

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



越秀交通基建有限公司

Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 01052)

2019 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2019 (the "Reporting Year"), the Group recorded revenue of RMB3,023 million, representing a year-on-year increase of 6.2%. Profit attributable to shareholders amounted to RMB1,138 million, representing a year-on-year increase of 7.9%, reaching a record high in terms of operation performance and maintaining a stable growth.

The Board has recommended the payment of a final dividend for 2019 of HK\$0.21 per share, together with the paid interim dividend of HK\$0.18 per share, the total dividends for the Reporting Year amounted to HK\$0.39 per share which is equivalent to RMB0.349952 per share, representing an annual dividend payout ratio of 51.5%.

ANNUAL REVIEW

Macro-Economy and Regulatory Environment of the Sector

Looking back on 2019, the global economy has experienced unprecedented challenges. Uncertain factors such as trade disputes and tensions caused by geopolitical conflicts have hindered the weak recovery of the global economy. Despite the labor shortage and low unemployment rates in major economies, inflation remains low and is still below their central bank's target. The long-term trade tensions have exacerbated the slowdown of the global economy and weakened economic momentum. Central banks implemented their monetary easing policies due to the persistently weak economy in developed countries and emerging markets, in order to boost the economic growth.

Under complicated circumstances of global economy, the Chinese government continued to carry out, in a stable and progressive manner, comprehensive enhancement of the supply-side structural reforms, in order to accelerate the transition from a high-speed growth to a high-quality development of the Chinese economy. The national economy remained generally stable with moderate progress due to the implementation of a series of measures maintaining growth, and reflected its resilience and potential.

According to the statistics released by the Ministry of Transport of China, in 2019, the transportation sector maintained a steady development and recorded huge investment in fixed assets of transportation. It is estimated that the total investment for the year will be RMB3,216.4 billion, up 2.2% year-on-year. Despite the promotion of multimodal transportation by the central government, expressways still played an important role, under which traffic volume of passenger vehicles and goods vehicles increased by 8.3% and 6.6% year-on-year, respectively, which were higher than the growth rate of the economy.

Business Development

During the Reporting Year, the operation performances of the Group's projects have been affected because of slowdown in macroeconomic growth, road network diversion and traffic control. With the effect of the Nansha Bridge diversion and truck restriction policies, toll revenue of the Humen Bridge decreased significantly year-on-year. Excluding the contribution from newly acquired projects, the toll revenue at the Group's consolidated level increased slightly by 2.1% year-on-year. The growth was mainly contributed by the two major controlled projects GNSR Expressway and Hubei Suiyuanan Expressway.

During the Reporting Year, the Group entered into a sale and purchase contract with Guangzhou Yuexiu Enterprise (Holding) Limited (a wholly-owned subsidiary of our parent company, Guangzhou Yue Xiu Holdings, and a connected person of the Group) through a domestic wholly-owned subsidiary, in order to acquire 100% equity of Yuexiu (Hubei) Expressway Company Limited, 38.5% equity of Hancai Expressway Company Limited of Hubei Province, and a shareholder's loan with a principal amount of RMB4,654,503,531.78 and its accrued interest. The transaction were approved by all the shareholders voted at the special general meeting held on 5 November 2019. The transaction was completed at a total consideration of RMB5,975,355,652.95, and the financial statements of the acquired entities were consolidated into the Company's on 8 November 2019. Upon the completion of the transaction, the Group held 67% equity interest in Hancai Expressway ("Hancai Expressway"), 100% equity in Han'e Expressway ("Han'e Expressway") and 90% equity in Daguangnan Expressway ("Daguangnan Expressway"), all of which were in Hubei Province. As a result, the assets and the toll length of the controlled projects of the Group have significantly increased, with the effecting of enhancing our sustainable development capabilities and long-term value. The Group has therefore consolidated our strategic layout of "Presence in the Guangdong-Hong Kong-Macau Greater Bay Area and to advance in Central China". The Group diverted its operational risks and seized more development opportunities and investment in different regions.

The Group has always pursued a prudent and steady financial policy. While we actively conducted mergers and acquisitions of high-quality projects and consolidated our major businesses of expressway investment and operation, the Group also maintained financial stability through a series of effective measures. As a result, even the debt ratio of the Group increased significantly after the completion of the acquisition of Hancai Expressway, Han'e Expressway and Daguangnan Expressway and the consolidation of said expressways into the Group, three major international rating agencies, Moody's, S & P and Fitch, did not adjust the existing investment-grade credit ratings (Moody's: Baa2, S & P: BBB-, Fitch: BBB-) of the Group, enabling our low-cost financing as usual. During the Reporting Year, the Group issued 3-year RMB1 billion medium notes in the Chinese interbank bond market, with coupon rates of 3.58%. The issuance of such medium notes was completed and announced on 3 December 2019. The proceeds raised will be used for early repayment and exchange of bank borrowings with an aggregate principal amount of RMB700 million at 4.41% regarding 2 controlled projects, Suyuan Expressway and Changzhu Expressway, while the remaining proceeds will be working capital. Thus, our financial costs will be reduced and efficiency is improved.

FUTURE PROSPECT AND OUTLOOK

Macroeconomic Prospects

According to the "World Economic Outlook" report (the "Report") issued by the International Monetary Fund ("IMF") in January 2020, the global economic growth rate is estimated to reduce by 0.1 percentage point and 0.2 percentage point to 3.3% and 3.4% in 2020 and 2021, respectively, as compared with the Report as of October 2019. IMF stated that unfavorable factors such as tensions triggered by geopolitical conflicts, trade frictions and rapid climate-related disasters may lead to a downward development of global economy. Besides, Novel Coronavirus Pneumonia ("Covid-19") has spread across the world with confirmed cases in Europe, the US, Japan and South Korea, etc. The World Health Organization ("WHO") has also alerted that the Covid-19 might become an epidemic. Under this circumstance, resumption of business was delayed for different industries, or some might even be interrupted, which adversely affected the real economy and led to uncertainties to the global economic growth.

After the outbreak of the Covid-19, Chinese government has adopted a series of prevention and control measures, including the regional traffic control, restrictions or suspension of sports activities and entertainment, as well as delayed resumption of factory production, etc. This led to unavoidable temporary influence to the real economic activities. Chinese government has implemented a series of measures to mitigate the negative impact to the real economy, such as reduction of tax, fees, interest rate and rent. Given the resilience and potential of China's economy in the long run, it is believed that stable growth would remain unchanged.

Outlook of the transportation industry

The modern and comprehensive transportation system plays an important role in the development of real economy, thus the operation of transportation industry would also affect real economic activities. According to the statistics released by the Ministry of Transport the People's Republic of China, ever since the outbreak of Covid-19 and due to travel restrictions, traffic control and the delayed resumption of business, there were totally 1.476 billion passengers travelling across the country by railway, expressway, ferry and airplane during the travel rush in Chinese New Year (10 January 2020 to 18 February 2020). Such number recorded 50.3% year-on year decrease. 1.211 billion (over 70%) passengers were travelling by expressway, which was 50.8% year-on year decrease. The Group currently controls and operates five expressways in Hubei province, namely Han-Xiao Expressway, Hancui Expressway, Han'e Expressway, Suiyuan Expressway and Daguangnan Expressway, the performance of which was also adversely affected by travel restrictions in Wuhan and other cities in Hubei Province since 23 January 2020. Han-Xiao Expressway, Hancui Expressway and Han'e Expressway are key urban exit expressways of Wuhan and therefore are closed to toll traffic during the travel restrictions. The impact of travel restrictions on the toll traffic volume of Suiyuan Expressway and Daguangnan Expressway are relatively mild as they are mainly connecting Hubei with other provinces which have not imposed travel restrictions.

On 15 February 2020, the Group received a notice issued by the Ministry of Transport of the People's Republic of China. Pursuant to it, as approved by State Council of the PRC, a toll fee exemption takes effect from 0:00 a.m. on 17 February until the end of the disease prevention and control measures, exempting toll fee for vehicles on all toll roads in the PRC (the "Toll Fee Exemption"), with exact ending time to be announced. The Toll Fee Exemption applies to all vehicles that travel on toll roads (including toll bridges and tunnels) in the PRC that have been constructed pursuant to approval granted under the Highway Law of the People's Republic of China and the Regulations on the Administration of Toll Roads of the PRC. Accordingly, all of the expressways and bridge projects controlled or invested in by the Group are subject to the Toll Fee Exemption. Based on a relevant publication on the official website of the Ministry of Transport, the PRC Government will, in accordance with the requirements of the relevant laws and regulations, study on the issue of related supporting protective policies to safeguard the legitimate interests of the users, creditors, investors and operators of toll roads in a coordinated manner. The Group will continue to monitor the situation closely.

Prospect of Business and Development Strategies

Since its establishment, the Group has been focusing on the development of our major business of investment and operation of highways. The main business income is nearly 100% derived from the toll income of the projects. Currently there is no clarity as to when the Toll Fee Exemption period would end as well as when the supporting protective policies would be issued and the coverage of the policies. It is expected that the overall performance of the Group for FY2020 would be adversely affected by the Covid-19 epidemic and the Toll Fee Exemption, (loss of toll revenue and slower rate to cut the debts). The Group believes that our sufficient book balance, undrawn bank facilities and convenient financing channels would provide sufficient financial cushion to encounter short-term cash flow pressure. The operation of the Group will resume to normal gradually once the epidemic ends and the Toll Fee Exemption is withdrawn (subject to the overall recovery of China and Hubei Province's economy).

The Group strongly believes that the reliability of high-quality expressway assets stands out under the current economic environment. Therefore, we would keep focusing on expressway investment and operation as our main business development strategy, and we will continue to explore investment opportunities of high-quality expressway projects in the region where our existing projects locate. As the debt ratio has increased significantly after the completion of mergers and acquisitions of Hancui Expressway, Han'e Expressway and Daguangnan Expressway, and the internal financial resources are also subject to the Covid-19 epidemic and Toll Fee Exemption measures, it is less likely for the Group to carry out large scale acquisition in the short-run. The Group will utilize and accelerate the registration and issuance of debt financing instruments in the domestic bond market, in order to implement debt optimization and reconstruction and reduce finance costs gradually while maintaining our overall liquidity.

Looking forward, the Group will continue to focus on the central region and the Guangdong, Hong Kong and Macau Greater Bay Area. We shall continue to assess acquisition opportunities of high-quality expressway projects with high growth potential. We shall also conduct continuous review of the Group's asset structure and development strategy to optimize our asset structure and diversify risks. For business development, we aim at integrating the concept of "asset management" into the operation and management of our major businesses and develop to become a professional transportation infrastructure asset management Company, in order to create stable and reasonable returns for our shareholders in the long-run.

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.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue		3,023,221	2,847,073
Cost of services	4,5	(1,011,137)	(834,092)
Construction income under service concession upgrade services		298,276	120,440
Construction costs under service concession upgrade services		(298,276)	(120,440)
Other income, gains and losses - net	3	179,374	40,635
General and administrative expenses	4,5	(271,819)	(225,113)
Operating profit		1,919,639	1,828,503
Finance income	6	40,800	128,911
Finance costs	6	(411,217)	(477,235)
Share of result of a joint venture		88,739	87,023
Share of results of associates		262,484	324,453
Profit before income tax		1,900,445	1,891,655
Income tax expense	7	(305,402)	(479,974)
Profit for the year		1,595,043	1,411,681
Attributable to:			
Shareholders of the Company		1,137,590	1,054,135
Non-controlling interests		457,453	357,546
		1,595,043	1,411,681
Earnings per share for profit attributable to the shareholders of the Company		RMB	RMB
Basic and diluted earnings per share	8	0.6799	0.6300

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	1,595,043	1,411,681
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(164)	1,315
Release of currency translation differences upon liquidation of a subsidiary	(18,000)	—
Cash flow hedges – movement in hedging reserve	(2,377)	—
Other comprehensive (loss)/income for the year	(20,541)	1,315
Total comprehensive income for the year	1,574,502	1,412,996
Total comprehensive income attributable to:		
Shareholders of the Company	1,117,049	1,055,450
Non-controlling interests	457,453	357,546
	1,574,502	1,412,996

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights		32,369,121	17,419,156
Goodwill		632,619	632,619
Property, plant and equipment		52,321	83,297
Investment properties		39,923	38,538
Right-of-use assets		10,528	—
Investment in a joint venture		471,055	454,272
Investments in associates		1,399,621	1,474,846
Derivative financial instruments		1,697	—
Other non-current receivables	10	22,916	45,883
		<u>34,999,801</u>	<u>20,148,611</u>
Current assets			
Trade receivables	11	175,028	122,211
Other receivables, deposits and prepayments	11	160,255	70,998
Amount due from an associate		27,729	4,708
Cash and cash equivalents		1,435,062	2,393,222
		<u>1,798,074</u>	<u>2,591,139</u>
Total assets		<u>36,797,875</u>	<u>22,739,750</u>
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves		10,424,333	9,924,549
		<u>10,571,655</u>	<u>10,071,871</u>
Non-controlling interests		<u>3,057,095</u>	<u>2,335,708</u>
Total equity		<u>13,628,750</u>	<u>12,407,579</u>

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		14,134,151	5,080,996
Notes payable		996,522	—
Corporate bonds		1,907,554	1,497,554
Contract liabilities and deferred revenue		351,213	83,030
Deferred income tax liabilities		3,244,298	2,086,455
Lease liabilities		350	—
		<u>20,634,088</u>	<u>8,748,035</u>
Current liabilities			
Borrowings		1,305,148	511,249
Corporate bonds		—	498,068
Amount due to a non-controlling interest of a subsidiary		1,611	1,611
Amounts due to holding companies		331	679
Amount due to a joint venture		2,490	25,195
Trade and other payables and accrued charges	12	1,115,038	452,331
Contract liabilities and deferred revenue		22,309	8,886
Lease liabilities		10,488	—
Current income tax liabilities		77,622	86,117
		<u>2,535,037</u>	<u>1,584,136</u>
Total liabilities		<u><u>23,169,125</u></u>	<u><u>10,332,171</u></u>
Total equity and liabilities		<u><u>36,797,875</u></u>	<u><u>22,739,750</u></u>

Notes

1. BASIS OF PREPARATION

(i) Compliance with HKFRSs and HKCO

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

(ii) Going concern consideration

As at 31 December 2019, the Group’s current liabilities exceeded its current assets by RMB736,963,000. The Group’s current liabilities primarily comprise of current borrowings and other payable and accrued charges of RMB1,305,148,000 and RMB1,067,735,000 respectively. In addition, the Ministry of Transport of the PRC has announced on 15 February 2020 the implementation of toll fee exemption for vehicles on all toll roads from 17 February 2020 until further notice. Consequently, the performance of the Group will be adversely affected. Notwithstanding the above, the directors of the Company are confident that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the forecast cash flows including the banking facilities available, and the Medium Term Notes of RMB 1 billion issued in January 2020. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(iii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except financial assets and liabilities (including derivative financial instruments) and investment property - measured at fair value

(iv) New standards, amendments to standards and interpretation

The Group has applied the following new standards, amendments, improvement and interpretation for the first time for their annual reporting period commencing 1 January 2019:

HKAS 19 (Amendment)	Plan amendment, curtailment or settlement
HKAS 28 (Amendment)	Long-term investments in associates and joint ventures
HKFRS 9 (Amendment)	Prepayment features with negative compensation
HKFRS 16	Leases
HK (IFRIC) - Int 23	Uncertainty over income tax treatments
Annual Improvements in HKFRSs	Annual improvements 2015-2017 reporting cycle

The above new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2019 do not have a material impact on the Group, except for HKFRS 16 “Leases” as set out below.

HKFRS 16 “Leases” – Impact of adoption

The Group has adopted HKFRS 16 from 1 January 2019, resulting in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 16, the Group has adopted the simplified approach. The reclassification and the adjustments arising from the new rules are therefore not reflected in the consolidated balance sheet as at 31 December 2018, but are recognised in the opening consolidated balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 “Leases”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.35%.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the leased properties.

i) Measurement of lease liabilities

	2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	23,248
Discounted using the lessee's incremental borrowing rate of at the date of initial application	<u>(1,579)</u>
Lease liability recognised as at 1 January 2019	<u><u>21,669</u></u>

(ii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability.

(iii) Adjustments recognised in the balance sheet on 1 January 2019

The adjustments are summarised below:

	31 December 2018 As originally presented RMB'000	Effect of adoption of HKFRS 16 RMB'000	1 January 2019 restated RMB'000
Non-current assets			
Right-of-use assets	<u>—</u>	<u>21,669</u>	<u>21,669</u>
Non-current liabilities			
Lease liabilities	—	11,356	11,356
Current liabilities			
Lease liabilities	<u>—</u>	<u>10,313</u>	<u>10,313</u>
	<u>—</u>	<u>21,669</u>	<u>21,669</u>

In applying HKFRS 16 for the first time, the Group has considered the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group leases various properties in PRC and Hong Kong. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK (IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease”.

The adoption of HKFRS 16 did not result in any other impact to the consolidated financial statements.

The following new standards and amendments have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted:

New standards and amendments		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)	1 January 2020
HKFRS 3 (Amendment)	Definition of a business	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management consider that the adoption of the above mentioned new standards, amendments and revised conceptual framework at their respective effective dates are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 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.

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2019			
Revenue (from external customers)	3,023,221	—	3,023,221
Amortisation of intangible operating rights	(640,588)	—	(640,588)
Depreciation of			
– property, plant and equipment	(16,481)	(797)	(17,278)
– right-of-use assets	(11,141)	—	(11,141)
Compensation from government	54,308	—	54,308
Gain on liquidation of a subsidiary	37,689	—	37,689
Government subsidy	37,988	—	37,988
	<u>1,920,579</u>	<u>(940)</u>	<u>1,919,639</u>
Operating profit/(loss)	1,920,579	(940)	1,919,639
Finance income	40,800	—	40,800
Finance costs	(411,217)	—	(411,217)
Share of result of a joint venture	88,739	—	88,739
Share of results of associates	262,484	—	262,484
	<u>1,901,385</u>	<u>(940)</u>	<u>1,900,445</u>
Profit/(loss) before income tax	1,901,385	(940)	1,900,445
Income tax expense	(305,402)	—	(305,402)
	<u>1,595,983</u>	<u>(940)</u>	<u>1,595,043</u>
Profit/(loss) for the year	1,595,983	(940)	1,595,043

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2018			
Revenue (from external customers)	2,847,073	—	2,847,073
Amortisation of intangible operating rights	(557,882)	—	(557,882)
Depreciation of			
– property, plant and equipment	(14,427)	(755)	(15,182)
– right-of-use assets	—	—	—
Operating profit/(loss)	1,830,364	(1,861)	1,828,503
Finance income	128,911	—	128,911
Finance costs	(477,235)	—	(477,235)
Share of result of a joint venture	87,023	—	87,023
Share of results of associates	324,453	—	324,453
Profit/(loss) before income tax	1,893,516	(1,861)	1,891,655
Income tax expense	(479,974)	—	(479,974)
Profit/(loss) for the year	1,413,542	(1,861)	1,411,681
As at 31 December 2019			
Total segment assets	36,763,324	34,551	36,797,875
Acquisition of subsidiaries	15,306,894	—	15,306,894
Addition to non-current assets	273,610	—	273,610
Total segment assets include:			
Investment in a joint venture	471,055	—	471,055
Investments in associates	1,395,121	4,500	1,399,621
Total segment liabilities	(23,168,963)	(162)	(23,169,125)
Total segment liabilities include:			
Amount due to a joint venture	(2,490)	—	(2,490)
As at 31 December 2018			
Total segment assets	22,705,730	34,020	22,739,750
Addition to non-current assets	73,225	—	73,225
Total segment assets include:			
Investment in a joint venture	454,272	—	454,272
Investments in associates	1,470,346	4,500	1,474,846
Total segment liabilities	(10,331,988)	(183)	(10,332,171)
Total segment liabilities include:			
Amount due to a joint venture	(25,195)	—	(25,195)

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

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

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

3 OTHER INCOME, GAINS AND LOSSES - NET

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Fair value gain on investment properties	842	960
Gain/(loss) on disposal of property, plant and equipment	111	(137)
Compensation for expressways and bridges damages	5,244	10,974
Compensation from contractors relating to termination of construction contracts	—	25
Compensation from government (note a)	54,308	—
Handling income from toll fee collection	980	4,964
Management service income	2,234	1,805
Income from service area and gas station	24,952	18,392
Gain on liquidation of a subsidiary (note b)	37,689	—
Government subsidy (note c)	37,988	—
Others	15,026	3,652
	<u>179,374</u>	<u>40,635</u>

Notes:

- (a) The amount mainly represents compensation from government on requisition of land and demolition of plants and other greening facilities.
- (b) In November 2019, the Group has completed the voluntary liquidation of a subsidiary, Shaanxi Jinxiu Transport Co. Limited, resulting in a gain on liquidation of approximately RMB37,689,000.
- (c) The amount represents an one-off non-assets related government subsidy received from the Guangzhou Municipality Bureau of Commerce in 2019.

4 EXPENSES BY NATURE

Expenses included in cost of services and general and administrative expenses primarily comprise the following items:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Taxes and surcharges	14,949	13,806
Amortisation of intangible operating rights	640,588	557,882
Depreciation of		
– Property, plant and equipment	17,278	15,182
– Right-of-use assets	11,141	—
Employee benefit expense	331,841	252,695
Toll highways and bridges maintenance expenses	104,177	76,772
Toll highways and bridges operating expenses	96,780	82,398
Auditor's remuneration		
– Audit services	2,924	2,818
– Non-audit services	5,787	2,287
Legal and professional fee	24,309	13,877
	<u>2,430,900</u>	<u>2,057,876</u>

5 EMPLOYEE BENEFIT EXPENSE

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs (including directors' emoluments)		
- Wages and salaries	253,142	176,721
- Pension costs (defined contribution plan)	18,864	16,932
- Social security costs	11,210	14,238
- Staff welfare and other benefits	48,625	44,804
	<hr/>	<hr/>
Total employee benefit expense	331,841	252,695
	<hr/> <hr/>	<hr/> <hr/>

Employee benefit expenses are included in “cost of services” and “general and administrative expenses” of RMB143,660,000 (2018: RMB95,096,000) and RMB188,181,000 (2018: RMB157,599,000) respectively in the consolidated income statement.

Notes:

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.

There was no forfeited contribution as at 31 December 2019 (2018: Nil). No forfeited contribution was utilised during the year (2018: Nil). Contributions totalling RMB18,864,000 (2018: RMB16,932,000) were payable to the fund during the year.

6 FINANCE INCOME/(COSTS)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Bank interest income	28,168	43,564
Interest income on other non-current receivables	5,932	4,886
Net other exchange gain	—	42,988
Exchange gain on Euro notes	—	37,473
Others	6,700	—
	<u>40,800</u>	<u>128,911</u>
Finance income		
Interest expenses:		
– Bank borrowings	(275,762)	(269,113)
– Other borrowing	(6,918)	—
– Bank facility fees	(5,035)	(2,619)
– Loans from a joint-venture	(5,128)	—
– Loans from non-controlling interests of certain subsidiaries	(1,155)	(198)
– Loan from an ultimate holding company	—	(593)
– Loan from a fellow subsidiary	(22,921)	—
– Notes payable	(3,035)	(11,299)
– Corporate bonds	(67,727)	(65,809)
– Lease liabilities	(975)	—
– Others	(6,143)	—
Fair value loss on derivative financial instruments	—	(50,666)
Exchange loss on bank borrowings	(9,742)	(76,938)
Net other exchange loss	(6,676)	—
	<u>(411,217)</u>	<u>(477,235)</u>
Finance costs		

7 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 (2018: Nil).
- (b) During the year ended 31 December 2019, 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 2019 is 25% (2018: 25%). Guangzhou North Second Ring Transport Technology Company Limited ("GNSR"), a subsidiary of the Group, has been recognised as an eligible entity in 2019 to enjoy three years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, starting from 2018. Since GNSR has already settled the income tax at 25% for 2018, the Group has recognised the tax refund of RMB95,916,000 during the period ended 31 December 2019. Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy eight years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, starting from 2013.

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% (2018: 5% or 10%).

As at 31 December 2019, deferred tax liabilities of RMB58,712,000 (2018: RMB51,746,000) was not recognised in respect of withholding tax on the unremitted earnings of certain entities in the PRC, as these earnings are expected to be reinvested in the PRC.

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

	2019	2018
	RMB'000	RMB'000
Current income tax		
PRC enterprise income tax	388,398	382,002
Refund of PRC enterprise income tax (note b)	(95,916)	—
	292,482	382,002
Deferred income tax	12,920	97,972
	305,402	479,974

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:

	2019	2018
	RMB'000	RMB'000
Profit before income tax	1,900,445	1,891,655
Less: share of results of associates	(262,484)	(324,453)
Less: share of result of a joint venture	(88,739)	(87,023)
	1,549,222	1,480,179
Calculated at a tax rate of 25% (2018: 25%)	387,306	370,045
Income not subject to tax	(1,912)	(18,354)
Expenses not deductible for tax purposes	38,493	62,480
Profit of subsidiaries with preferential tax treatment (note (i))	(106,305)	(4,386)
Tax losses not recognised (note (ii))	34,726	24,814
Utilisation of previously unrecognised tax losses	(7,151)	(22,432)
Over provision in prior year	(479)	(2,572)
Refund of PRC enterprise income tax	(95,916)	—
Withholding tax on dividend distributed for reinvestment	—	35,000
Withholding tax on undistributed profits of subsidiaries and associates	56,640	35,379
Income tax expense	305,402	479,974

Note:

- (i) Two subsidiaries of the Group enjoy three years' and eight years' preferential tax treatment of income tax respectively, at a preferential income tax rate of 15%.
- (ii) 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 RMB193,621,000 (2018: RMB66,219,000) in respect of unused losses amounting to approximately RMB774,484,000 (2018: RMB264,876,000). Unused tax losses of approximately RMB297,411,000 (2018: RMB116,642,000) will be expired in 1 year and the remaining unused tax losses will be expired prior to 2023.

8 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.

	2019	2018
Profit attributable to shareholders of the Company (RMB'000)	<u>1,137,590</u>	<u>1,054,135</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,162</u>	<u>1,673,162</u>
Basic and diluted earnings per share (RMB)	<u>0.6799</u>	<u>0.6300</u>

The diluted earnings per share for the year ended 31 December 2019 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year (2018: Nil).

9 DIVIDENDS

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, paid, of HKD0.18 equivalent to approximately RMB0.16 (2018: HKD0.15 equivalent to approximately RMB0.13) per share	<u>271,042</u>	218,405
Final, proposed, of HKD0.21 equivalent to approximately RMB0.19 (2018: HKD0.24 equivalent to approximately RMB0.21) per share	<u>314,484</u>	<u>346,223</u>
	<u>585,526</u>	<u>564,628</u>

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

10 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 2019, the total remaining balance of the consideration receivable (including current and non-current portion) is RMB50.4 million (2018: RMB71.3 million) which will be settled by 4 half yearly instalments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB22.9 million (2018: RMB45.8 million) will be received more than 1 year from the balance sheet date according to the repayment schedule.

The fair value of consideration receivable (including current and non-current portion) of approximately RMB51.8 million (2018: RMB74.1 million) is estimated by discounting remaining balance of RMB54.6 million (2018: RMB80.0 million) at the applicable current interest rate of 4.63% (2018: 4.70%) and is categorised as level 2 under the fair value hierarchy.

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	175,028	122,211
Other receivables, deposits and prepayments	160,255	70,998
	335,283	193,209

As at 31 December 2019, trade receivables were all aged below 30 days (2018: 30 days) by invoice date.

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

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

12 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2019 RMB'000	2018 <i>RMB'000</i>
Trade payables	47,303	49,571
Other payables and accrued charges	1,067,735	402,760
	1,115,038	452,331

The ageing analysis of trade payables by invoice date is as follows:

	2019 RMB'000	2018 <i>RMB'000</i>
0 - 30 days	11,058	12,777
31 - 90 days	—	—
Over 90 days	36,245	36,794
	47,303	49,571

Trade and other payables and accrued charges are mainly denominated in RMB except for other payables of approximately RMB8.6 million (2018: RMB14.3 million) which were denominated in HKD and the carrying amounts approximated their fair values.

13 Subsequent events

Following the outbreak of Coronavirus Disease 2019 (the “COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across China, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements.

According to “the Notice on Toll Roads Going Toll-Free During the Period of Precautionary and Control in relation to the outbreak of COVID-19” (the “Notice”) issued by the Ministry of Transport of the PRC (the “Ministry of Transport”), all of the expressways and bridge projects operated or invested by the Group will be toll-free from 17 February 2020 onwards until the end of the precautionary and control measures relating to the COVID-19 outbreak (the “Toll Fee Exemption”). Basically, all of the Group’s revenue are generated from the expressways and bridge projects as operated by the Group and the operations of the Group’s joint venture and associates are also subject to this Toll Fee Exemption. Currently, there is no clarity as to when the Toll Fee Exemption would be ended.

Having said that, the Ministry of Transport has also announced that it will explore to issue ancillary protective policies to safeguard the legitimate interests of the users, creditors, investors and operators of toll roads in a coordinated manner so that the negative impact to the Group as arising from the Toll Fee Exemption will be compensated, to certain extent, on a fairly basis.

In view of the above, the directors of the Company believe there might be possibilities that the overall financial performance of the Group for the year ending 31 December 2020 will be adversely affected by the Toll Fee Exemption and any economic slowdown in China resulting from the COVID-19 outbreak.

Management will closely monitor the situation and continue to assess the impact of the COVID-19 outbreak on the Group’s operations, financial position and financial performance accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Remaining Operating Term (year)
Subsidiaries						
GNSR Expressway	42.5	6	6 ⁽¹⁾	Expressway	60.00	13
Cangyu Expressway	23.3	4	1	Expressway	100.00	11
Jinxiong Expressway ⁽²⁾	23.9	4	3	Expressway	60.00 ⁽³⁾	11
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	17
Changzhu Expressway	46.5	4	5	Expressway	100.00	21
Weixu Expressway	64.3	6	2	Expressway	100.00	16
Suiyuan Expressway	98.1	4	4	Expressway	70.00	21
Hancai Expressway	36.0	4/6 ⁽⁴⁾	2	Expressway	67.00 ⁽⁵⁾	19
Han'e Expressway	54.8	4	5	Expressway	100.00 ⁽⁶⁾	23
Daguangnan Expressway	107.1	4	7	Expressway	90.00 ⁽⁷⁾	23
Associates and Joint Venture						
GWSR Expressway	42.1	6	4	Expressway	35.00	11
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽⁸⁾	10
Northern Ring Road	22.0	6	8	Expressway	24.30	4
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	9
Qinglian Expressway	215.2	4	16	Expressway	23.63	15

Notes:

- (1) The operation of Xiangxue toll station of GNSR Expressway commenced in July 2019.
- (2) According to the overall development plan (2018-2035) approved by the State Council for Hebei Xiong'an New Area (Letter No. 159 2018 of the State Council) 《國務院關於河北雄安新區總體規劃(2018-2035年)的批覆》(國函[2018] 159號) and Notice of Tianjin Expressway Management Office on Adjusting the Name and Number of Route of Jinxiong Expressway (Jin Gao Su Chu Gui Hua 2019 No. 7) (《天津市高速公路管理處關於調整津雄高速公路路線命名和編號的通知》(津高速處規劃[2019]7號)), Jinbao Expressway was renamed as Jinxiong Expressway while its number remained as S7.
- (3) The percentage of equity interest attributable to the Group was 60%; profit sharing ratio: 90% in 2012 and before, 40% from 2013 to 2015, 60% in 2016 and thereafter.

- (4) There are 6 lanes at the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes on the remaining expressway.
- (5) The Group acquired 67% equity interests of Hancai Expressway on 8 November 2019.
- (6) The Group acquired 100% equity interests of Han'e Expressway on 8 November 2019.
- (7) The Group acquired 90% equity interests of Daguangnan Expressway on 8 November 2019.
- (8) The profit sharing ratio was 18.446% from 2010 onwards.

Toll Summary of Toll Roads and Bridges

For the year ended 31 December 2019

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll revenue	
	2019	Y-O-Y	2019	Y-O-Y	per vehicle	Y-O-Y
	(Vehicle/day)	Change %	(RMB/day)	Change %	(RMB)	Change %
Subsidiaries						
GNSR Expressway	255,418	9.5%	3,334,603	4.9%	13.1	-4.2%
Cangyu Expressway	8,604	-20.8%	172,463	-19.4%	20.0	1.7%
Jinxiong Expressway	37,039	-0.8%	253,885	-3.1%	6.9	-2.3%
Han-Xiao Expressway	28,715	7.5%	498,599	7.0%	17.4	-0.4%
Changzhu Expressway	62,641	5.6%	685,876	0.9%	10.9	-4.4%
Weixu Expressway	32,957	3.2%	1,138,068	-2.8%	34.5	-5.8%
Suiyuanan Expressway	25,574	11.7%	1,884,030	3.1%	73.7	-7.7%
Hancai Expressway	47,607	-7.1%	680,723	-15.8%	14.3	-9.3%
Han'e Expressway	34,968	8.9%	482,589	-14.1%	13.8	-21.1%
Daguangnan Expressway	25,692	6.4%	940,770	-1.6%	36.6	-7.6%
Associates and						
Joint Venture						
GWSR Expressway	85,635	16.9%	1,597,122	-3.4%	18.7	-17.4%
Humen Bridge	88,507	-27.3%	2,841,361	-38.0%	32.1	-14.7%
Northern Ring Road	361,676	3.8%	2,084,285	-1.2%	5.8	-4.8%
Shantou Bay Bridge	27,520	5.1%	559,115	-4.0%	20.3	-8.7%
Qinglian Expressway	48,520	11.6%	2,293,193	10.0%	47.3	-1.4%

Toll Roads and Bridges

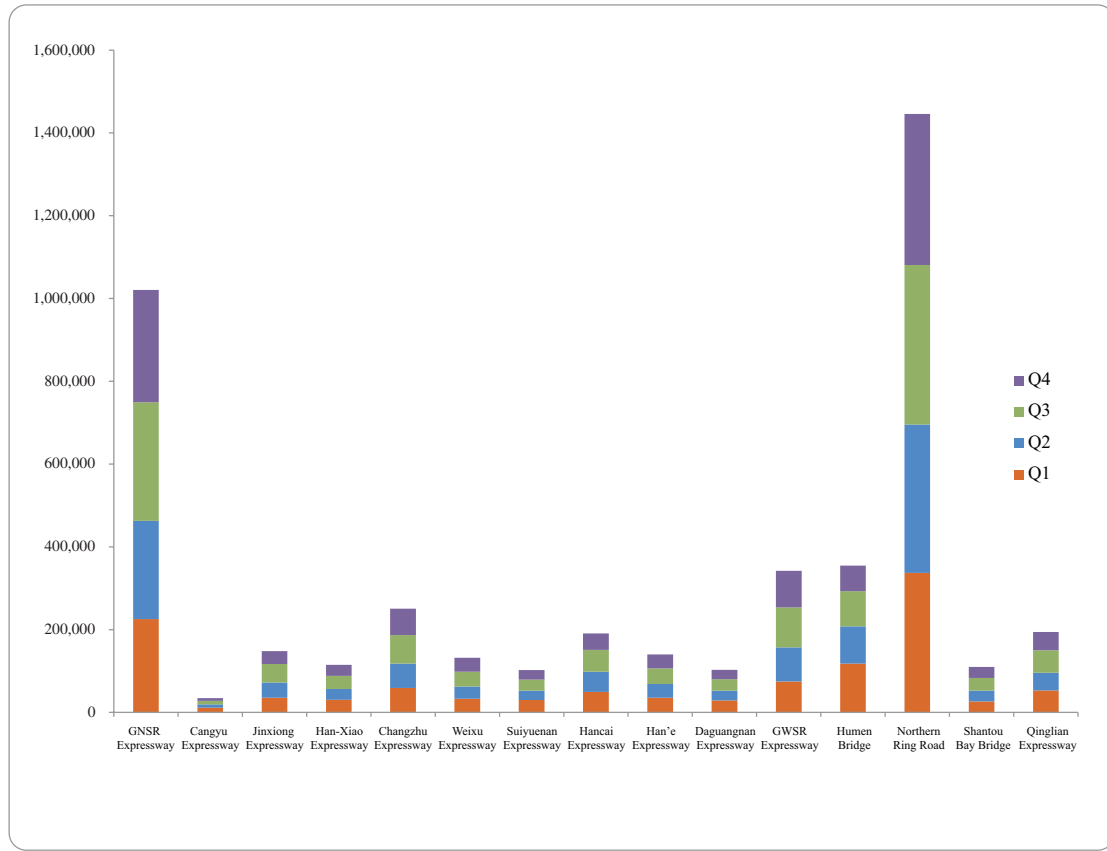
Quarterly analysis of average daily toll traffic volume for 2019

	Average daily toll traffic volume of the First quarter (vehicle/day)	Average daily toll traffic volume of the Second quarter (vehicle/day)	Average daily toll traffic volume of the Third quarter (vehicle/day)	Average daily toll traffic volume of the Fourth quarter (vehicle/day)
Subsidiaries				
GNSR Expressway	225,401	237,439	286,557	271,428
Cangyu Expressway ⁽¹⁾	11,505	7,964	8,214	6,789
Jinxiong Expressway	35,520	36,382	45,027	31,186
Han-Xiao Expressway	30,348	26,126	31,572	26,823
Changzhu Expressway	59,013	59,043	68,757	63,635
Weixu Expressway	33,135	29,487	35,753	33,419
Suiyuanan Expressway ⁽¹⁾	30,064	22,250	26,963	23,082
Hancai Expressway	49,644	48,470	52,677	39,691
Han'e Expressway	35,592	33,092	37,764	33,418
Daguangnan Expressway ⁽¹⁾	28,709	23,839	27,414	22,852
Associates and Joint Venture				
GWSR Expressway	74,400	82,670	96,301	88,892
Humen Bridge ⁽²⁾	118,007	89,683	85,228	61,765
Northern Ring Road	337,070	358,270	385,814	364,977
Shantou Bay Bridge	26,150	26,164	30,926	26,794
Qinglian Expressway	52,972	42,553	54,413	44,175

Notes:

- (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.
- (2) Due to the traffic diversion of Nansha Bridge since April 2019 and the implementation of restriction of goods vehicles and certain passenger vehicle of Humen Bridge since August 2019, the average daily toll traffic volume of the Second, Third and Fourth quarter were lower than that of the First quarter.

Quarterly analysis of average daily toll traffic volume for 2019



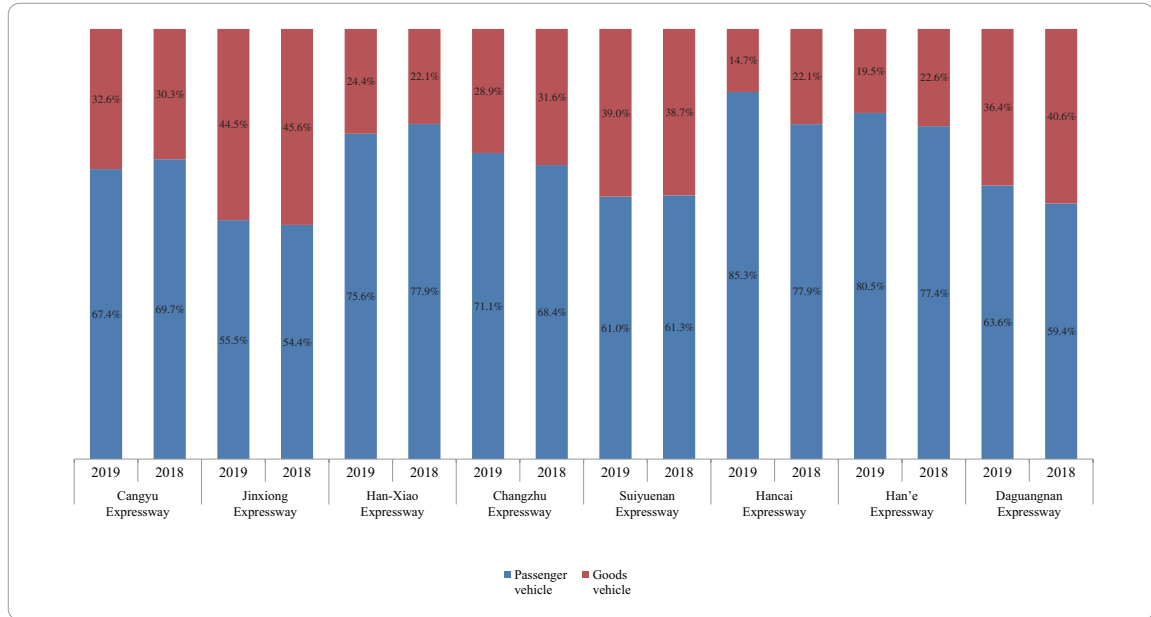
Vehicle type analysis (by traffic volume)

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 2019
(based on statistics of traffic volume)



Vehicle type analysis on projects operated in other regions for 2019
(based on statistics of traffic volume)



SUMMARY OF OPERATING PERFORMANCE

Macroeconomic environment

During the Reporting Year, global economic growth slowed down simultaneously. In the latest “World Economic Outlook” report, the International Monetary Fund (IMF) lowered its full-year economic growth forecast for 2019 by 0.1 percentage point to 2.9%.

China maintained a generally stable economy in the Reporting Year, and its quality of development steadily improved. According to the data released by the National Bureau of Statistics, the GDP of the 2019 was RMB99,086.5 billion, representing a year-on-year increase of 6.1%.

Consistent performance was recorded for domestic transportation industry during the Reporting Year. Highway passenger turnover decreased by 4.6% year-on-year, while highway freight turnover increased by 5.0% year-on-year.

During the Reporting Year, the growth rate of domestic car ownership remained stable. As of 31 December 2019, the domestic car ownership grew by 8.8% year-on-year to 260 million units.

The projects invested and operated by the Group are distributed over Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The total output value of these regions in 2019 increased by 6.2%, 4.8%, 6.0%, 7.6%, 7.5% and 7.0% year-on-year, respectively.

(Unit: RMB100 million)

	Guangdong		Tianjin	Guangxi	Hunan	Hubei	Henan
	National	Province	Municipality	Autonomous Region	Province	Province	Province
2019 GDP	990,865	107,671	14,104	21,237	39,752	45,828	54,259
2019 GDP Growth	6.1%	6.2%	4.8%	6.0%	7.6%	7.5%	7.0%
2018 GDP Growth	6.6%	6.8%	3.6%	6.8%	7.8%	7.8%	7.6%

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

Regulatory Environment of the Sector

During the Reporting Year, the reform of the toll road system of the transportation industry was further implemented. According to the “Notice of the General Office of the State Council on Publishing the Implementation Plan of the Promotion of the Toll Road System Reform and Cancellation of Expressway Provincial Border Toll Stations” (國務院辦公廳關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知) and related technical plans, all provincial expressway toll stations across the country was cancelled since 1 January 2020 as scheduled. In addition, other measures included the accelerated promotion and application of the Electronic Toll Collection System (ETC); the revision of the toll classification standards of different vehicles of toll road; the adjustment of the toll charging method for trucks in order to maintain the toll for trucks after a change of pricing method; and the implementation of non-stop weight inspection at the entrance of expressway.

During the Reporting Year, the Group actively responded to the request of cancellation of provincial toll stations from competent authorities of the industry and carried out the relevant measures, including measures such as the construction of ETC gantry systems, the renovation of ETC lanes and the installation of non-stop weight inspection systems for projects operated by the Group. Existing toll stations at provincial borders of projects operated by the Group, namely, Cangyu Expressway, Jinxiang Expressway, Daguangnan Expressway and Qinglian Expressway, were cancelled as scheduled, and system switching and co-network operation were successfully achieved.

During the Reporting Year, the new “Green Passage Toll Free Policy” was implemented on the expressways and bridges of the Group in accordance with the relevant national requirements. The implementation of this policy caused the toll income of the Group to decrease by approximately RMB316.48 million (2018: approximately RMB329.39 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 fell under the requirements. Based on preliminary estimation, the implementation of this policy resulted in a decrease in the toll income of the Group by approximately RMB137.89 million ⁽²⁾ (2018: approximately RMB90.33 million ⁽¹⁾⁽²⁾).

Notes:

- (1) The data of Hancui Expressway, Han’e Expressway and Daguangnan Expressway was not included in 2018.
- (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.

Policies on Environmental Protection

During the Reporting Year, the Group actively explored the use of new technologies, new processes, new materials and new products to maximize the saving of materials, environmental protection and pollution reduction while reducing costs and improving highway performance in order to make contribution to green travel.

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

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

Business Improvements and Innovations

During the Reporting Year, the Group continued to smoothen traffic flow, enhance operational management and strived to improve the traffic services capability. We also continued to strengthen safety standards of construction works. The existing seven subsidiary projects were granted the certificate of standardization of safe production of expressway operation company by the Ministry of Transport. We consistently improved road conditions and traffic environment, and the traffic accident rate was dropping. We also improved the innovation system, promoted high-tech enterprises certification and built a high-level innovation and development cooperation platform. Great efforts were made to develop comprehensive maintenance and renovation as well as construction project management and control capabilities, and expand on the application of new material, technologies and skills, so that the overall road maintenance management level was enhanced. The Group actively built informationization for information synchronization. The Group continued to enhance our staff development system, implement a system for development of professional executive and key talent, so as to provide a solid foundation for the Company's long-term development.

Progress of investment

During the Reporting Year, the acquisition of 100% equity in Yuexiu (Hubei) Expressway Company Limited and 38.5% equity of Hancai Expressway Company Limited of Hubei Province was completed, under which Hancai Expressway, Han'e Expressway and Daguangnan Expressway were under the control of the Group. Going forward, the Group will continue to look for high-quality expressway projects of large and medium sizes in order to strengthen its core business. With its base in Guangdong, Hong Kong and Macau Greater Bay Area, the Group would actively look for and acquire expressways which have a balanced operating cash flow from central provinces with large populations of labors so as to expand its business scale, and would also seek for development opportunities of infrastructure facility projects with stable cash flows.

POSSIBLE RISK EXPOSURE

During the Reporting Year, the Group further improved the comprehensive risk management system which covered all aspects of corporate strategies, operation and investment. The Group will continue to monitor the following risks and will adopt effective tackling measures proactively in the future.

Risks of Sectoral and Economic Policies

Risk analysis: The “Regulation on the Administration of Toll Roads” will further strengthen the reform of the toll road system. The downward pressure on the domestic macro economy has increased, and the adjustment of the transportation structure has continued, which may affect the transportation demand, particularly the freight demand. In order to further lower the costs of logistics, certain local governments had launched highway toll reduction measures, for example, some provinces had implemented the pilot program of differentiated highway toll collection at different times, while others had implemented concessionary toll reduction policy for freight vehicles on state-owned highways. The central government has been promoting the cancellation of toll stations at provincial borders, and adjusted the classification criteria of passenger vehicles and goods vehicles as well as the pricing method of goods vehicles and carried out concessionary toll reduction policy for ETC users. The said measures would put the operation and management, income and costs of the Company under pressure.

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

Risk of Investment Decisions

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

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

Risks of Changes in the Planning of Road Networks

Risk analysis: The road network surrounding the Group's expressways continues to be upgraded. The number of parallel roads or alternative routes may increase, coupled with improvement in road condition of local highways and surrounding roads. As a result, the growth of toll revenue in the Group's projects may be affected.

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

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll traffic volume was 255,418 vehicles and the average daily toll revenue was RMB3,335,000, representing an increase of 9.5% and 4.9%, respectively, when compared with 2018.

The average daily toll traffic volume and toll revenue recorded a year-on-year growth, mainly attributable to the measures of restricting passage of heavy trucks on the Huanan Expressway Phase I (section between Cencun Interchange and Tuhua Interchange) since September 2018, and the network integration effect brought by commencement of operations of Xiangxue toll station in July 2019.

Cangyu Expressway

During the Reporting Year, the average daily toll traffic volume was 8,604 vehicles and the average daily toll revenue was RMB172,000, representing a decrease of 20.8% and 19.4%, respectively, when compared with 2018.

The year-on-year decrease of average daily toll traffic volume and average daily toll was mainly due to the impact of diversion of traffic upon completion and commencement of operation of all sections of Wuzhou Ring Expressway since December 2018, completion of upgrading and transformation of the X184 County Road in July 2018, and closure for maintenance works at the adjacent Yunwu Expressway in August to October 2019.

Jinxiong Expressway

During the Reporting Year, the average daily toll traffic volume was 37,039 vehicles and the average daily toll revenue was RMB254,000, representing a decrease of 0.8% and 3.1%, respectively, when compared with 2018.

The year-on-year decrease of average daily toll traffic volume and average daily toll was mainly due to the decrease in truck traffic volume.

Han-Xiao Expressway

During the Reporting Year, the average daily toll traffic volume was 28,715 vehicles and the average daily toll revenue was RMB499,000, representing an increase of 7.5% and 7.0%, respectively, when compared with 2018.

The year-on-year increase of average daily toll traffic volume and toll revenue was mainly due to the completion of road broadening works of the neighboring Fuhe Bridge in June 2019 and the network integration effect brought by the commencement of operation of all sections of the adjacent Northern Airport Road in December 2018.

Changzhu Expressway

During the Reporting Year, the average daily toll traffic volume was 62,641 vehicles and the average daily toll revenue was RMB686,000, representing an increase of 5.6% and 0.9%, respectively, when compared with 2018.

The year-on-year increase in a slower pace of average daily toll traffic volume and average daily toll was mainly due to the traffic diversion effect led by the implementation of differentiated toll road charges in nearby highways such as Wuhan-Shenzhen Expressway since February 2019.

Weixu Expressway

During the Reporting Year, the average daily toll traffic volume was 32,957 vehicles and the average daily toll revenue was RMB1,138,000, representing an increase of 3.2% and a decrease of 2.8%, respectively, when compared with 2018.

The year-on-year increase of average daily toll traffic volume was mainly attributable to the growth of car ownership. The year-on-year decrease of toll revenue results from relaxation of controls on the oversized and overloaded transport on local roads which attracted certain trucks to use local roads.

Suiyuanan Expressway

During the Reporting Year, the average daily toll traffic volume was 25,574 vehicles and the average daily toll revenue was RMB1,884,000, representing an increase of 11.7% and 3.1%, respectively, when compared with 2018.

Both the average daily toll traffic volume and the toll revenue recorded a year-on-year increase mainly due to the network integration effect brought by commencement of operations in all sections of Xuguang Expressway in September 2018.

Hancai Expressway

During the Reporting Year, the average daily toll traffic volume was 47,607 vehicles and the average daily toll revenue was RMB681,000, representing a decrease of 7.1% and 15.8%, respectively, when compared with 2018.

The year-on-year decrease of average daily toll traffic volume and average daily toll revenue was mainly attributable to a higher base in the corresponding period in 2018 led by the traffic control due to the maintenance of Wuhan Junshan Yangtze River Bridge of the G4 National Expressway which was completed by the end of December 2018. The performance results generally met our expectation before acquisition.

Han'e Expressway

During the Reporting Year, the average daily toll traffic volume was 34,968 vehicles and the average daily toll revenue was RMB483,000, representing an increase of 8.9% and a decrease of 14.1%, respectively, when compared with 2018.

The year-on-year increase of average daily toll traffic volume was mainly attributable to the growth of car ownership. The year-on-year decrease of toll revenue results from a higher base in the corresponding period in 2018 led by the traffic control due to the maintenance of Wuhan Junshan Yangtze River Bridge of the G4 National Expressway which was completed by the end of December 2018. The performance results generally met our expectation before acquisition.

Daguangnan Expressway

During the Reporting Year, the average daily toll traffic volume was 25,692 vehicles and the average daily toll revenue was RMB941,000, representing an increase of 6.4% and a decrease of 1.6%, respectively, when compared with 2018.

The year-on-year increase of average daily toll traffic volume was mainly attributable to the growth of car ownership. The year-on-year decrease of toll revenue was mainly attributable to the maintenance works at Nanshibi Tunnel at the Wuning, Jiangxi to north Ji'an section of Daqing-Guangzhou Expressway which was completed in August 2019. The performance results generally met our expectation before acquisition.

Associates and Joint Venture

GWSR Expressway

During the Reporting Year, the average daily toll traffic volume was 85,635 vehicles and the average daily toll revenue was RMB1,597,000, representing an increase of 16.9% and a decrease of 3.4%, respectively, when compared with 2018.

The year-on-year increase of average daily toll traffic volume was mainly attributable to a lower base of short-distance toll traffic volume in the corresponding period in 2018 led by the entire closure for maintenance works at certain sections of Foshan First Ring Road since the second half of June 2018. The year-on-year decrease of toll revenue was mainly attributable to an increase of short-distance toll traffic volume and a decrease of long-distance toll traffic volume at GWSR Expressway due to the free test run after the transformation of the major section of Foshan First Ring Road to expressway in January 2019.

Humen Bridge

During the Reporting Year, the average daily toll traffic volume was 88,507 vehicles and the average daily toll revenue was RMB2,841,000, representing a decrease of 27.3% and 38.0%, respectively, when compared with 2018.

Both the average daily toll traffic volume and the average daily toll revenue recorded a year-on-year decrease mainly due to diversion upon commencement of operation of Nansha Bridge since April 2019 and truck and passenger vehicle restrictions on Humen Bridge since August 2019.

Northern Ring Road

During the Reporting Year, the average daily toll traffic volume was 361,676 vehicles and the average daily toll revenue was RMB2,084,000, representing an increase of 3.8% and a decrease of 1.2%, respectively, when compared with 2018.

The average daily toll traffic volume continuously recorded a year-on-year increase mainly due to the growth of car ownership, while the year-on-year drop in average daily toll revenue was mainly due to truck restrictions on Northern Ring Road since August 2018.

Shantou Bay Bridge

During the Reporting Year, the average daily toll traffic volume was 27,520 vehicles and the average daily toll revenue was RMB559,000, representing an increase of 5.1% and a decrease of 4.0% respectively, when compared with 2018.

The average daily toll traffic volume recorded a year-on-year increase mainly due to the growth of car ownership, while the year-on-year drop in average daily toll revenue was mainly due to the diversion of trucks after the commencement of operation of Jiehui Expressway (Phase II) since October 2018.

Qinglian Expressway

During the Reporting Year, the average daily toll traffic volume was 48,520 vehicles and the average daily toll revenue was RMB2,293,000, representing an increase of 11.6% and 10.0%, respectively, when compared with 2018.

Both the average daily toll traffic volume and average daily toll revenue recorded a year-on-year increase mainly due to the network integration effect brought by the commencement of operation of Qingxi Bridge and its connection roads in September 2018.

FINANCIAL REVIEW

Key operating results figures

	Reporting Year	2018	Change
	RMB'000	RMB'000	%
Revenue	3,023,221	2,847,073	6.2
Gross profit	2,012,084	2,012,981	-0.0
Operating profit	1,919,639	1,828,503	5.0
Earnings before interests, tax, depreciation and amortisation (“EBITDA”) ⁽¹⁾	2,956,565	2,855,785	3.5
Finance costs	(411,217)	(477,235)	-13.8
Share of result of a joint venture	88,739	87,023	2.0
Share of results of associates	262,484	324,453	-19.1
Profit attributable to shareholders of the Company	1,137,590	1,054,135	7.9
Basic and diluted earnings per share	RMB0.6799	RMB0.6300	7.9
Dividend	585,526	564,628	3.7

Note:

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

I. Overview of operating results

The Group's revenue increased by 6.2 percent to RMB3,023.2 million, operating profit increased by 5.0 percent to RMB1,919.6 million and profit attributable to shareholders of the Company increased by 7.9 percent to RMB1,137.6 million in 2019 ("Reporting Year"). During the Reporting Year, the Group completed the acquisition of three expressways in Hubei Province. The financial results of the three newly acquired expressways were consolidated to the Group since 8 November 2019. The Directors have recommended the payment of final dividend for 2019 of HK\$0.21 which is equivalent to approximately RMB0.187958 (2018: HK\$0.24 which was equivalent to approximately RMB0.206928) per share. Together with the interim dividend of HK\$0.18 which was equivalent to approximately RMB0.161994 (2018: HK\$0.15 which was equivalent to approximately RMB0.130535) per share, the total dividends for the year ended 31 December 2019 amounts to HK\$0.39 which is equivalent to approximately RMB0.349952 (2018: HK\$0.39 which was equivalent to approximately RMB0.337463) per share, representing a dividend payout ratio of 51.5 percent (2018: 53.6 percent).

II. Analysis of operating results

Revenue

The Group recorded total revenue of RMB3,023.2 million in the Reporting Year, representing an increase of 6.2 percent as compared with 2018.

Analysis of revenue by each controlled project

Controlled Projects	Reporting	Percentage	Percentage		Change
	Year	of total	2018	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	1,217,129	40.3	1,160,580	40.8	4.9
Suiyuanan Expressway	687,671	22.7	667,207	23.4	3.1
Weixu Expressway	415,395	13.7	427,367	15.0	-2.8
Changzhu Expressway	250,345	8.3	248,143	8.7	0.9
Han-Xiao Expressway	181,990	6.0	170,030	6.0	7.0
Jinxiong Expressway	92,668	3.1	95,614	3.4	-3.1
Cangyu Expressway	62,949	2.1	78,132	2.7	-19.4
Daguangnan Expressway	57,292	1.9	—	—	N/A
Hancai Expressway	31,631	1.0	—	—	N/A
Han'e Expressway	26,151	0.9	—	—	N/A
Total	<u>3,023,221</u>	<u>100.0</u>	<u>2,847,073</u>	<u>100.0</u>	6.2

GNSR Expressway accounted for 40.3 percent (2018: 40.8 percent) of the toll revenue of the Group's controlled projects in the Reporting Year. Toll revenue of GNSR Expressway increased by 4.9 percent to RMB1,217.1 million in the Reporting Year. The revenue increment was mainly due to the implementation of the measure restricting the passage of certain heavy trucks on Huanan Expressway Phase I (section between Cencun Interchange and Tuhua Interchange) since September 2018 and the network integration effect resulting from commencement of operation of the Xiangxue toll station in July 2019.

Suiyuanan Expressway, ranked second in terms of toll revenue and accounted for 22.7 percent (2018: 23.4 percent) among controlled projects. Toll revenue of Suiyuanan Expressway grew by 3.1 percent to RMB687.7 million, mainly because of the network integration effect brought by commencement of operations in all sections of Xuguang Expressway in September 2018.

Weixu Expressway, ranked third in terms of toll revenue and accounted for 13.7 percent (2018: 15.0 percent) among controlled projects. Toll revenue of Weixu Expressway decreased by 2.8 percent to RMB415.4 million in the Reporting Year, because of the decrease in the intensity of regulating oversize and overload transport on local roads, which caused certain trucks to be diverted to local roads.

Changzhu Expressway, ranked fourth in terms of toll revenue and accounted for 8.3 percent (2018: 8.7 percent) among controlled projects. Toll revenue of Changzhu Expressway increased 0.9 percent to RMB250.3 million in the Reporting Year.

Han-Xiao Expressway, ranked fifth in terms of toll revenue and accounted for 6.0 percent (2018: 6.0 percent) among controlled projects. Toll revenue of Han-Xiao Expressway increased by 7.0 percent to RMB182.0 million, mainly due to the completion of road broadening works of the neighboring Fuhe Bridge in June 2019 and the network integration effect brought by the commencement of operation of all sections of the adjacent Northern Airport Road in December 2018.

Jinxiong Expressway, ranked sixth in terms of toll revenue and accounted for 3.1 percent (2018: 3.4 percent) among controlled projects. Toll revenue of Jinxiong Expressway decreased by 3.1 percent to RMB92.7 million in the Reporting Year, mainly due to the decrease in truck traffic volume.

Cangyu Expressway, ranked seventh in terms of toll revenue and accounted for 2.1 percent (2018: 2.7 percent) among controlled projects. Toll revenue of Cangyu Expressway dropped 19.4 percent to RMB62.9 million in the Reporting Year, mainly due to the impact of diversion of traffic brought by (i) completion and commencement of operation of all sections of Wuzhou Ring Expressway since December 2018, (ii) completion of upgrading and transformation of the X184 County Road in July 2018, and (iii) closure for maintenance works at the adjacent Yunwu Expressway in August to October 2019.

Daguangnan Expressway, Hancai Expressway and Han'e Expressway were consolidated to the Group since 8 November 2019.

Cost of services

In the Reporting Year, the total cost of services of the Group amounted to RMB1,011.1 million (2018: RMB834.1 million), representing an increase of RMB177.0 million or 21.2 percent as compared with 2018. Cost ratio (cost of services/toll revenue) was 33.4 percent in the Reporting Year, being 4.1 percentage point higher than 2018. The increase in cost of services was mainly due to (i) total cost of services of RMB69.1 million brought by the consolidation of the three newly acquired expressways in Hubei Province since the completion date ; and (ii) the increase in amortisation of intangible operating rights and staff cost in other projects (excluding the three newly acquired expressways) amounted to RMB45.1 million and RMB38.4 million respectively during the Reporting Year.

Analysis of cost of services by each controlled project

Controlled Projects	Reporting	Percentage	Percentage		Change
	Year	of total	2018	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	342,502	33.9	295,804	35.4	15.8
Suiyuanan Expressway	158,666	15.7	149,109	17.9	6.4
Weixu Expressway	136,311	13.5	120,138	14.4	13.5
Changzhu Expressway	121,054	12.0	95,905	11.5	26.2
Han-Xiao Expressway	79,494	7.9	69,967	8.4	13.6
Jinxiong Expressway	65,094	6.4	65,068	7.8	0.0
Cangyu Expressway	38,929	3.8	38,101	4.6	2.2
Daguangnan Expressway	34,990	3.5	—	—	N/A
Hancai Expressway	21,656	2.1	—	—	N/A
Han'e Expressway	12,441	1.2	—	—	N/A
Total	<u>1,011,137</u>	<u>100.0</u>	<u>834,092</u>	<u>100.0</u>	21.2

Analysis of cost of services by nature

	Reporting Year RMB'000	Percentage of total %	2018 RMB'000	Percentage of total %	Change %
Amortisation of intangible operating rights	640,588	63.3	557,882	66.8	14.8
Staff costs	143,660	14.2	95,096	11.4	51.1
Toll highways and bridges operating expenses	96,780	9.6	82,397	9.9	17.5
Toll highways and bridges maintenance expenses	104,177	10.3	76,772	9.2	35.7
Taxes and surcharges	14,949	1.5	13,806	1.7	8.3
Depreciation of other fixed assets	10,983	1.1	8,139	1.0	34.9
Total	<u>1,011,137</u>	<u>100.0</u>	<u>834,092</u>	<u>100.0</u>	21.2

Gross profit

Gross profit in the Reporting Year was RMB2,012.1 million, being RMB0.9 million lower than 2018. Gross profit margin in the Reporting Year was 66.6 percent, being 4.1 percentage point lower than 2018.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year		2018	
	Gross Profit RMB'000	Gross Margin ⁽¹⁾	Gross Profit RMB'000	Gross Margin ⁽¹⁾
GNSR Expressway	874,627	71.9%	864,776	74.5%
Suiyuanan Expressway	529,005	76.9%	518,098	77.7%
Weixu Expressway	279,084	67.2%	307,229	71.9%
Changzhu Expressway	129,291	51.6%	152,238	61.4%
Han-Xiao Expressway	102,496	56.3%	100,063	58.9%
Jinxiong Expressway	27,574	29.8%	30,546	31.9%
Cangyu Expressway	24,020	38.2%	40,031	51.2%
Daguangnan Expressway	22,302	38.9%	—	—
Hancai Expressway	9,975	31.5%	—	—
Han'e Expressway	13,710	52.4%	—	—
Total	<u>2,012,084</u>	<u>66.6%</u>	<u>2,012,981</u>	70.7%

⁽¹⁾ Gross margin = Gross profit/revenue

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB271.8 million, representing an increase of 20.7 percent from RMB225.1 million in 2018, mainly due to (i) increase in staff cost of RMB30.1 million resulting from salary increment for the three newly acquired expressways in Hubei Province and the remaining projects and (ii) increase in legal and professional fee of RMB10.4 million resulting from the acquisition of three expressways in Hubei Province during the Reporting Year.

Other income, gains and losses – net

The Group's other income, gains and losses – net increased to RMB179.4 million in the Reporting Year (2018: RMB40.6 million). The increase was mainly due to (i) one-off compensations of RMB54.3 million received by GNSR Expressway and Cangyu Expressway; (ii) release of currency translation differences and reversal of provision of RMB37.7 million, both of which resulted from liquidation of Xian Expressway; and (iii) a government subsidy of RMB36.3 million granted for the additional investment in Guangdong Province during the Reporting Year.

Finance income/Finance costs

The Group's finance income in the Reporting Year amounted to RMB40.8 million (2018: RMB128.9 million) which was 68.4 percent lower than 2018, mainly because no exchange gain on notes payable and net other exchange gain were recorded in the Reporting year (2018: RMB37.5 million and RMB43.0 million respectively).

The Group's finance costs in the Reporting Year decreased by 13.8 percent to RMB411.2 million as compared with RMB477.2 million in 2018, mainly due to (i) decrease in exchange loss on bank borrowing of RMB67.2 million and (ii) decrease in fair value loss on derivative financial instruments of RMB50.7 million during the Reporting Year. The Group's overall weighted average interest rate in the Reporting Year was 4.33 percent, which remained at a similar level as 2018 (if the impact of (i) the interest rate of the three newly acquired expressways in Hubei Province and (ii) the interest rate for 2018 Euro notes payable were excluded for 2018).

Share of results of associates and a joint venture

The Group's share of results of associates and a joint venture decreased by 14.6 percent to RMB351.2 million in the Reporting Year.

Share of post-tax profit of Northern Ring Road in the Reporting Year increased by 45.5 percent to RMB108.0 million. Toll revenue at the project company level decreased by 1.2 percent to RMB760.8 million, mainly due to the implementation of measures restricting the passage of certain heavy trucks since August 2018. The increase in share of post-tax profit of RMB33.8 million was mainly due to a 3-year tax relief granted to the Northern Ring Road during the Reporting Year, leading to an increase of RMB26.3 million in the share of post-tax profit attributable to the Group, in which RMB13.8 million was attributed to last financial year and RMB12.5 million was attributed to the Reporting Year.

Share of post-tax profit of Humen Bridge in the Reporting Year decreased by 50.2 percent to RMB97.5 million. Toll revenue at the project company level decreased by 38.0 percent to RMB1,037.1 million in the Reporting Year, mainly due to the diversion upon commencement of operation of Nansha Bridge since April 2019 and the implementation of the restrictions on trucks and various types of passenger vehicles from using Humen Bridge since August 2019.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year decreased by 4.9 percent to RMB32.2 million. Toll revenue at the project company level decreased by 4.0 percent to RMB204.1 million in the Reporting Year, mainly due to the diversion of trucks as a result of the commencement of operation of Jiehui Expressway (Phase II) since October 2018.

Share of post-tax profit of Qinglian Expressway in the Reporting Year increased by 21.3 percent to RMB24.7 million. Toll revenue at the project company level grew 10.0 percent to RMB837.0 million, benefiting from the network integration effect brought by the commencement of operation of Qingxi Bridge connecting Qinglian Expressway and its connection roads since September 2018.

Share of post-tax profit of GWSR Expressway in the Reporting Year increased by 2.0 percent to RMB88.7 million. Toll revenue at the project company level decreased 3.4 percent to RMB583.0 million, mainly due to the increase of short-distance toll traffic volume and the decrease of long-distance toll traffic volume of GWSR Expressway brought by the free test run after the transformation of the major section of Foshan First Ring Road to expressway in January 2019.

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

		Toll revenue		Share of results	
	Profit Sharing ratio %	Reporting Year RMB'000	YoY change %	Reporting Year RMB'000	YoY change %
Associates					
Northern Ring Road	24.3	760,764	-1.2	108,049	45.5
Humen Bridge	18.446	1,037,097	-38.0	97,529	-50.2
Shantou Bay Bridge	30.0	204,077	-4.0	32,174	-4.9
Qinglian Expressway	23.63	837,016	10.0	24,732	21.3
Sub-total		2,838,954	-16.9	262,484	-19.1
Joint venture					
GWSR Expressway	35.0	582,950	-3.4	88,739	2.0
Total		3,421,904	-14.9	351,223	-14.6

Income tax expense

Total income tax expense of the Group in the Reporting Year decreased by 36.4 percent to RMB305.4 million. The decrease was mainly because (i) no one-off provision was made during the Reporting Year whereas a one-off provision was made in 2018 for the direct reinvestment by the Company with its PRC subsidiary's distributed profit and (ii) GNSR Expressway was granted with a 3-year tax relief during the Reporting Year and as a result the income tax expenses recorded a decrease of RMB194.0 million where RMB95.9 million was attributed to last financial year and RMB98.1 million was attributed to the Reporting Year.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB1,137.6 million in the Reporting Year, representing an increase of 7.9 percent as compared with 2018. The increase was mainly because (i) the 3-year tax relief was granted to GNSR Expressway; (ii) one-off compensations were received by GNSR Expressway and Cangyu Expressway; (iii) release of currency translation differences and reversal of provision was made, both of which resulted from liquidation of Xian Expressway; (iv) a government subsidy was granted for the additional investment in Guangdong Province and (v) no one-off provision was made for the direct reinvestment by the Company with its PRC subsidiary's distributed profit during the Reporting Year.

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

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

	Reporting Year RMB'000	Percentage of total %	2018 RMB'000	Percentage of total %	Change %
Net profit from controlled projects	1,137,756	76.4	968,426	70.2	17.5
Net profit from non-controlled projects ⁽¹⁾	351,223	23.6	411,476	29.8	-14.6
Net profit from projects	1,488,979	100.0	1,379,902	100.0	7.9
Withholding tax on PRC dividends/income	(56,640)		(70,379)		-19.5
Corporate expenses	(199,826)		(140,868)		41.9
Corporate income/gains, net	44,340		3,261		1,259.7
Corporate finance income	26,322		120,388		-78.1
Corporate finance costs	(165,585)		(238,169)		-30.5
Profit attributable to shareholders of the Company	1,137,590		1,054,135		7.9

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

Net profit derived from controlled projects amounted to RMB1,137.8 million in the Reporting Year, accounting for 76.4 percent (2018: 70.2 percent) of net profit from projects. The net profit from non-controlled projects amounted to RMB351.2 million in the Reporting Year, accounting for 23.6 percent (2018: 29.8 percent) of net profit from projects.

In the Reporting Year, the net profit derived from controlled projects increased by 17.5 percent to RMB1,137.8 million (if the three newly acquired expressways in Hubei Province during the Reporting Year were excluded, it would be an increase of 17.3 percent).

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

Controlled Projects	Reporting	Percentage	2018		Change
	Year	of total	2018	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	537,830	36.1	383,525	27.8	40.2
Suiyuanan Expressway	216,714	14.6	207,862	15.1	4.3
Weixu Expressway	199,860	13.4	211,156	15.3	-5.3
Changzhu Expressway	55,378	3.7	76,988	5.6	-28.1
Han-Xiao Expressway	52,666	3.5	40,427	2.9	30.3
Cangyu Expressway	23,422	1.6	34,119	2.5	-31.4
Jinxiong Expressway	10,146	0.7	15,416	1.1	-34.2
Xian Expressway	40,331	2.7	(1,067)	-0.1	3,879.9
Daguangnan Expressway	(3,372)	-0.2	—	—	N/A
Hancai Expressway	4,021	0.2	—	—	N/A
Han'e Expressway	760	0.1	—	—	N/A
Total	1,137,756	76.4	968,426	70.2	17.5

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

Controlled Projects	Reporting	Percentage	2018		Change
	Year	of total	2018	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	537,830	36.4	383,525	27.5	40.2
Suiyuanan Expressway	227,212	15.4	220,754	15.8	2.9
Weixu Expressway	199,860	13.5	211,156	15.2	-5.3
Changzhu Expressway	45,126	3.1	64,270	4.6	-29.8
Han-Xiao Expressway	60,842	4.1	54,456	3.9	11.7
Cangyu Expressway	23,422	1.6	34,107	2.5	-31.3
Jinxiong Expressway	10,146	0.7	15,416	1.1	-34.2
Xian Expressway	40,331	2.7	(1,067)	-0.1	3,879.9
Daguangnan Expressway	(15,287)	-1.0	—	—	N/A
Hancai Expressway	(770)	-0.1	—	—	N/A
Han'e Expressway	(2,505)	-0.2	—	—	N/A
Total	1,126,207	76.2	982,617	70.5	14.6

In the Reporting Year, net profit from non-controlled projects (which were all toll projects with analysis shown in the aforementioned table “Analysis of share of results of associates and a joint venture and respective toll revenue”) has decreased 14.6 percent to RMB351.2 million as compared with 2018.

Profits attributable to the shareholders of the Company from Northern Ring Road, Humen Bridge, Shantou Bay Bridge, Qinglian Expressway and GWSR Expressway accounted for 7.2 percent (2018: 5.4 percent), 6.5 percent (2018: 14.2 percent), 2.2 percent (2018: 2.4 percent), 1.7 percent (2018: 1.5 percent) and 6.0 percent (2018: 6.3 percent) of the net profit from projects respectively.

At the corporate level, the withholding tax on PRC dividends/income decreased by RMB13.7 million, mainly because of the one-off provision of withholding tax in 2018 when the Company made direct reinvestment with its PRC subsidiary's distributed profit. The increase in corporate income/gains, net of RMB41.1 million was mainly due to a government subsidy of RMB36.3 million granted for the additional investment in Guangdong Province. The increase in corporate expenses of RMB59.0 million was mainly due to an increase in staff cost of RMB39.3 million and an increase in legal and professional fee of RMB9.2 million. The decrease in corporate finance income of RMB94.1 million was mainly due to the decrease in exchange gain on notes payable of RMB37.5 million and net other exchange gain of RMB43.0 million. In addition, the corporate finance cost dropped by RMB72.6 million, mainly due to a decrease in exchange loss of RMB60.5 million and a decrease in fair value loss on derivative financial instruments of RMB50.7 million, which was offsetted by the increase in interest expense of the loan from a fellow subsidiary of RMB22.9 million.

Final dividend

The Directors have recommended the payment of final dividend for 2019 of HK\$0.21 which is equivalent to approximately RMB0.187958 (2018: HK\$0.24 which was equivalent to approximately RMB0.206928) per share payable to shareholders whose names appear on the register of members of the Company on 5 June 2020. Subject to the approval of shareholders at the Annual General Meeting to be held on 26 May 2020, the final dividend will be paid on or about 29 June 2020. Together with the interim dividend of HK\$0.18 which was equivalent to approximately RMB0.161994 (2018: HK\$0.15 which was equivalent to approximately RMB0.1305345) per share, total dividends for the year ended 31 December 2019 amounts to HK\$0.39 which is equivalent to approximately RMB0.349952 (2018: HK\$0.39 which was equivalent to approximately RMB0.337463) per share, representing a dividend payout ratio of 51.5 percent (2018: 53.6 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	2018 RMB'000	Change %
Total assets	36,797,875	22,739,750	61.8
Total liabilities	23,169,125	10,332,171	124.2
Cash and cash equivalents	1,435,062	2,393,222	-40.0
Total debts	18,356,703	7,613,062	141.1
Of which: bank borrowings	14,520,385	5,399,276	168.9
Other borrowing	700,000	—	N/A
Corporate bonds	1,907,554	1,995,622	-4.4
Notes payable	996,522	—	N/A
Current ratio	0.7 times	1.6 times	
EBITDA interest coverage	7.6 times	8.2 times	
Equity attributable to the shareholders of the Company	10,571,655	10,071,871	5.0

Assets, Liabilities and Equity

As at 31 December 2019, the Group's total assets amounted to RMB36.8 billion which was 61.8 percent higher than the balance as at 31 December 2018 (mainly due to the consolidation of the three newly acquired expressways in Hubei Province). The Group's total assets comprised mainly of intangible operating rights of RMB32.4 billion (31 December 2018: RMB17.4 billion); investments in a joint venture and associates of RMB1.87 billion (31 December 2018: RMB1.93 billion); and cash and cash equivalents of RMB1.4 billion (31 December 2018: RMB2.4 billion).

As at 31 December 2019, the Group's total liabilities amounted to RMB23.2 billion which was 124.2 percent higher than the balance as at 31 December 2018 (mainly due to the consolidation of the three newly acquired expressways in Hubei Province). The Group's total liabilities comprised mainly of bank borrowings of RMB14.5 billion (31 December 2018: RMB5.4 billion); other borrowing of RMB0.7 billion (31 December 2018: Nil); corporate bonds of RMB1.9 billion (31 December 2018: RMB2.0 billion); notes payable of RMB1.0 billion (31 December 2018: Nil); loans from non-controlling interests of RMB71.9 million (31 December 2018: RMB98.5 million); loan from a joint venture of RMB147.0 million (31 December 2018: RMB94.5 million); and deferred income tax liabilities of RMB3.2 billion (31 December 2018: RMB2.1 billion).

As at 31 December 2019, the Group's total equity increased by RMB1,221.2 million to RMB13.6 billion (31 December 2018: RMB12.4 billion), of which RMB10.6 billion was attributable to the shareholders of the Company (31 December 2018: RMB10.1 billion).

Analysis of major assets, liabilities and equity items

Items	Reporting	2018	Change
	Year		
	RMB'000	RMB'000	%
Total assets	36,797,875	22,739,750	61.8
Approximately 90.0 % of which:			
Intangible operating rights	32,369,121	17,419,156	85.8
Investments in a joint venture and associates	1,870,676	1,929,118	-3.0
Cash and cash equivalents	1,435,062	2,393,222	-40.0
Total liabilities	23,169,125	10,332,171	124.2
Approximately 90.0 % of which:			
Bank borrowings – due within 1 year	805,148	511,249	57.5
– long-term portion	13,715,237	4,888,027	180.6
Other borrowing – due within 1 year	500,000	—	N/A
– long-term portion	200,000	—	N/A
Corporate bonds – due within 1 year	—	498,068	N/A
– long-term portion	1,907,554	1,497,554	27.4
Notes payable – long-term portion	996,522	—	N/A
Loans from non-controlling interests	71,914	98,469	-27.0
Loan from a joint venture	147,000	94,500	55.6
Deferred income tax liabilities	3,244,298	2,086,455	55.5
Total equity	13,628,750	12,407,579	9.8
Of which: Attributable to the shareholders			
of the Company	10,571,655	10,071,871	5.0

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 RMB1,435.1 million which was 40.0 percent lower than the level at 31 December 2018. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

Analysis of cash flow movement

	Reporting Year RMB'000	2018 RMB'000
Net cash generated from operating activities	2,142,061	2,096,870
Net cash (used in)/generated from investing activities	(5,512,808)	472,444
Net cash generated from/(used in) financing activities	2,413,653	(3,069,896)
Decrease in cash and cash equivalents	(957,094)	(500,582)
Cash and cash equivalents at 1 January	2,393,222	2,842,452
Effect of exchange rate changes on cash and cash equivalents	(1,066)	51,352
Cash and cash equivalents at 31 December	1,435,062	2,393,222

Net cash generated from operating activities during the Reporting Year amounted to RMB2,142.1 million (2018: RMB2,096.9 million), which was the sum of cash generated from operations of RMB2,429.2 million (2018: RMB2,456.6 million) and refund of PRC enterprise income tax of RMB95.9 million (2018: Nil) less PRC enterprise income tax and withholding tax paid of RMB383.0 million (2018: RMB359.7 million).

Net cash used in investing activities during the Reporting Year amounted to RMB5,512.8 million (2018: net cash generated of RMB472.4 million). The outflow was mainly capital expenditures of RMB5,967.0 million (2018: RMB95.3 million), which mainly represented the payments for considerations of the acquisition of subsidiaries, net of cash acquired of approximately RMB5,841.6 million (2018: Nil). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB400.6 million (2018: RMB384.6 million); interest received in aggregate of RMB28.2 million (2018: RMB43.6 million) and proceeds from compensation arrangement of RMB25.4 million (2018: RMB23.5 million). There was no short-term bank deposits with original maturity over 3 months (2018: RMB115.7 million) in the Reporting Year.

Net cash generated from financing activities during the Reporting Year amounted to RMB2,413.7 million (2018: net cash used of RMB3,069.9 million). The inflow mainly included the drawdown of bank borrowings amounted to RMB5,453.0 million (2018: RMB833.5 million); net proceed from notes payable amounted to RMB996.4 million (drawn on 2 December 2019) and addition of loan from a joint venture amounted to RMB52.5 million (2018: RMB94.5 million). The outflow mainly included repayment of bank borrowings amounted to RMB1,833.1 million (2018: RMB1,255.9 million); payment of finance costs and related fees of RMB306.4 million (2018: RMB390.5 million); dividends paid to the shareholders of the Company of RMB617.3 million (2018: RMB528.4 million); dividends paid to non-controlling interests of RMB351.6 million (2018: RMB294.4 million); repayment of corporate bonds of RMB90.0 million (2018: Nil); repayment of the loan from a fellow subsidiary of RMB850.0 million (2018: Nil); repayments of loans from non-controlling interest of subsidiaries of RMB28.1 million (2018: RMB5.7 million) and payment for lease liabilities (including interest) of RMB11.8 million (2018: Nil). There was no repayment of notes payable (2018: RMB1,523.0 million) in the Reporting Year.

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2019 was 0.7 times (31 December 2018: 1.6 times). The drop in current ratio was mainly due to the consolidation of three newly acquired expressways in Hubei Province, leading to bank borrowings and other borrowing repayable within 1 year amounting to RMB925.0 million as at 31 December 2019. The current assets balance as at 31 December 2019 was RMB1,798.1 million (31 December 2018: RMB2,591.1 million) and current liabilities balance was RMB2,535.0 million (31 December 2018: RMB1,584.1 million). Cash and cash equivalents were the major components of the Group's current assets with a balance as at 31 December 2019 of RMB1,435.1 million (31 December 2018: RMB2,393.2 million). The Group's current liabilities as at 31 December 2019 included short-term borrowings (i.e. maturities within one year) of approximately RMB1,305.1 million (31 December 2018: RMB1,009.3 million), which consisted of bank borrowings of RMB805.1 million and other borrowing of RMB500.0 million (31 December 2018: bank borrowings of RMB511.2 million and corporate bonds of RMB498.1 million). Management will continue to take a prudent approach to effectively match the existing cash, future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the year ended 31 December 2019 was 7.6 times (31 December 2018: 8.2 times) which was measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the year ended 31 December 2019 was 16.3 percent (31 December 2018: 38.6 percent) which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings, other borrowing, corporate bonds and notes payable ("total external debts").

Profit before interest and income tax interest coverage for the year ended 31 December 2019 was 5.9 times (31 December 2018: 6.5 times) which was measured as the ratio of profit before interest and tax to interest expenses (profit and loss impact).

Cash interest coverage for the year ended 31 December 2019 was 9.0 times (31 December 2018: 7.6 times) which was measured as the ratio of cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB5,967.0 million (2018: RMB95.3 million). Capital expenditures related to intangible operating rights and fixed assets are: (1) payments for considerations to acquisition of subsidiaries, net of cash acquired of RMB5,841.6 million (2018: Nil); (2) payments of construction costs of toll highways and bridges upgrade services of RMB120.7 million (2018: RMB77.5 million) and (3) purchase of property, plant and equipment of RMB4.7 million (2018: RMB15.5 million). Apart from the aforementioned, no material capital expenditure was incurred during the Reporting Year. Going forward, the management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

Capital structures

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

Analysis of capital structures

	Reporting Year RMB'000	2018 RMB'000
Total external debts		
Bank borrowings	14,520,385	5,399,276
Other borrowing	700,000	—
Corporate bonds ⁽¹⁾	1,907,554	1,995,622
Notes payable ⁽²⁾	996,522	—
Loans from non-controlling interests	71,914	98,469
Loan from a joint venture	147,000	94,500
Amount due to a joint venture	2,490	25,195
Lease liabilities	10,838	—
	<hr/>	<hr/>
Total debts	18,356,703	7,613,062
Less: cash and cash equivalents	(1,435,062)	(2,393,222)
	<hr/>	<hr/>
Net debt	16,921,641	5,219,840
	<hr/>	<hr/>
Total Equity	13,628,750	12,407,579
Of which: Equity attributable to the shareholders of the Company	10,571,655	10,071,871
	<hr/> <hr/>	<hr/> <hr/>
Total capitalization (Net debt + Total equity)	30,550,391	17,627,419
	<hr/> <hr/>	<hr/> <hr/>
<i>Financial ratios</i>		
Gearing ratio (net debt/total capitalization)	55.4%	29.6%
Debt to Equity ratio (net debt/total equity)	124.2%	42.1%
Total liabilities/Total assets ratio	63.0%	45.4%

(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:	RMB290 million	RMB700 million	RMB120 million	RMB800 million
Principal repayment date:	21 March 2021	21 March 2023	26 October 2021	26 October 2023
Coupon rate (per annum):	4.10%	3.38%	3.60%	3.18%
Upcoming interest payment date:	21 March 2020	21 March 2020	26 October 2020	26 October 2020
Stock Exchange:	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange

(2) Basic summary information of notes payable:

	RMB1,000 million three-year medium term notes (Phase 1)
Drawdown date:	2 December 2019
Principal:	RMB1,000 million
Principal repayment date:	2 December 2022
Coupon rate (per annum):	3.58%
Upcoming interest payment date:	2 December 2020
Organization:	National Association of Financial Market Institutional Investors

Financing structures

In a way to ensure the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively maintain a cost-efficient funding to its overall funding needs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by, and to take advantage of the cost differentials, not only of these two markets but also of international markets; and on the other hand, strike a balance between lowering the interest rate and mitigating exchange risk exposure. As at the end of the Reporting Year, the Group's total debts comprised bank borrowings, other borrowing, corporate bonds, notes payable, loans from non-controlling interests, loan from a joint venture, amount due to a joint venture and lease liabilities. Debt with foreign exchange risk exposure as at 31 December 2019 was approximately RMB445.5 million (31 December 2018: approximately RMB434.6 million), the hedging cost was locked by forward contract.

As at 31 December 2019, the Group's total external debts in aggregate was approximately RMB18.1 billion (31 December 2018: RMB7.4 billion) which consisted of bank borrowings amounted to RMB14.5 billion (31 December 2018: RMB5.4 billion), other borrowing of RMB0.7 billion (31 December 2018: Nil), corporate bonds of RMB1.9 billion (31 December 2018: RMB2.0 billion) and notes payable of RMB1.0 billion (31 December 2018: Nil). Onshore and offshore debts ratio was 95.2 percent and 4.8 percent (31 December 2018: 94.2 percent and 5.8 percent). Secured external debt ratio was 50.6 percent (31 December 2018: 63.1 percent). The effective interest rate of total external debt at 31 December 2019 was 4.34 percent (31 December 2018: 4.09 percent). Of the bank borrowings, RMB13.9 billion was at floating rates and RMB654.8 million was at fixed rates with the overall effective interest rate of 4.37 percent at 31 December 2019 (31 December 2018: 4.37 percent). Other borrowing was at fixed rate with the effective interest rate of 6.7% at 31 December 2019 (31 December 2018: Nil). Corporate bonds (in four tranches) were at fixed rates with coupon rates of 4.10 percent, 3.38 percent, 3.60 percent and 3.18 percent respectively with overall effective interest rate at 3.55 percent as at 31 December 2019 (31 December 2018: 3.36 percent). Notes payable was at fixed rates with coupon rate of 3.58 percent and with effective interest rate at 3.78 percent as at 31 December 2019 (31 December 2018: Nil).

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

	Reporting Year Percentage of total	2018 Percentage of total
Source		
Onshore	95.2%	94.2%
Offshore	4.8%	5.8%
	100.0%	100.0%
Repayment term		
Within 1 year	7.2%	13.6%
1 to 2 year	16.5%	3.1%
More than 2 years and less than 5 years	38.9%	38.9%
Above 5 years	37.4%	44.4%
	100.0%	100.0%
Currency		
RMB	97.5%	94.2%
HKD	2.5%	5.8%
	100.0%	100.0%
Interest rate		
Fixed	23.5%	34.4%
Floating	76.5%	65.6%
	100.0%	100.0%
Terms of credit		
Secured	50.6%	63.1%
Unsecured	49.4%	36.9%
	100.0%	100.0%

Loans from non-controlling interests of certain subsidiaries were unsecured, interest-free, long-term and denominated in RMB. The carrying amounts of these loans approximate their fair values which were calculated based on cash flows discounted at a rate of 4.35 percent (2018: 4.35 percent) per annum.

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

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

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and approximately 97.5 percent (2018: 94.2 percent) of its external debts are denominated in RMB. As at the end of the Reporting Year, the Group's foreign-currency denominated assets and liabilities mainly includes cash and cash equivalent of HK\$15.5 million (equivalent to approximately RMB13.8 million); and an external debt of HK\$497.4 million (equivalent to approximately RMB445.5 million). The Group had entered into forward contracts to hedge the foreign exchange risk in the Reporting Year. As the foreign exchange market is still volatile, the Group will continue to review and assess closely its foreign currency exposure.

IV. Capital commitments and contingent liabilities

As at 31 December 2019, the Group had capital commitments related to intangible operating rights and property, plant and equipment, of which approximately RMB51.0 million being contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2019. There were no significant contingent liabilities as at 31 December 2019.

V. Employees

As at 31 December 2019, the Group had approximately 1,997 employees of whom about 1,757 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

INVESTOR RELATIONS REPORT

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

On the basis of strictly following the requirements of the regulatory authorities, the Group including executive directors and senior management personnel, continues to actively communicate through various platforms and channels, including results announcements, roadshows and various industry seminars, etc., as well as regularly meet and communicate with our shareholders, industry researchers and domestic and overseas investors who are interested in the Group, and answer their queries. In addition, the investor relations team organizes reverse roadshow on a 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. Besides, the Group also collected feedbacks from the market during the process of communicating with investors and other groups to use as a reference for improving our governance and management.

During the Reporting Year, investment banks such as HSBC, Essence International, HTSC and CICC released research coverage reports on the Group at various times, and institutions such as JP Morgan Chase, Mizuho Securities and DBS also organized market briefings on the Group at various times and arranged for meetings with international institutional investors. Those reports and meetings demonstrated the recognition of the Group 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 emails and telephone communication, and released monthly operational statistics to investors on a regular basis.
- We organized receptions for visiting investors, on-site research visits for industry analysts, including telephone conferences. We have received a total of more than 150 participants.

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

Month	Place	Event	Organizer
February	Hong Kong	2018 Annual results roadshow	HSBC
March	Shenzhen	2018 Annual results roadshow	Essence Securities
May	Beijing	Industry seminar	JP Morgan Chase
May	Hong Kong	2018 Annual results roadshow	Mizuho Securities
June	Shanghai	Industry seminar	CICC
September	Hong Kong	2019 Interim results roadshow	DBS
October	Hong Kong	2019 Interim results roadshow	HSBC
November	Wuhan	Reverse roadshow	The Company

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

Economic Digest:

Hong Kong Outstanding Enterprise 2019

Quamnet.com:

Outstanding Infrastructure Investment and Development Award 2019

Bloomberg Business Weekly:

Listed Enterprises of the Year 2019

International Annual Report Design Awards

Cover Design of Annual Report 2018: Silver Award

Inside Pages Design of Annual Report 2018: Bronze Award

ARA Australian Reporting Awards

Australian Annual Report Awards: Bronze Award

International ARC Awards 2019

Annual Report Design Awards: Bronze Award

BDO ESG Awards

ESG Award 2019

CONSISTENT INVESTOR RETURN

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

	2013	2014	2015	2016	2017	2018	2019
Earnings per share (RMB)	0.3314	0.3642	0.318	0.5491	0.5666	0.6300	0.6799
Dividend per share (HKD)	0.26	0.28	0.28	0.33	0.36	0.39	0.39
Dividend payout ratio	62.20%	61.00%	72.20%	52.50%	52.40%	53.60%	51.5%

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2019, the Company has complied with the code provisions as set out in the Corporate Governance Code, with the exception of code provision A.4.1.

Code Provision A.4.1

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

REVIEW OF ANNUAL RESULTS

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

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 May 2020 to Tuesday, 26 May 2020, 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 26 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 20 May 2020.

In addition, the register of members of the Company will be closed from Wednesday, 3 June 2020 to Friday, 5 June 2020, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Tuesday, 2 June 2020.

By Order of the Board
Yuexiu Transport Infrastructure Limited
LI Feng
Chairman

Hong Kong, 6 March 2020

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

Executive Directors: LI Feng (Chairman), HE Baiqing, CHEN Jing and XIE Yanhui

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