dividends declared	(40,513)	—	—	—	—	(40,513)
At 31 December 2016	38,269	1,556,319	446,921	(45)	60	2,041,524

30 DEFERRED INCOME TAX (CONTINUED)

Deferred tax assets

	Tax losses RMB'000
At 1 January 2017	**(66,181)**
Charged to consolidated income statement	**9,650**
At 31 December 2017	**(56,531)**
At 1 January 2016	(81,064)
Charged to consolidated income statement	14,883
At 31 December 2016	(66,181)

31 NOTES PAYABLE

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

The effective interest rate for the Notes is 2.11% per annum, which includes the interest charged on the Notes as well as amortisation of the debt discount. The Group recognised RMB31,808,000 (2016: RMB30,337,000) of interest expense on the Notes for the year ended 31 December 2017.

32 CORPORATE BONDS

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

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

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

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

32 CORPORATE BONDS (CONTINUED)

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

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

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

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

The effective interest rate for the Corporate Bonds is 3.36% per annum, which includes the interest charged on the Corporate Bonds as well as amortisation of the debt issuance cost. The Group recognised RMB65,800,000 (2016: RMB31,903,000) of finance cost on the Corporate Bonds for the year ended 31 December 2017.

33 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2017 **RMB'000**	2016 RMB'000
Trade payables	**65,410**	56,457
Other payables and accrued charges	**375,942**	505,755
	441,352	562,212

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

	2017 **RMB'000**	2016 RMB'000
0 - 30 days	**28,438**	20,044
31 - 90 days	**—**	—
Over 90 days	**36,972**	36,413
	65,410	56,457

Trade and other payables and accrued charges are mainly denominated in RMB except for other payables of approximately RMB10.8 million (2016: RMB12.1 million) which were denominated in HKD and the carrying amounts approximated their fair values.

34 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2017 RMB'000	2016 RMB'000
Operating profit		**1,649,202**	1,593,815
Amortisation of intangible operating rights	14	**528,970**	505,763
Depreciation of property, plant and equipment	16	**15,191**	17,860
Fair value gains on investment properties	17	**(2,664)**	(605)
Exchange loss/(gain) - net		**1,661**	(3,994)
Loss on disposal of property, plant and equipment	7	**3,530**	304
Deferred income	29	**(3,660)**	(3,855)
Provision for impairment loss			
- Intangible operating rights	7	**107,234**	—
Gain on disposal of subsidiaries	7	**—**	(112,076)
Gain on disposal on available-for-sale financial assets		**(29)**	—
Operating profit before working capital changes		**2,299,435**	1,997,212
Changes in working capital:			
- (increase)/decrease in trade and other receivables, deposits and prepayments		**(21,825)**	43,918
- increase in deferred income		**11,905**	—
- decrease in trade and other payables and accrued charges		**(84,075)**	(28,873)
- decrease/(increase) in amount due from a non-controlling interest of a subsidiary		**72,384**	(435)
- increase in amounts due to non-controlling interests of subsidiaries		**1,611**	—
- (decrease)/increase in amounts due to holding companies		**(141)**	679
Cash generated from operations		**2,279,294**	2,012,501

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

(b) Reconciliation of liabilities arising from financing activities:

	Liabilities from financing activities				
	Borrowings (current) RMB'000	Borrowings (non-current) RMB'000	Notes payable RMB'000	Corporate bonds RMB'000	Total RMB'000
Balance as at 31 December 2016	235,193	4,808,348	1,452,359	1,990,978	8,486,878
Changes from financing activities cash flows					
Proceeds from bank borrowings	—	2,204,500	—	—	2,204,500
Repayment of bank borrowings and loans from non-controlling interests of subsidiaries	(235,193)	(1,162,414)	—	—	(1,397,607)
Total changes from financing activities cash flows	(235,193)	1,042,086	–	–	806,893
Non-Cash changes					
Foreign exchange adjustments	—	—	98,632	—	98,632
Transfers	319,724	(319,724)	—	—	—
Other non-cash movements	—	2,749	6,962	2,285	11,996
Total non-cash changes	319,724	(316,975)	105,594	2,285	110,628
Balance as at 31 December 2017	319,724	5,533,459	1,557,953	1,993,263	9,404,399

35 CONSTRUCTION INCOME/COSTS UNDER SERVICE CONCESSION UPGRADE SERVICES

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

	2017 RMB'000	2016 RMB'000
Construction income under service concession upgrade services	**95,981**	43,627
Construction costs under service concession upgrade services	**(95,981)**	(43,627)

36 COMMITMENTS

(a) *Lease commitments*

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

	2017 RMB'000	2016 RMB'000
Lease payments		
Within one year	**11,780**	11,752
One year to five years	**21,292**	2,766
	33,072	14,518
Lease receipts		
Within one year	**3,965**	4,266
One year to five years	**1,425**	5,495
	5,390	9,761

(b) *Capital commitments*

	2017 RMB'000	2016 RMB'000
Contracted but not provided for		
Upgrade and construction of toll expressways under concession arrangements and construction of port	**2,034**	24,987
Property, plant and equipment	**—**	2,701
	2,034	27,688

37 RELATED PARTY TRANSACTIONS

(a) Related parties

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

The table set forth below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2017:

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

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

		2017 RMB'000	2016 RMB'000
(i)	Administrative service fees to Yuexiu Property	1,133	1,108
(ii)	Rental expenses to Blow Light	825	807
(iii)	Rental expenses to Yue Xiu IFC	11,335	10,492
(iv)	Building management fee to YX Jones Lang LaSalle	1,747	1,474
(v)	Interest income from Chong Hing Bank	1,848	893
(vi)	Management service income from Humen Bridge, Qinglian Highway, Shantou Bay Bridge, Northring and GWSR	1,677	3,225
(vii)	Dividend income from Humen Bridge	190,462	173,860
(viii)	Dividend income from Shantou Bay Bridge	95,156	—
(ix)	Dividend income from Northring	—	86,754
(x)	Dividend income from GWSR	59,704	—
(xi)	Interest expense to GZYX	—	7,824
(xii)	Underwriting commission to GZ Securities	—	2,100

(c) Balances with related parties

		2017 RMB'000	2016 RMB'000
(i)	Short-term bank deposits and bank balance deposited in Chong Hing Bank	231,241	165,535
(ii)	Amounts due to holding companies	696	837
(iii)	Amount due to a joint venture	92,050	92,050
(iv)	Amount due from a non-controlling interest of a subsidiary	2,470	72,507
(v)	Amount due to a non-controlling interest of a subsidiary	1,611	—

Except for the amount due from a non-controlling interest of a subsidiary of RMB72,507,000, as of 31 December 2016, which was interest bearing at 4.85% per annum, all amounts due from or to related parties were unsecured, interest free, repayable on demand and denominated in RMB.

In 2016, loans from GZYX of RMB1,170 million has been drawn down and repaid. The loans from GZYX were unsecured, interest bearing at rates ranging from 3.60% to 4.35% per annum, and denominated in RMB.

(d) Key management compensation

	2017 RMB'000	2016 RMB'000
Salaries and other short-term benefits	9,102	8,717

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

Note (i) Balance sheet of the Company

	31 December 2017 RMB'000	31 December 2016 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**407**	467
Investments in subsidiaries	**3,528,601**	3,528,601
Derivative financial instruments	**—**	26,597
	3,529,008	3,555,665
Current assets		
Amounts due from subsidiaries	**5,051,547**	6,284,746
Deposits and prepayments	**700**	241
Derivative financial instruments	**35,523**	—
Short-term bank deposit, cash and cash equivalents	**784,441**	265,137
	5,872,211	6,550,124
Total assets	**9,401,219**	10,105,789

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

Note (i) Balance sheet of the Company (Continued)

	31 December 2017 RMB'000	31 December 2016 RMB'000
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	147,322	147,322
Reserves (note (ii))	5,168,911	5,201,241
Total equity	5,316,233	5,348,563
LIABILITIES		
Non-current liabilities		
Borrowings	300,000	998,441
Corporate bonds	1,993,263	1,990,978
	2,293,263	2,989,419
Current liabilities		
Amounts due to subsidiaries	1,749,915	1,678,190
Other payables and accrued charges	41,808	89,617
	1,791,723	1,767,807
Total liabilities	4,084,986	4,757,226
Total equity and liabilities	9,401,219	10,105,789

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

Note (ii) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus (note) RMB'000	Retained Profits RMB'000	Total RMB'000
At 1 January 2017	**2,375,743**	**1,561,564**	**1,263,934**	**5,201,241**
Profit for the year	—	—	**450,887**	**450,887**
Dividends:				
2016 Final dividend (note 13)	—	—	**(296,394)**	**(296,394)**
2017 Interim dividend (note 13)	—	—	**(186,823)**	**(186,823)**
At 31 December 2017	**2,375,743**	**1,561,564**	**1,231,604**	**5,168,911**
Representing:				
Retained profits			**921,582**	
2017 Final dividend proposed (note 13)			**310,022**	
			1,231,604	
At 1 January 2016	2,375,743	1,561,564	1,235,341	5,172,648
Profit for the year	—	—	438,899	438,899
Dividends:				
2015 Final dividend	—	—	(224,065)	(224,065)
2016 Interim dividend (note 13)	—	—	(186,241)	(186,241)
At 31 December 2016	2,375,743	1,561,564	1,263,934	5,201,241
Representing:				
Retained profits			967,540	
2016 Final dividend proposed (note 13)			296,394	
			1,263,934	

Note:

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

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

Note (iii) Income statement of the Company

	Note	2017 RMB'000	2016 RMB'000
Other income, gains and losses - net	(a)	576,625	566,038
General and administrative expenses	(b)	(30,606)	(27,079)
Operating profit		546,019	538,959
Finance income	(c)	9,198	27,967
Finance costs	(c)	(104,330)	(128,027)
Profit before income tax		450,887	438,899
Income tax expense		—	—
Profit for the year		450,887	438,899

Notes:

(a) Other income, gains and losses - net

	2017 RMB'000	2016 RMB'000
Exchange (loss)/gain - net		
– Unrealised and realised exchange (loss)/gain	(193,375)	65,692
Dividend income	770,000	500,000
Others	—	346
	576,625	566,038

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

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

Notes: (Continued)

(b) Expenses by nature

	2017 RMB'000	2016 RMB'000
Depreciation of property, plant and equipment	**70**	79
Auditor's remuneration		
– Audit services	**2,953**	2,658
– Non-audit services	**19**	59
Legal and professional fee	**3,573**	2,957
Staff costs (including directors' emoluments)	**19,987**	17,612

(c) Finance income/costs

	2017 RMB'000	2016 RMB'000
Bank interest income	**9,198**	1,370
Fair value gain on derivative financial instruments	**—**	26,597
Finance income	**9,198**	27,967
Interest expenses:		
– Bank borrowings	**(19,220)**	(73,695)
– Bank facility fees	**(1,559)**	(14,605)
– Loan from an ultimate holding company	**—**	(7,824)
– Corporate bonds (note 32)	**(65,800)**	(31,903)
Fair value loss on derivative financial instruments	**(17,751)**	—
Finance costs incurred	**(104,330)**	(128,027)

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

Note (iv) Statement of cash flows of the Company

	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Operating profit	546,019	538,959
Depreciation of property, plant and equipment	70	79
Exchange loss/(gain) - net	186,053	(53,683)
Dividend income	(770,000)	(500,000)
Loss on disposal of property, plant and equipment	—	21
Operating loss before working capital changes	(37,858)	(14,624)
Changes in working capital:		
Decrease/(increase) in amounts due from subsidiaries	1,137,309	(342,766)
Increase in deposits and prepayments	(459)	(156)
Increase in amounts due to subsidiaries	(24,357)	(23,660)
(Decrease)/increase in other payables and accrued charges	(39,347)	(2,466)
Cash generated from/(used in) operation	1,035,288	(383,672)
Cash flows from investing activities		
Purchase of property, plant and equipment	(10)	(186)
Increase of short-term bank deposits, net	(116,366)	—
Interest received	9,198	1,370
Dividend income received	770,000	500,000
Cash flows generated from investing activities	662,822	501,184
Cash flows from financing activities		
Payment of bank facility fees	—	(10,779)
Proceeds from bank borrowings	300,000	1,960,000
Repayment of bank borrowings	(1,000,000)	(3,403,803)
Dividend paid to shareholders of the Company	(483,217)	(410,306)
Interest paid	(114,379)	(80,847)
Proceed from corporate bonds, net with transaction fee incurred	—	1,989,849
Cash flows (used in)/generated from financing activities	(1,297,596)	44,114
Net increase in cash and cash equivalents	400,514	161,626
Cash and cash equivalents in the balance sheet of the Company at 1 January	265,137	112,496
Effect of exchange rate changes on cash and cash equivalents	2,424	(8,985)
Cash and cash equivalents at 31 December	668,075	265,137
Analysis of cash and cash equivalents		
Bank balances and cash	668,075	265,137

39 BENEFITS AND INTERESTS OF DIRECTORS

(A) Directors' and chief executive's emoluments

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

For the year ended 31 December 2017

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

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

For the year ended 31 December 2016

	Emoluments paid or receivable in respect of person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note a) RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note b) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	Total RMB'000
Executive directors									
ZHU Chunxiu	—	658	1,755	—	—	—	—	—	2,413
LIANG Youpan (note d)	—	162	200	—	—	—	—	—	362
Liu Yongjie (note c)	—	463	623	—	—	—	—	—	1,086
QIAN Shangning	—	553	834	—	283	61	—	—	1,731
	—	1,836	3,412	—	283	61	—	—	5,592
Executive director and the Chief executive									
HE Baiqing	—	594	685	—	348	64	—	829	2,520
Independent non-executive directors									
FUNG Ka Pun	180	—	—	—	—	—	—	—	180
LAU Hon Chuen Ambrose	245	—	—	—	—	—	—	—	245
CHEUNG Doi Shu	180	—	—	—	—	—	—	—	180
	605	—	—	—	—	—	—	—	605
	605	2,430	4,097	—	631	125	—	829	8,717

Notes:

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

(b) Other benefits mainly include provision of accommodation.

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

(d) Resigned with effect from 1 April 2016

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(B) Directors' retirement benefits

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2016: Same).

(C) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2016: Nil).

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

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2016: Nil).

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

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

40 GROUP STRUCTURE

As at 31 December 2017, the Company held shares/interest in the following principal subsidiaries, a joint venture and associates.

Principal subsidiaries	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US$1.00 each	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Northern Second Ring Expressway Co., Limited
Choice Tone Limited	Hong Kong	1 Ordinary share	—	100	Investment holding in Tianjin Jinfu Expressway Co., Ltd.
Famous Kind International Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	100	—	Investment holding
Fortune Success Group Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Frame Bridge Enterprises Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Grand Speed Limited	Hong Kong	1 Ordinary share	—	100	Investment holding in Guangxi Yuexiu Cangyu Expressway Co., Ltd.
Guangzhou Northern Second Ring Expressway Company Limited	PRC, limited liability Company	RMB900,000,000	—	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Suiqiao Development Company Limited	PRC, limited liability Company	RMB1,000,000	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Yue Peng Information Limited	PRC, limited liability Company	RMB260,000,000	—	100	Investment holding
Guangxi Yuexiu Cangyu Expressway Company Limited	PRC, limited liability Company	RMB190,925,000	—	100	Development and management of Cangyu Expressway in Guangxi
Henan Yuexiu Weixu Expressway Company Limited	PRC, limited liability Company	RMB660,754,500	—	100	Development and management of Henan Weixu Expressway
Hubei Suiyuenan Expressway Company Limited	PRC, limited liability Company	RMB1,770,000,000	—	70	Development and management of Suiyuenan Expressway in Hubei Province

40 GROUP STRUCTURE (CONTINUED)

Principal subsidiaries	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/registered capital	Percentage of ownership interest held by the Company Direct	Indirect	Principal activities
Hunan Changzhu Expressway Development Company Limited	PRC, limited liability Company	RMB929,328,460	—	100	Development and management of Changzhu Expressway in Hunan Province
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HKD1.00 each	100	—	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1.00 each	—	100	Investment holding in Guangdong Qinglian Highway Development Company Limited
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares	—	100	Property holding
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangdong Shantou Bay Bridge Company Limited
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Swift Full Limited	Hong Kong	1 Ordinary share	—	100	Investment holding in Hubei Han Xiao Highway Construction and Operations Company Limited

40 GROUP STRUCTURE (CONTINUED)

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

40 GROUP STRUCTURE (CONTINUED)

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

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

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

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CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Zhu Chunxiu *(Chairman)*
Mr He Baiqing
Mr Qian Shangning

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor
Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

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

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited

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

Notes and bonds

Irish Stock Exchange plc
Euro 200,000,000 1.625 per cent. Guaranteed Notes due 2018 (SEDOL: BX9BNG1)

Shanghai Stock Exchange
RMB300,000,000 2.85 per cent. Corporate Bonds due 2021 (code: 136323)
RMB200,000,000 2.90 per cent. Corporate Bonds due 2021 (code: 136804)

RMB700,000,000 3.38 per cent. Corporate Bonds due 2023 (code: 136324)
RMB800,000,000 3.18 per cent. Corporate Bonds due 2023 (code: 136806)

INVESTOR RELATIONS

For further information about
Yuexiu Transport Infrastructure Limited, please contact:
Ms Grace Li

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Email	:	contact@gzitransport.com.hk

WEBSITES TO ACCESS COMPANY INFORMATION

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