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越秀交通基建有限公司

Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 01052)

2023 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2023 (the "Reporting Year"), the Group recorded revenue of RMB3,967 million, representing a year-on-year increase of 20.6%. Profit attributable to shareholders amounted to RMB765 million, representing a year-on-year increase of 68.9%. The increase in revenue and profit was mainly attributable to the recovery of the macro economy and the growth of passenger volume (2022: RMB3,289 million and RMB453 million).

The Board has recommended the payment of a final dividend for 2023 of HK\$0.15 per share. Together with the interim dividend of HK\$0.15 per share paid, the total dividend for the Reporting Year is HK\$0.30 per share, which is equivalent to RMB0.2734 per share, and the annual dividend payout ratio of the year is 59.8%.

ANNUAL REVIEW

Marco-Economy and Regulatory Environment of the Sector

In 2023, the global economy recovered steadily from negative factors such as geopolitical and inflation risks and showed resilience. The International Monetary Fund (IMF) expected that the global economic growth rate in 2023 would be 3.1%. Facing the complex and ever-changing environment and challenges, China's economy rebounded steadily throughout the year, with GDP increasing by 5.2% year-on-year.

Over the past year, in the face of a complex and challenging international environment and the expectation of post-pandemic resilience, the PRC stayed true to the general principle of pursuing progress while ensuring stability, and strived to promote high-quality development, thereby promoting an improving economic recovery. In terms of investment in transportation infrastructure construction, according to the Ministry of Transport, from January to December 2023, fixed asset investment in transportation was more than RMB3.9 trillion. From January to December 2023, highway passenger turnover was 56,520 million, representing a year-on-year increase of 26.3% and highway cargo turnover was 40,340 million tonnes, representing a year-on-year increase of 8.7%.

Business Development

During the Reporting Year, the Group's revenue recorded a 20.6% increase. In particular, toll revenue from most projects showed a good growth trend. With the recovery and growth of the macro-economy and the continued recovery and growth of passenger volume, the transportation industry has shown an overall recovery and development trend, and the toll revenue from most of the Group's projects has recovered well.

During the Reporting Year, the entering into of Huangpu District Land Expropriation Works Agreement and Baiyun District Land Expropriation Works Agreement with Guangzhou Development District Key Project Promotion Centre and Baiyun Land Acquisition Office respectively, in relation to the GNSR Expressway R&E Project and the entering into of construction works agreements with relevant contractors for main sections by Guangzhou North Second Ring Transport Technology Company Limited ("GNSR Company") were successfully approved by the board of directors and at the special general meeting of the Company. Construction under the project is expected to commence in full swing in June 2024 after obtaining land use and construction approvals. GNSR Expressway, as the artery for transportation in the north of Guangzhou City, is a part of the expressway network that connects Guangzhou City and Shenzhen City, the two core first-tier cities in the Guangdong-Hong Kong-Macau Greater Bay Area, as well as other important cities such as Foshan City and Dongguan City and an important component of the transportation network in the Greater Bay Area, and plays a major role in the Group. The R&E Project is expected to significantly improve the current traffic conditions, service quality and traffic capacity of the GNSR Expressway, while reducing traffic accidents to secure travel safety. Meanwhile, it is expected that the R&E Project will help extend the toll operating period of the GNSR Expressway by up to 25 years from the completion date of the GNSR Expressway R&E Project, which in turn allows the Company to continue to benefit from the development of the Greater Bay Area, helps the Company to enhance the development capacity of its principal toll road business and improve its core advantages in investment, construction and operation, thereby scaling up its core business on an ongoing basis.

In addition, the Group will continue to improve the combined business strategy of "investment, financing, management and divestment", under which it may acquire quality assets by establishing incubation platforms at the front end and take advantage of the positive effects of publicly traded domestic infrastructure REITs at the back end. It will also leverage the positive interaction between the incubation platforms, publicly traded domestic infrastructure REITs and listed companies to realise asset inflow and outflow, and thereby further optimise the Group's asset portfolio and create greater value for shareholders.

The Group has always maintained sound operation and a healthy financial condition. During the Reporting Year, the Group maintained investment-grade ratings from international rating agencies Moody's and Fitch. In particular, Moody's and Fitch maintained the Group's investment grade rating of Baa2 and BBB, respectively.

FUTURE PROSPECT AND OUTLOOK

Outlook of Macro-Economy and Industry Development Prospect

During the Reporting Year, the global economy proved better resilience than expected even in the face of geopolitical risks, inflation risks and other negative factors. According to the "World Economic Situation and Prospects 2024" released by the United Nations in January 2024, the global inflation rate is expected to decrease from 5.7% in 2023 to 3.9% in 2024. In January 2024, the International Monetary Fund (IMF) raised the Chinese economic growth forecast and the global economic growth forecast for 2024 by 0.4 and 0.2 percentage point, compared to its October 2023 forecasts, to 4.6% and 3.1% respectively.

During the Reporting Year, against the background of a more complex, severe and uncertain external environment, China's economy advanced steadily. In 2023, its gross domestic product achieved a year-on-year growth rate of 5.2%, ranking in the forefront among major economies, demonstrating an upward trend and being a driving force of the global economy. According to the statistics of the Ministry of Public Security, domestic motor vehicle ownership reached 435 million vehicles, of which car ownership was 336 million vehicles with new energy vehicle ownership reaching 20.41 million vehicles. Motor vehicle ownership recorded a 25% increase comparing to 348 million motor vehicles at the end of 2019 prior to the outbreak of the pandemic. 32 days prior to 2024 Spring Festival travel rush (26 January to 27 February), nationwide passenger turnover and average daily passenger turnover were 7,025 million and 220 million respectively, representing an increase of 11% and 10% comparing to the same period of 2023 and 2019 respectively, marking a record high. Among the nationwide passenger turnover during 2024 Spring Festival travel rush, an increase of approximately 33% was recorded for self-driving travel, representing approximately 80% of the total turnover, providing a stable and sustainable income source of passenger cars for the future growth of the toll road industry and generating new impetus for the development of the industry.

With the better-than-expected data of tourist consumption during 2024 Spring Festival travel rush, and the private financing in January, as well as the desire of regulators to introduce policies and measures to boost confidence and stabilise expectation, the Chinese economy saw a good start in 2024.

Toll roads are an important part of the modern comprehensive transportation system, and are of great significance to the long-term development of the domestic economy. In July 2023, the Ministry of Transport issued the “Statistical Bulletin on the Development of the Transportation Industry in 2022” (《二〇二二年交通運輸行業發展統計公報》) (hereinafter referred to as the “Bulletin”). According to the Bulletin, China’s arterial traffic network has been developing. In the next step, in accordance with the requirements of the “Outline for Building China’s Strength in Transport” (《交通強國建設綱要》) and the “National Comprehensive Three-dimensional Transportation Network Planning Outline” (《國家綜合立體交通網規劃綱要》), the Ministry of Transport will actively expand effective investments in transportation, and continue to promote the projects involving transportation in 102 major projects under the “14th Five-Year Plan” with a focus on extending network and strengthening chains, thereby accelerating the construction of the main framework of the national comprehensive three-dimensional transportation network which comprises of “6 axes, 7 corridors and 8 channels”. In addition, the “14th Five-Year Plan for the Development of Modern Comprehensive Transportation System” (《「十四五」現代綜合交通運輸體系發展規劃》) clearly targets that by 2025, the comprehensive transportation will basically achieve integrated development and transportation development will move towards world-class level. Looking forward to 2035, a modern, high-quality national comprehensive three-dimensional transportation network will be basically established, and China will then build itself into a country with a strong transportation network. With the rising income levels and the increasing travel demand, room for growth in car ownership, steady growth in freight transport along with social economy development, the operating performance of expressway assets remains promising. Taking into account the above factors, the Group remains optimistic about the development prospects of the industry.

Development Strategies and Investment Opportunities

Yuexiu Transport is committed to becoming a leading transport infrastructure asset management company in China under the guidance of the “3331” development strategy, which includes improving the three platforms (listed platform, REITs platform and incubation platform), enhancing the three core abilities (investment ability, operation and maintenance and construction management ability and capital operation ability) and focusing on three directions (expressway main business, key areas and expansion of related auxiliary businesses). The Group will continue to grasp the strategic opportunity period for expressway investment and mergers and acquisitions. Gaining its foothold in Guangdong-Hong Kong-Macau Greater Bay Area and Central China, expanding its presence in other developing areas benefiting from continued urbanisation and industrialisation going forward, making full use of the incubation platform model and exploring opportunities of investing in reconstruction and expansion of quality assets, the Group insists on strengthening and expanding its infrastructure business mainly based on toll roads.

APPRECIATION

During the Reporting Year, our directors, senior management and all our staff continued to adhere to their pragmatic, diligent and resolute working attitude, in pursuit of excellent performance and quality 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 STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	2	3,966,726	3,288,923
Cost of services	4, 5	(1,819,383)	(1,569,535)
Construction income under service concession upgrade services		713,062	283,987
Construction costs under service concession upgrade services		(713,062)	(283,987)
Other income, gains and losses – net	3	(75,163)	45,973
General and administrative expenses	4, 5	(267,776)	(310,419)
Operating profit		1,804,404	1,454,942
Finance income	6	30,191	63,617
Finance costs	6	(562,395)	(625,483)
Share of result of a joint venture, net of tax		75,708	53,257
Share of results of associates, net of tax		200,998	119,007
Profit before income tax		1,548,906	1,065,340
Income tax expense	7	(427,263)	(327,529)
Profit for the year		1,121,643	737,811
Attributable to:			
Shareholders of the Company		765,309	453,114
Non-controlling interests		356,334	284,697
		1,121,643	737,811
Earnings per share for profit attributable to the shareholders of the Company	8	RMB	RMB
Basic earnings per share		0.4574	0.2708
Diluted earnings per share		0.4574	0.2708

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	RMB'000
Profit for the year	<u>1,121,643</u>	<u>737,811</u>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss in subsequent period:</i>		
Currency translation differences	361	2,245
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	<u>—</u>	<u>(655)</u>
Other comprehensive income for the year	<u>361</u>	<u>1,590</u>
Total comprehensive income for the year	<u>1,122,004</u>	<u>739,401</u>
Total comprehensive income attributable to:		
Shareholders of the Company	765,670	454,704
Non-controlling interests	<u>356,334</u>	<u>284,697</u>
	<u>1,122,004</u>	<u>739,401</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights		30,247,734	30,641,331
Goodwill		514,577	514,577
Property, plant and equipment		41,609	41,497
Other intangible assets		19,078	16,944
Investment properties		38,039	38,584
Right-of-use assets		4,737	15,250
Investment in a joint venture		478,813	463,763
Investments in associates		1,599,983	1,823,180
Prepayments	10	916,926	—
Loan to an associate		6,406	6,406
		<u>33,867,902</u>	<u>33,561,532</u>
Current assets			
Trade receivables	10	112,389	127,730
Other receivables, deposits and prepayments	10	102,789	156,451
Amount due from an associate		38,593	11,430
Cash and cash equivalents		2,380,785	2,480,267
		<u>2,634,556</u>	<u>2,775,878</u>
Total assets		<u>36,502,458</u>	<u>36,337,410</u>
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves		11,466,015	11,083,123
		<u>11,613,337</u>	<u>11,230,445</u>
Non-controlling interests		<u>3,236,600</u>	<u>3,004,530</u>
Total equity		<u>14,849,937</u>	<u>14,234,975</u>

	Notes	2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		8,457,900	6,821,973
Notes payable		1,498,746	1,998,463
Corporate bonds		499,667	2,499,094
Contract liabilities and deferred revenue		286,264	292,754
Deferred income tax liabilities		3,072,085	3,052,185
Lease liabilities		3,310	5,141
		<u>13,817,972</u>	<u>14,669,610</u>
Current liabilities			
Borrowings		1,178,089	2,625,674
Notes payable		3,373,285	3,109,011
Corporate bonds		2,067,750	689,200
Amount due to a non-controlling interest of a subsidiary		1,611	1,611
Trade and other payables and accrued charges	11	1,117,332	921,901
Contract liabilities and deferred revenue		15,792	23,252
Lease liabilities		1,763	10,833
Current income tax liabilities		78,927	51,343
		<u>7,834,549</u>	<u>7,432,825</u>
Total liabilities		<u>21,652,521</u>	<u>22,102,435</u>
Total equity and liabilities		<u>36,502,458</u>	<u>36,337,410</u>

1 BASIS OF PREPARATION

(i) Compliance with HKFRSs and HKCO

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”).

(ii) Going concern consideration

As at 31 December 2023, the Group’s current liabilities exceeded its current assets by RMB5,199,993,000. The Group’s current liabilities primarily comprise the current portion of borrowings, notes payable, corporate bonds, and trade and other payables and accrued charges of RMB1,178,089,000, RMB3,373,285,000, RMB2,067,750,000 and RMB1,117,332,000, respectively. 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, unutilised quota for the issuance of corporate bonds and multiple types of debt financing instruments available to the Group and the internally generated funds from operations. 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 for certain financial assets and liabilities and investment properties which are measured at fair value.

(iv) New standard and amendments to standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The above new and revised HKFRSs effective for the financial year beginning on 1 January 2023 did not have a material impact on the Group.

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to standards		Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Not determined yet*
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”) [#]	1 January 2024
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”) [#]	1 January 2024
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to HKAS 21	<i>Lack of Exchangeability</i>	1 January 2025

* No mandatory effective date yet determined but available for adoption

[#] As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Management considers that the adoption of the above mentioned amendments is not expected to have a material impact on the Group in future reporting periods when they become effective.

2 REVENUE AND SEGMENT INFORMATION

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

The chief operating decision-maker (the “CODM”) 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. None of these operations constitutes a separate segment. There have been no sales carried out between segments. The financial information provided to the CODM 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 2023			
Revenue (from external customers)			
– Toll revenue	3,841,319	—	3,841,319
– Income from service area and gas station	35,462	—	35,462
– Entrusted road management service income	35,907	—	35,907
– Construction service income	47,092	—	47,092
– Other toll operating income	6,946	—	6,946
	<u>3,966,726</u>	<u>—</u>	<u>3,966,726</u>
Amortisation of			
– Intangible operating rights	(1,277,869)	—	(1,277,869)
– Other intangible asset	(6,398)	—	(6,398)
Depreciation of			
– Property, plant and equipment	(12,091)	(205)	(12,296)
– Right-of-use assets	(11,446)	—	(11,446)
Other compensation income	1,079	—	1,079
Government subsidy	6,209	—	6,209
	<u>1,804,745</u>	<u>(341)</u>	<u>1,804,404</u>
Operating profit/(loss)			
Finance income	30,191	—	30,191
Finance costs	(562,395)	—	(562,395)
Share of result of a joint venture, net of tax	75,708	—	75,708
Share of results of associates, net of tax	220,075	(19,077)	200,998
	<u>1,568,324</u>	<u>(19,418)</u>	<u>1,548,906</u>
Profit/(loss) before income tax			
Income tax expense	(427,263)	—	(427,263)
	<u>1,141,061</u>	<u>(19,418)</u>	<u>1,121,643</u>
Profit/(loss) for the year			

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2022			
Revenue (from external customers)			
– Toll revenue	3,193,138	—	3,193,138
– Income from service area and gas station	34,408	—	34,408
– Entrusted road management service income	32,114	—	32,114
– Construction service income	23,783	—	23,783
– Other toll operating income	5,480	—	5,480
	<u>3,288,923</u>	<u>—</u>	<u>3,288,923</u>
Amortisation of			
– Intangible operating rights	(1,146,491)	—	(1,146,491)
– Other intangible asset	(5,599)	—	(5,599)
Depreciation of			
– Property, plant and equipment	(11,491)	(650)	(12,141)
– Right-of-use assets	(11,118)	—	(11,118)
Other compensation income			
Government subsidy	28,494	—	28,494
	<u>3,769</u>	<u>—</u>	<u>3,769</u>
Operating profit/(loss)	1,456,484	(1,542)	1,454,942
Finance income	63,617	—	63,617
Finance costs	(625,483)	—	(625,483)
Share of result of a joint venture, net of tax	53,257	—	53,257
Share of results of associates, net of tax	126,909	(7,902)	119,007
	<u>1,074,784</u>	<u>(9,444)</u>	<u>1,065,340</u>
Profit/(loss) before income tax	1,074,784	(9,444)	1,065,340
Income tax expense	(327,529)	—	(327,529)
	<u>747,255</u>	<u>(9,444)</u>	<u>737,811</u>
Profit/(loss) for the year	747,255	(9,444)	737,811

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Assets and liabilities			
As at 31 December 2023			
Total segment assets	36,432,839	69,619	36,502,458
Addition to non-current assets (other than financial instruments)	1,651,852	5	1,651,857
Total segment assets include:			
Investment in a joint venture	478,813	—	478,813
Investments in associates	1,562,703	37,280	1,599,983
Total segment liabilities	<u>(21,645,902)</u>	<u>(6,619)</u>	<u>(21,652,521)</u>
As at 31 December 2022			
Total segment assets	36,246,753	90,657	36,337,410
Acquisition of a subsidiary	1,098,000	—	1,098,000
Addition to non-current assets (other than financial instruments)	304,418	17	304,435
Total segment assets include:			
Investment in a joint venture	463,763	—	463,763
Investments in associates	1,766,823	56,357	1,823,180
Total segment liabilities	<u>(22,102,225)</u>	<u>(210)</u>	<u>(22,102,435)</u>

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.

Information about the Group's performance obligations is summarised below:

Toll revenue and other toll operating income

The performance obligation is satisfied when the relevant services have been provided upon the completion of passing through the road and bridge. Payment is due immediately when the service is provided.

Income from service area and gas station

The performance obligation is satisfied over time on a straight-line basis over the service period. Payment in advance is normally required for income from service area and gas station.

Entrusted road management service income

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are billed based on the time incurred.

Construction service income

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

3 OTHER INCOME, GAINS AND LOSSES – NET

	2023 RMB'000	2022 RMB'000
Fair value loss on investment properties	(882)	(1,383)
Gain on disposal of property, plant and equipment	317	653
Compensation for expressways and bridges damages	9,933	7,531
Other compensation income (note a)	1,079	28,494
Management service income	7,524	2,620
Government subsidy	6,209	3,769
Others	825	4,289
Impairment loss on investment in an associate (note b)	(100,168)	—
	<u>(75,163)</u>	<u>45,973</u>

Notes:

- (a) The amount mainly represented compensation from third parties and the government on requisition of land and demolishment of plants and other greening facilities.
- (b) The forecast future toll traffic volume and toll revenue of Guangdong Shantou Bay Bridge Co., Ltd. are expected to decrease, which was mainly due to the expected continuous diversion impact on this road section as a result of the commencement of operation of Shantou Bay Tunnel on 28 September 2022 and the implementation of free permit for passenger cars, as well as the expected commencement of operation of Niutianyang Expressway and New Passage Crossing Shantou Bay (tentative name) in 2024 and 2027 respectively. An impairment test for the investments in Guangdong Shantou Bay Bridge Co., Ltd. was performed based on the traffic forecast and asset valuation made by the independent traffic consultant and the independent valuer engaged by the Company respectively, and an impairment loss of RMB100,168,000 against investment in associate was recognised for the current year (2022: nil). The recoverable amount of the investments was determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering the remaining concession period of Guangdong Shantou Bay Bridge Co., Ltd. with budgeted revenue growth rate of -5% to 2% per annum. As at 31 December 2023, the carrying amount of investment in Guangdong Shantou Bay Bridge Co., Ltd. amounted to RMB56,000,000 (2022: RMB162,041,000) with a remaining term of operation of approximately 5 years (2022: approximately 6 years).

4 EXPENSES BY NATURE

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

	2023 RMB'000	2022 RMB'000
Taxes and surcharges	23,511	20,580
Amortisation of		
– Intangible operating rights	1,277,869	1,146,491
– Other intangible asset	6,398	5,599
Depreciation of		
– Property, plant and equipment	12,296	12,141
– Right-of-use assets	11,446	11,118
Employee benefit expense (note 5)	384,970	392,129
Toll highways and bridges maintenance expenses	145,647	119,613
Toll highways and bridges operating expenses	169,072	111,354
Auditor's remuneration		
– Audit services	2,980	2,950
– Non-audit services	1,070	1,595
Legal and professional fees	19,386	19,179
	<u>19,386</u>	<u>19,179</u>

5 EMPLOYEE BENEFIT EXPENSE

	2023 RMB'000	2022 RMB'000
Staff costs (including directors' emoluments)		
– Wages and salaries	266,585	278,244
– Pension costs (defined contribution plan) (note)	41,264	37,918
– Social security costs	39,353	36,856
– Staff welfare and other benefits	37,597	34,626
– Equity-settled share option expense	171	4,485
	<hr/>	<hr/>
Total employee benefit expense	384,970	392,129

Employee benefit expenses are included in “cost of services” and “general and administrative expenses” of RMB204,631,000 (2022: RMB172,830,000) and RMB180,339,000 (2022: RMB219,299,000) respectively in the consolidated statement of profit or loss.

Note:

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.

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 RMB1,359) 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 RMB6,393). The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

There was no forfeited contribution as at 31 December 2023 (2022: Nil). No forfeited contribution was utilised during the year (2022: Nil). Contributions totalling RMB41,264,000 (2022: RMB37,918,000) were payable to the fund during the year. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6 FINANCE INCOME/(COSTS)

	2023 RMB'000	2022 RMB'000
Bank interest income	29,869	63,609
Interest income on loan to an associate	322	8
Finance income	<u>30,191</u>	<u>63,617</u>
Interest expenses:		
– Bank borrowings	(307,884)	(313,381)
– Other borrowing	—	(3,058)
– Bank facility fees	(2,309)	(9,446)
– Loan from the immediate holding company	(3,194)	(34)
– Loan from a joint venture	—	(324)
– Loan from a non-controlling interest of a subsidiary	—	(81)
– Notes payable	(132,156)	(166,614)
– Corporate bonds	(106,408)	(111,956)
– Lease liabilities	(489)	(729)
Net other exchange loss	(200)	(1,599)
Others	(14,539)	(18,261)
	<u>(567,179)</u>	<u>(625,483)</u>
Less: Interest capitalised in respect of intangible operating rights	4,784	—
Finance costs	<u>(562,395)</u>	<u>(625,483)</u>

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 (2022: Nil).
- (b) During the year ended 31 December 2023, PRC enterprise 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 2023 is 25% (2022: 25%). Guangzhou North Second Ring Transport Technology Company Limited (“GNSR Company”), 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%, started from 2018. In 2021, the preferential tax treatment of income tax was extended to the year ended 31 December 2023. In 2013, Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy eighteen years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2013 and the preferential tax treatment of income tax was extended to the year ended 31 December 2030 in 2020.

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 dividend distributed for reinvestment and undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2022: 5% or 10%).

As at 31 December 2023, deferred tax liabilities of RMB151,979,000 (2022: RMB110,739,000) were 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/(credited) to the consolidated statement of profit or loss represents:

	2023 RMB'000	2022 RMB'000
Current income tax		
PRC enterprise income tax	407,363	347,866
Deferred income tax	19,900	(20,337)
	<u>427,263</u>	<u>327,529</u>

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:

	2023 RMB'000	2022 RMB'000
Profit before income tax	1,548,906	1,065,340
Less: share of results of associates, net of tax	(200,998)	(119,007)
Less: share of result of a joint venture, net of tax	(75,708)	(53,257)
	<u>1,272,200</u>	<u>893,076</u>
Calculated at a tax rate of 25% (2022: 25%)	318,050	223,269
Income not subject to tax	(1,401)	(2,413)
Expenses not deductible for tax purposes	76,202	58,079
Profit of subsidiaries with preferential tax treatment	(92,732)	(81,281)
Tax losses not recognised (note (i))	83,080	88,541
Utilisation of previously unrecognised tax losses	(113)	(145)
Adjustments in respect of current tax of previous periods	(311)	6,414
Effect of income tax on the distributable profits of subsidiaries and associates	33,395	31,839
Withholding tax on the interest income from subsidiaries established in Chinese Mainland	11,093	3,226
	<u>427,263</u>	<u>327,529</u>
Income tax expense		

Note:

- (i) 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 RMB191,148,000 (2022: RMB139,255,000) in respect of unused losses amounting to approximately RMB764,593,000 (2022: RMB557,019,000). Unused tax losses of approximately RMB296,325,000 (2022: RMB124,296,000) will expire in 1 year and the remaining unused tax losses will expire prior to 2028.

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,673,162,000 (2022: 1,673,162,000) during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the share options, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2023	2022
Earnings		
Profit attributable to shareholders of the Company used in the basic and diluted earnings per share calculation (RMB'000)	<u>765,309</u>	<u>453,114</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation ('000)	1,673,162	1,673,162
Effect of dilution – weighted average number of ordinary shares: Share options ('000)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares in issue and potential ordinary shares during the year used in the diluted earnings per share calculation ('000)	<u>1,673,162</u>	<u>1,673,162</u>

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2023 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9 DIVIDENDS

	2023 RMB'000	2022 RMB'000
Interim, paid, HKD0.15 equivalent to approximately RMB0.1372 (2022: HKD0.10 equivalent to approximately RMB0.0861) per share	229,610	144,093
Final, proposed, HKD0.15 equivalent to approximately RMB0.1362 (2022: HKD0.10 equivalent to approximately RMB0.0883) per share	<u>227,837</u>	<u>147,700</u>
	<u>457,447</u>	<u>291,793</u>

The final dividend was proposed after the end of the reporting period and has not been recognised as a liability at the end of the reporting period.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Trade receivables	112,389	127,730
Other receivables, deposits and prepayments	1,019,715	156,451
	<u>1,132,104</u>	<u>284,181</u>
Less: non-current portion (note)	(916,926)	—
	<u>215,178</u>	<u>284,181</u>

Note: Non-current portion refers to prepayments made by the Group for the GNSR Expressway reconstruction and expansion project.

As at 31 December 2023, trade receivables were all aged below 30 days (2022: below 30 days) by the date when trade receivables are recognised (i.e. date on which services are rendered).

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 in China. The settlement period is normally within a month.

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

11 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2023 RMB'000	2022 RMB'000
Trade payables	46,542	47,327
Other payables and accrued charges	538,655	599,659
Construction related accruals and payables	532,135	274,915
	<u>1,117,332</u>	<u>921,901</u>

The ageing analysis of trade payables and construction related accruals and payables by invoice date is as follows:

	2023 RMB'000	2022 RMB'000
0–30 days	273,500	36,345
31–90 days	35,656	32,689
Over 90 days	269,521	253,208
	<u>578,677</u>	<u>322,242</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads, Bridges and Port

	Toll Mileage (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Approved Last Date for Toll Collection (Year/ Month/ Day) ⁽³⁾
SUBSIDIARIES						
GNSR Expressway	42.5	6/8 ⁽¹⁾	6	Expressway	60.00	2032/01/10 ⁽⁴⁾
Cangyu Expressway	22.0	4	0	Expressway	100.00	2030/12/28
Jinxiong Expressway	23.9	4	2	Expressway	60.00	2030/03/17
Changzhu Expressway	46.5	4	5	Expressway	100.00	2040/08/30
Weixu Expressway	64.3	4	2	Expressway	100.00	2035/11/18
Lanwei Expressway	61.0	4	3	Expressway	100.00	2034/07/01
Suiyuanan Expressway	98.1	4	4	Expressway	70.00	2040/03/09
Hancai Expressway	36.0	4/6 ⁽¹⁾	2	Expressway	67.00	2038/08/27
Han'e Expressway	54.8	4	5	Expressway	100.00	2042/06/30
Daguangan Expressway	107.1	4	6	Expressway	90.00	2042/04/29
ASSOCIATES AND JOINT VENTURE						
Han-Xiao Expressway	38.5	4/6 ⁽¹⁾	2	Expressway	30.00	2036/12/09
GWSR Expressway	42.1	6	2	Expressway	35.00	2030/12/19
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽²⁾	2029/05/08
Northern Ring Road	22.0	6/8 ⁽¹⁾	8	Expressway	24.30	2024/03/22
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	2028/12/23
Qinglian Expressway	215.2	4	15	Expressway	23.63	2034/06/30
			No. of berths	Self-owned passenger ferries in use	Attributable Interests (%)	
ASSOCIATE						
Pazhou Port ⁽⁵⁾			5	2	45.00	

Notes:

- (1)
 - a. GNSR Expressway: 8 lanes for the section from Huocun to Luogang, and 6 lanes for other sections.
 - b. Hancai Expressway: 6 lanes for the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes for other sections.
 - c. Han-Xiao Expressway: 6 lanes for the sections of Airport North Extension and from Taoyuanji interchange to Hengdian interchange, and 4 lanes for other sections.
 - d. Northern Ring Road: 8 lanes for the section from Shabei to Bainihe Bridge, and 6 lanes for other sections.
- (2) The profit-sharing ratio was 18.446% from 2010 onwards.
- (3)
 - a. Projects within Guangdong Province: Pursuant to the supporting and protective policies from the relevant authorities in the Guangdong Province regarding waiver of tolls on toll roads during the COVID-19 pandemic, the operators of toll roads for the Group's projects within Guangdong Province shall submit compensation applications one year before the original toll collection deadline of the project. In which: Northern Ring Road has met the above requirements and has completed the relevant application process, and the adjusted and approved toll collection deadline is 22 March 2024.
 - b. Projects within Guangxi Autonomous Region, Hunan Province, Hubei Province, Tianjin City and Henan Province: Pursuant to the supporting and protective policies from the relevant authorities in the Guangxi Autonomous Region, Hunan Province, Hubei Province, Tianjin City and Henan Province regarding waiver of tolls on toll roads during the COVID-19 pandemic, the original approved toll collection deadline for the Group's projects within Guangxi Autonomous Region, Hunan Province, Hubei Province, Tianjin City and Henan Province were postponed for 79 days.
- (4) According to provision 14 of the Regulations on the Administration of Toll Roads (《收費公路管理條例》) promulgated by the State Council, the toll collection deadline shall be reviewed and approved by people's governments of provinces, autonomous regions and municipalities directly under the central government in accordance with the following standards: other than provinces, autonomous regions and municipalities directly under the central government in the central and western region determined by the State, the toll collection period for highways under operation shall be determined in accordance with the principle of recovery of investment with reasonable return, with a maximum of 25 years. Based on the new investment in the GNSR Expressway under the GNSR Expressway R&E Project and the information in feasibility report, the Board expected that the toll operating period of the GNSR Expressway would be extended for a period of up to 25 years from the completion date of the GNSR Expressway R&E Project. The extension of toll period (which is expected to be finalised after the completion of GNSR Expressway R&E Project and the reconstructed and expanded GNSR Expressway open to traffic) will be subject to the final approval by the People's Government of Guangdong Province after the submission of the application for assessment of the operating period of GNSR Expressway and the completion of the technical valuation by a qualified valuer appointed by the Department of Transport of Guangdong Province.
- (5) The trial operation of Pazhou Port commenced on 14 April 2023, and formal operation commenced on 4 May 2023.

TOLL SUMMARY OF TOLL ROADS, BRIDGES AND PORT

For the year ended 31 December 2023

	Average daily toll revenue ⁽¹⁾		Average daily toll traffic volume	
	2023 (RMB/day)	Y-O-Y Change %	2023 (Vehicle/day)	Y-O-Y Change %
SUBSIDIARIES				
GNSR Expressway	3,028,700	12.7%	298,196	22.6%
Cangyu Expressway	276,839	13.6%	18,676	20.9%
Jinxiong Expressway	233,677	18.3%	37,101	26.1%
Changzhu Expressway	703,782	11.1%	72,129	11.9%
Weixu Expressway	1,033,040	-3.2%	26,520	23.4%
Lanwei Expressway ⁽²⁾	845,560	-6.3%	33,204	28.7%
Suiyuan Expressway	1,959,079	13.1%	33,544	19.0%
Hancai Expressway	744,105	20.6%	59,294	38.3%
Han'e Expressway	446,856	7.8%	36,964	26.8%
Daguangnan Expressway	1,252,525	17.4%	28,518	22.1%
ASSOCIATES AND JOINT VENTURE				
Han-Xiao Expressway	648,828	19.2%	32,560	20.4%
GWSR Expressway	1,365,606	23.1%	92,687	28.6%
Humen Bridge	2,825,516	48.1%	103,620	43.6%
Northern Ring Road	1,973,292	12.2%	387,106	12.5%
Shantou Bay Bridge	291,590	-24.9%	18,558	-24.3%
Qinglian Expressway	1,861,976	10.4%	51,855	15.4%
ASSOCIATE				
Pazhou Port ⁽³⁾	85,150	N/A	281	N/A

Notes:

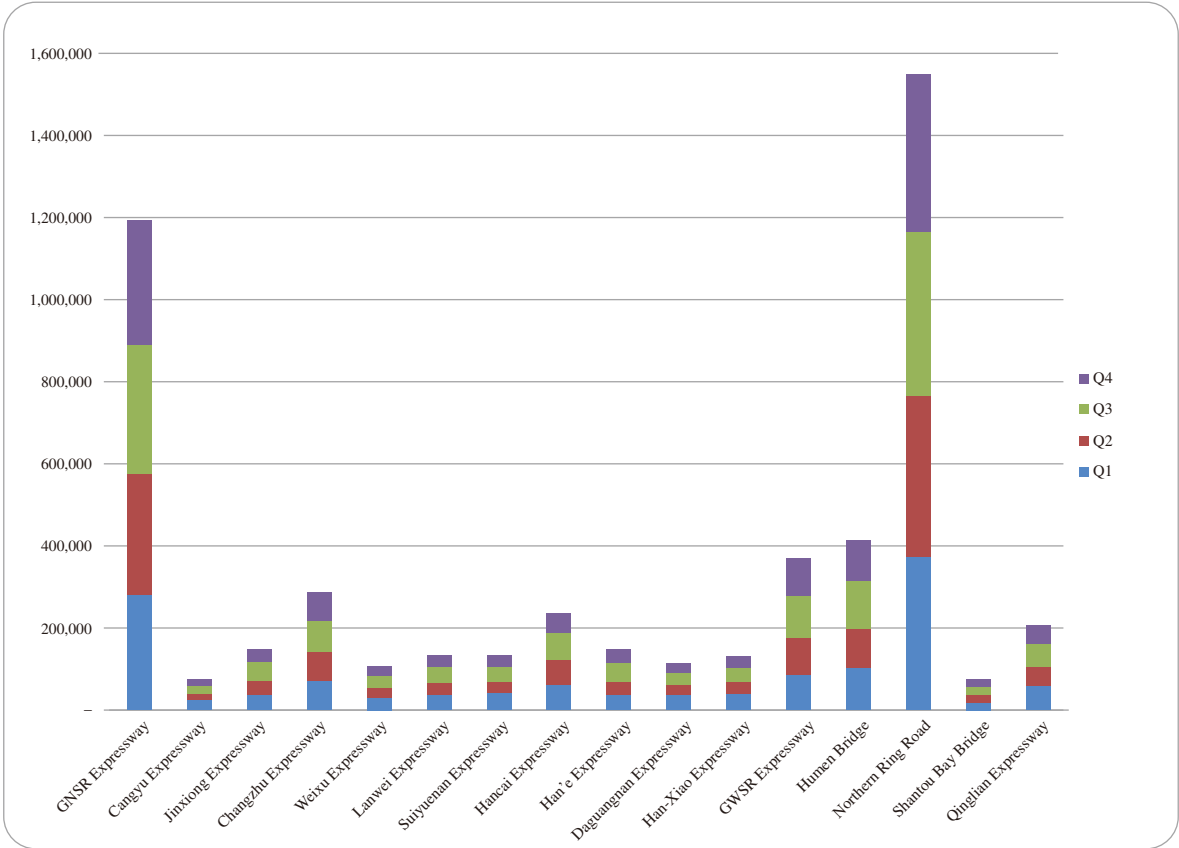
- (1) Average daily toll revenue does not include value-added tax.
- (2) The Group completed the acquisition of 100% of the equity interest in Henan Lanwei Expressway on 18 November 2022. As for year-on-year comparison, both of average daily toll revenue and average daily toll traffic volume were compared with project data in 2022 (including project data before acquisition by the Group).
- (3) The trial operation of Pazhou Port commenced on 14 April 2023, and formal operation commenced on 4 May 2023. The figures of average daily ticket business revenue and average daily passenger volume were for the period from 14 April 2023 to 31 December 2023.

TOLL ROADS AND BRIDGES

Quarterly analysis of average daily toll traffic volume for 2023

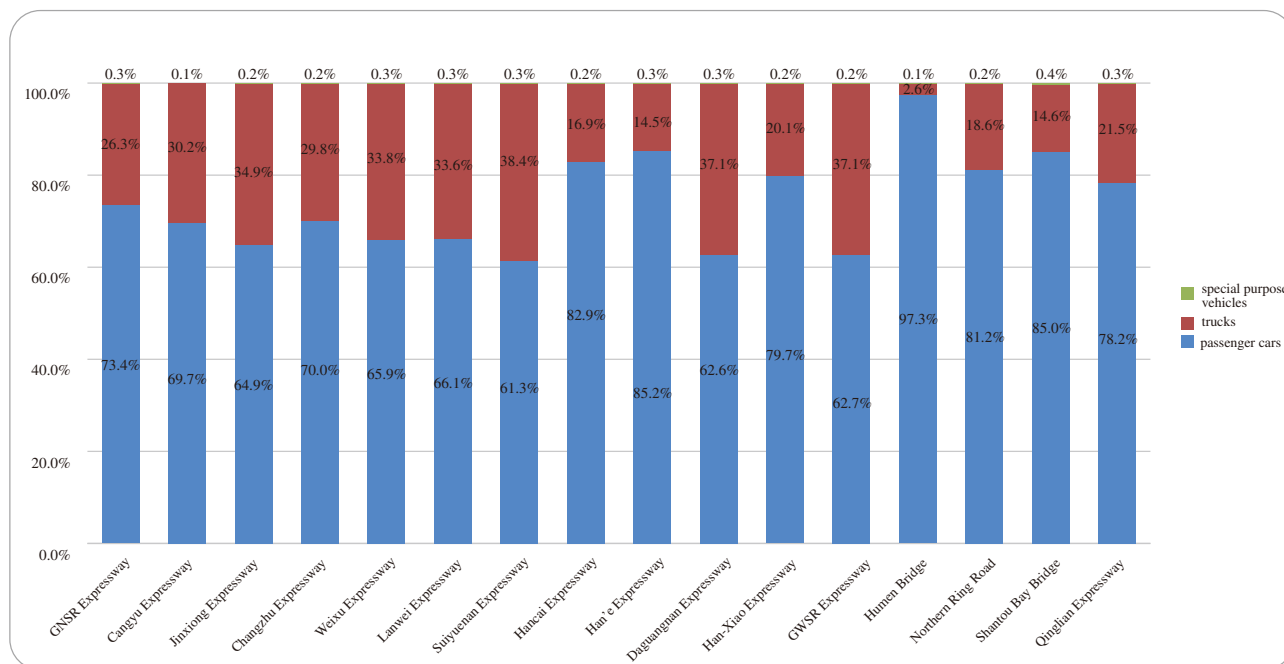
	Average daily toll traffic volume of the first quarter in 2023 (Vehicle/day)	Average daily toll traffic volume of the second quarter in 2023 (Vehicle/day)	Average daily toll traffic volume of the third quarter in 2023 (Vehicle/day)	Average daily toll traffic volume of the fourth quarter in 2023 (Vehicle/day)
SUBSIDIARIES				
GNSR Expressway	279,786	294,171	316,262	302,121
Cangyu Expressway	23,036	16,701	18,821	16,221
Jinxiong Expressway	35,080	35,585	46,290	31,390
Changzhu Expressway	70,236	70,026	77,942	70,250
Weixu Expressway	29,609	24,308	29,111	23,093
Lanwei Expressway	34,477	31,527	37,373	29,449
Suiyuenan Expressway	40,227	28,997	35,530	29,518
Hancai Expressway	60,287	60,271	65,902	50,746
Han'e Expressway	34,583	33,966	44,710	34,512
Daguangnan Expressway	35,122	26,027	29,213	23,827
ASSOCIATES AND JOINT VENTURE				
Han-Xiao Expressway	36,762	29,798	34,486	29,254
GWSR Expressway	84,714	91,027	101,617	93,197
Humen Bridge	101,118	97,309	114,681	101,251
Northern Ring Road	371,034	392,325	400,734	384,036
Shantou Bay Bridge	17,262	18,076	20,799	18,061
Qinglian Expressway	58,244	46,035	55,642	47,575

Unit: Vehicle/day



VEHICLE TYPE ANALYSIS (BY TRAFFIC VOLUME)

During the Reporting Year, the Group’s operating projects were primarily located in the following six provinces/municipality/autonomous region: Guangdong, Guangxi, Hunan, Hubei, Henan and Tianjin. In accordance with the industry standard of “Vehicle Classification of the Toll Highway” implemented on 1 January 2020, in the regions where the Group’s investment and operating projects are located, all vehicles are classified into the following three categories in a standardised manner: passenger cars, trucks, and special purpose vehicles.



Note:

- (1) Special purpose vehicle refers to cars that have special equipment or apparatus installed, and used in engineering special projects, health care and other operations.

SUMMARY OF OPERATING PERFORMANCE

Macroeconomic Environment

In the face of a complex and challenging international environment and difficult and arduous tasks in promoting reform and development at home, the PRC stayed true to the general principle of pursuing progress while ensuring stability, and strived to promote high-quality development, thereby promoting a full economic recovery. According to the information released by the National Bureau of Statistics, the gross domestic product (GDP) for the year of 2023 amounted to RMB126,058.2 billion, representing a year-on-year increase of 5.2%; and by quarter, the GDP for the first quarter, the second quarter, the third quarter and the fourth quarter recorded a year-on-year increase of 4.5%, 6.3%, 4.9% and 5.2%, respectively.

According to the Ministry of Public Security, domestic car ownership maintained a steady growth momentum; as of 31 December 2023, domestic car ownership reached 336 million vehicles, representing a year-on-year increase of 5.3%; and new energy vehicle ownership reached 20.41 million, representing a year-on-year increase of 55.8% and reaching 6.1% of total number of vehicles.

The projects invested and operated by the Group are distributed throughout Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. According to the National Bureau of Statistics and bureaus of provinces, municipalities or autonomous region, the GDP of these regions for 2023 increased by 4.8%, 4.3%, 4.1%, 4.6%, 6.0% and 4.1% year-on-year, respectively.

(Unit: RMB100 million)

	National	Guangdong Province	Tianjin Municipality	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
GDP for the year of 2023	1,260,582	135,673	16,737	27,202	50,013	55,804	59,132
GDP changes for the year of 2023	5.2%	4.8%	4.3%	4.1%	4.6%	6.0%	4.1%
GDP changes for the year of 2022	3.0%	1.9%	1.0%	2.9%	4.5%	4.3%	3.1%

Source: National Bureau of Statistics and bureaus of provinces, municipalities or autonomous region

Regulatory Environment of the Sector

On 24 July 2023, the Political Bureau of the Central Committee of the Communist Party of China convened a meeting to study the current economic situation. The meeting concluded that China's economy has tremendous resilience and potential for development, and its long-term sound fundamentals remain unchanged. It was emphasised at the meeting that the country must expedite the building of a new development pattern, comprehensively deepen reform and opening up, and intensify the role of macro policies in regulating the economy. It is also imperative to make solid efforts to expand domestic demand, shore up confidence and prevent risks. We should continue to improve economic performance, boost endogenous driving force, improve social expectations, and defuse financial risks and hidden dangers, in a bid to effectively upgrade the quality and appropriately expand the quantity of the economy.

From 11 to 12 December 2023, the Central Economic Work Conference pointed out that China's economy has rebounded and is improving, with the solid advancement of high-quality development. The long-term sound fundamentals remain unchanged. The Conference required to act on the principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old, so as to continuously consolidate the foundation of stable and positive economic development. To lay a solid economic foundation, the Conference emphasised the importance of focusing on promoting high-quality development, highlighting key areas, and grasping critical opportunities. In particular, further efforts shall be devoted to deepening the reforms in key areas to effectively reduce logistics costs across the entire society. The Group will continue to closely monitor the implementation of relevant policies and measures.

Local governments across the PRC continued to promote the implementation of different highway tolls, adhering to government guidance and encouraging independent participation by operators, with the aims of improving road network efficiency, reducing logistics costs, and effectively protecting the legitimate rights of highway investors. Up to now, relevant policies have had no significant impact on the toll revenue of the Group's projects.

Business Improvements and Innovations

During the Reporting Year, the Group proactively expanded revenue sources. Firstly, the Group continued to progress combined marketing strategies including “navigating and introducing traffic, linking scenic spots, improving road signage, ensuring smooth traffic flow and promoting brands”, with the aim of attracting traffic and increasing toll revenue via such new media promotions. Secondly, the Group continued to reinforce the concept of “Expressway+” and promote the use of resources such as service areas on the expressway, ancillary lands and facilities along the expressway and billboards to diversify its sources of revenue. Thirdly, the Group developed and utilised auxiliary assets and resources of the expressway to promote the implementation of projects such as photovoltaic power generation (with aggregate installed capacity of 6.5 MW and average annual power generation capacity of approximately 7.33 million kWh, which can reduce carbon dioxide emissions by about 7,310 tons per annum on average) along the highway, and transformation and upgrade of service areas. In particular, the first phase of Hunan Changzhu Photovoltaic Power Generation New Energy Facilities Project has been successfully connected to the grid, which is the science and technology progress and innovation project of the Department of Transport of Hunan Province. Fourthly, the Group adhered to the concept of green development and transportation, realising full coverage of charging and switching facilities in the service areas under our management. The Group effectively responded to the requirements of low-carbon development of the industry and the demand for new energy vehicles, which could also generate economic benefits. Fifthly, the Group strived to ensure that all tolls are collected and prevent toll evasion and avoidance. In particular, the Group established an intelligent audit system and implemented its on-line operation on the routes of all subsidiaries, with an automatic processing rate of audit work order system exceeding 85%, significantly improving processing efficiency. Sixthly, a travel service online platform was rolled out by the Group to all its subsidiaries, which has accumulated a total of about 190,000 registered vehicle-owner members, laying a solid foundation for further tapping into the value of customer resources.

Through continuous investments in maintenance and careful operation and management, the Group strived to make sure the technological standards of highways were in line with the industry averages, provided the public with a “green, clean, smooth, beautiful and safe” traveling environment, enhanced business and service quality and optimised the efficiency and service level of expressway and toll stations. It continued to maintain, adjust and optimise key toll collection facilities and equipment, to ensure stable ongoing operation. As a result, the annual average ETC calculation success rate and car plate automatic identification rate throughout the year were 99.44% and 98.07% respectively, which were better than the industry averages (98% and 95%). It also continued to improve the safety management capabilities and build a safety management system with the characteristics of transportation industry.

The Group continued to advance its application of innovative technology. In particular, (i) the Group implemented preventive maintenance measures by promoting new technology, materials, processes, equipment and applications to improve the quality of work effectively and save maintenance costs, (ii) the Group effectively improved the level of safety control, intelligent operation and maintenance and intelligent management of the road sections under the Group’s management, (iii) the Group continued to carry out digital transformation of business model and increased its investment in building an integrated smart traffic system platform that deploys big data technology with technical features such as “all-round monitoring, accurate detection and rapid early warning”, in order to improve the digitalisation level of operation and maintenance management and promote the long-term development of enterprises with advanced technologies, (iv) the Group further promoted the intelligent toll collection technology, and deployed intelligent toll collection equipment with proprietary intellectual property rights on the road sections of all its subsidiaries to effectively enhance the efficiency of vehicular traffic.

During the Reporting Year, the Group carried out 25 scientific research projects, and was granted scientific research project of the Ministry of Transport for the first time to undertake the implementation of the Pilot Application Project of Safety and Emergency Digitisation of Highways in Service (《在役高速公路安全與應急數字化試點應用項目》). Up to now, the project has completed the pre-acceptance work and has been put into use.

During the Reporting Year, the Group newly obtained 4 invention patents, 9 utility patents, 1 software copyright and 3 technology awards. GNSR Company became the sole enterprise in the industry to be simultaneously certified as a “High-tech Enterprise”, an “Innovative Enterprise” and a “Specialised and Sophisticated Enterprise with Unique and Innovative Technologies”.

The Group is committed to improving its management and control and level of talent development. It will continue to optimise organisational management mechanisms and further enhance the management efficiency. It will also expand the vision of talents and improve their compound management capacities through solid implementation of measures on talents cultivation and development. By optimising and improving its incentive scheme, the Group guides and inspires its cadres and staff to assume responsibilities and make new achievements. Meanwhile, it disseminates the “Way of Faith” corporate culture of Yue Xiu, concentrating on promoting the operation and development of the Company.

Progress of Investment

During the Reporting Year, the Group continued to attempt to acquire high-quality expressway projects of large and medium scale, in order to strengthen assets under management and scale up the core business. Geographically, the Group has successfully set its foothold in Guangdong-Hong Kong-Macau Greater Bay Area and Central China and been expanding its presence in other developing areas benefiting from continued urbanisation and industrialisation going forward. The Group will also seek development opportunities for other infrastructure projects with stable cash flows and projects in the upstream and downstream of expressway value chain.

The GNSR Expressway R&E Project

The GNSR Expressway R&E Project is a strategic construction project of the Group with the largest investment and that is the most difficult in recent years, which will help strengthen the Group’s most important revenue generating asset, enhance premium assets in the Greater Bay Area, and ensure sustainable development. Following the approval of the Huangpu District and Baiyun District Land Expropriation Works Agreements in connection with the GNSR Expressway R&E Project at the special general meeting on 10 January 2023, GNSR Company has completed the signing of the Land Expropriation Works Agreements for Huangpu District and Baiyun District. During the process of the project, the Guangzhou Transportation Work Leading Group Office formally formed a special team for the construction of the GNSR Expressway R&E Project headed by the deputy mayor, and successfully established a normalised coordination mechanism at the municipal level to provide strong support for the smooth progress of the project. With the support of the government and the unremitting efforts of the Group, in the first half of 2023, the GNSR Expressway R&E Project has made comprehensive breakthroughs and important progress in key tasks such as design optimisation

of construction drawings, application for approval in connection with land use, approval for environmental impact assessment and project supporting financing. On 26 July 2023, the project fully completed its survey and land delineation. In August 2023, the project received the approval of the environmental impact appraisal from the Guangzhou Municipal Ecological Environment Bureau, and in September 2023, it obtained approval of the construction plan and design for the construction works. GNSR Company has undertaken the standardised tender and bidding process through the Guangzhou Public Resources Trading Center and on 17 October 2023 (after trading hours), issued the letters of award to the respective contractors (being the winning bidders for each of the tenders) for the main construction works under the GNSR Expressway R&E Project. On 3 November 2023, GNSR Company entered into construction works agreements with relevant contractors for the main works sections. On 24 November 2023, relevant construction works agreements entered into for the main works sections under the GNSR Expressway R&E Project were approved at the special general meeting of the Company. Construction under the project is expected to commence in full swing in June 2024 after obtaining land use and construction approvals. The next step for the Group will be to fully advance land expropriation, relocation, and on-site construction.

POSSIBLE RISK EXPOSURE

During the Reporting Year, the Group further improved the comprehensive risk management system and actively explored the path to realise smart risk management. As in previous years, the risks exposure of the Group were mainly market risks, including changes in road network planning and industry toll policies, etc. In 2023, some of the controlled road sections were diverted due to parallel highway competition, which had a certain impact on the toll revenue of the Group. The Group will continue to closely monitor the following risks and will adopt effective tackling measures proactively in the future.

(I) Parallel Highway Competition Risk

Risk analysis:

Changes in the road network related to the highways under management of the Group, and the commencement of operation of parallel highways or alternative routes under construction or to be built (e.g. Wuyang Expressway, Congpu Expressway, etc.) and the toll charges exemption of parallel highways (e.g. Wuhuang Expressway), may result in diversion from the expressways under management of the Group. If the Group fails to take active counter measures, this may have an impact on the traffic volume of the expressways under management of the Group and affect the Group's toll revenue.

Counter measures:

Step up efforts in marketing and promotion as well as traffic volume attraction to promote the return of vehicles and mitigate the diversion effects of parallel road sections or alternative routes. Further promote the membership points platform and mobility services platform, and drive the platform layout to cover the expressway derivative business ecosystem, thereby empowering the membership points system to facilitate user value conversion.

(II) Different risks involved in the GNSR Expressway R&E Project

1) Construction risks faced:

- As the GNSR Expressway R&E Project involves a wide spectrum of works and processes at different stages including expropriation, demolition and relocation of lands, buildings and structures along the expressway, as well as design, tendering, construction and completion settlements, and the GNSR Expressway R&E Project involves sophisticated construction processes. There are a number of unforeseen factors which could affect the progress and scheduled completion time of and investment amount into the GNSR Expressway R&E Project, including but not limited to disputes arising under land expropriation arrangements, technical complications arising from the construction works, risks involving compliance with environmental protection policies and impact of public health incidents.
- A number of factors may lead to delay in the land expropriation progress, such as issues arising in light of the fact that the Group may not have much experience in undertaking major expressway reconstruction and expansion projects, severe scrutiny from the government authority on the expropriation of arable land or permanent basic farmland and such other unforeseen circumstances which may be out of control of the Company and the relevant government authority.

Counter measures:

- GNSR Company has engaged public institutions under supervision of the respective district governments to assist with the land expropriation works to ensure that the land expropriation works are sufficiently monitored, and GNSR Company has also conducted a number of feasibility and technical studies during the implementation phase of the GNSR Expressway R&E Project with a view to minimising any unforeseen technical construction complications.
- For production safety, the Group established relevant response mechanisms, improved its organisational structure, prepared and completed safety management measures, and formed a complete safety management system.
- As for compliance with environmental protection policies, the environmental impact report for the GNSR Expressway R&E Project has been approved by the competent authority, and GNSR Company will also supervise and ensure that the relevant construction units will undertake environmental protection measures based on relevant laws and regulations during the construction phase and cooperate with any supervision and guidance from the respective governmental authorities during the construction phase.

2) *Operational risks faced:*

- During the R&E construction period, the driving environment and traffic speed may be affected due to traffic control, enclosure operations, etc., thereby resulting in an impact on the toll revenue of the original road section of the GNSR Expressway. In addition, in terms of road maintenance and construction, production safety accidents may occur due to the possible failure by related parties to fulfill their responsibility for safety production or inadequate safety production measures.

Counter measures:

- With regard to ensuring smooth operation, at the preliminary design stage of the project, the Group optimised the reconstruction and expansion method of the project according to the review opinions of the Ministry of Transport to mainly adopt two-side separation or one-side separation with overall widening construction as complement. The separation of the newly built section has basically no impact on the traffic of the original road section of the GNSR Expressway, and the overall widening construction is carried out on the side of the original road section of the GNSR Expressway, which has relatively limited impact on the traffic of the original road section. At the stage of construction drawing design, the Company, based on the preliminary design, kept improving traffic organisation plans by way of conducting special research on traffic organisation and engaging experts to carry out repeated internal review and optimisation. At the subsequent implementation stage, it will continue to carry out dynamic adjustment and optimisation according to the on-site traffic organisation to minimise the impact of construction on the operation of original road.

3) *Investment risks faced:*

- The total investment amount estimated by the Company may be subject to change due to the changes in external environment, such as interest rate changes, changes in project construction costs, increases in land expropriation and demolition costs, fluctuating raw materials and equipment prices and modifications of the construction plans as the project progresses.

Counter measures:

- The Group will undertake risk mitigation measures, such as accelerating the implementation of land expropriation and demolition, optimising the project plan to reduce project costs, strictly enforcing auditing inspection systems, properly handling budget control, close-monitoring of on-site management of construction sites, and reasonable lowering of financing costs.

4) *Integrity risks faced:*

- During the construction process of the project, there may be integrity risks at high-risk stages such as tendering, construction management and settlement of the project.

Counter measures:

- Strictly strengthen integrity supervision and management and integrity education through various means such as launching whole-process tracking audit and consultation, external special audits, and disciplinary supervision, so as to prevent corruption.

Expressways, Bridges and Port

On 7 December 2022, the State Council's Joint Prevention and Control Mechanism Comprehensive Team issued the "Circular on Further Optimising the Implementation of COVID-19 Prevention and Control Measures" (《關於進一步優化落實新冠肺炎疫情防控措施的通知》), which meant an optimisation of the control measures on prevention of the pandemic. On 8 December 2022, the Ministry of Transport issued the "Notice on Further Optimising the Implementation of the Transportation Work for the Prevention and Control of COVID-19" (《關於進一步優化落實新冠肺炎疫情防控交通運輸工作的通知》), to further optimise the control measures in the transportation industry.

During the Reporting Year, most expressway and bridge projects under the Group recorded a year-on-year growth in average daily toll traffic volume and average daily toll revenue, mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll revenue was RMB3,029,000, representing a year-on-year increase of 12.7% from 2022. The average daily toll traffic volume was 298,196 vehicles, representing a year-on-year increase of 22.6% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Cangyu Expressway

During the Reporting Year, the average daily toll revenue was RMB277,000, representing a year-on-year increase of 13.6% from 2022. The average daily toll traffic volume was 18,676 vehicles, representing a year-on-year increase of 20.9% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Jinxiong Expressway

During the Reporting Year, the average daily toll revenue was RMB234,000, representing a year-on-year increase of 18.3% from 2022. The average daily toll traffic volume was 37,101 vehicles, representing a year-on-year increase of 26.1% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Changzhu Expressway

During the Reporting Year, the average daily toll revenue was RMB704,000, representing a year-on-year increase of 11.1% from 2022. The average daily toll traffic volume was 72,129 vehicles, representing a year-on-year increase of 11.9% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Weixu Expressway

During the Reporting Year, the average daily toll revenue was RMB1,033,000, representing a year-on-year decrease of 3.2% from 2022. The average daily toll traffic volume was 26,520 vehicles, representing a year-on-year increase of 23.4% from 2022.

The year-on-year increase of the average daily toll traffic volume and the year-on-year decrease of the average daily toll revenue were mainly due to the relatively low base number of the traffic volume of passenger cars for the same period in 2022 as a result of the impact of the pandemic. The relatively low base number of average daily toll traffic volume and relatively high base number of average daily toll revenue in 2022 were due to the relatively high base number of the traffic volume of trucks (which contributed higher toll charges than passenger cars) as a result of additional truck traffic diverted to this road section since the implementation of traffic restriction measures in the local place.

Lanwei Expressway

The Group completed the acquisition of 100% of the equity interest in Henan Lanwei Expressway on 18 November 2022. As for year-on-year comparison, both of average daily toll revenue and average daily toll traffic volume were compared with project data in 2022 (including data prior to the acquisition by the Group).

During the Reporting Year, the average daily toll revenue was RMB846,000, representing a year-on-year decrease of 6.3% from 2022. The average daily toll traffic volume was 33,204 vehicles, representing a year-on-year increase of 28.7% from 2022.

The year-on-year increase of the average daily toll traffic volume and the year-on-year decrease of the average daily toll revenue were mainly due to the relatively low base number of the traffic volume of passenger cars for the same period in 2022 as a result of the impact of the pandemic. The relatively low base number of average daily toll traffic volume and relatively high base number of average daily toll revenue in 2022 were due to the relatively high base number of the traffic volume of trucks (which contributed higher toll charges than passenger cars) as a result of additional truck traffic diverted to this road section since the implementation of traffic restriction measures in the local place.

Suiyuanan Expressway

During the Reporting Year, the average daily toll revenue was RMB1,959,000, representing a year-on-year increase of 13.1% from 2022. The average daily toll traffic volume was 33,544 vehicles, representing a year-on-year increase of 19.0% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Hancai Expressway

During the Reporting Year, the average daily toll revenue was RMB744,000, representing a year-on-year increase of 20.6% from 2022. The average daily toll traffic volume was 59,294 vehicles, representing a year-on-year increase of 38.3% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume. The relatively small year-on-year increase in average daily toll revenue compared with that in the average daily toll traffic volume was mainly due to the higher year-on-year increase in toll traffic volume of passenger cars (which contributed lower toll charges than trucks) than that of trucks.

Han'e Expressway

During the Reporting Year, the average daily toll revenue was RMB447,000, representing a year-on-year increase of 7.8% from 2022. The average daily toll traffic volume was 36,964 vehicles, representing a year-on-year increase of 26.8% from 2022.

The toll charges exemption of Wuhuang Expressway which competes with this project since 10 December 2022 resulted in a diversion of traffic volume of vehicles and has an impact on this project. The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly attributed to the recovery and growth of macroeconomy, the continuing recovery and growth of passenger volume, and intensive road maintenance and construction of the competing section of Wuhuang Expressway from 18 August to 31 August 2023, which lasted for a total of 14 days, during which traffic control was imposed on certain roads of Wuhuang Expressway, resulting in the diversion of vehicles to this road section. The relatively small year-on-year increase in average daily toll revenue than that in average daily toll traffic volume was mainly due to the fact that the year-on-year increase in traffic volume of vehicles comprising mostly passenger cars, which contributed lower toll charges than trucks.

Daguangnan Expressway

During the Reporting Year, the average daily toll revenue was RMB1,253,000, representing a year-on-year increase of 17.4% from 2022. The average daily toll traffic volume was 28,518 vehicles, representing a year-on-year increase of 22.1% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Associates and Joint Venture

Han-Xiao Expressway

During the Reporting Year, the average daily toll revenue was RMB649,000, representing a year-on-year increase of 19.2% from 2022. The average daily toll traffic volume was 32,560 vehicles, representing a year-on-year increase of 20.4% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

GWSR Expressway

During the Reporting Year, the average daily toll revenue was RMB1,366,000, representing a year-on-year increase of 23.1% from 2022. The average daily toll traffic volume was 92,687 vehicles, representing a year-on-year increase of 28.6% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Humen Bridge

During the Reporting Year, the average daily toll revenue was RMB2,826,000, representing a year-on-year increase of 48.1% from 2022. The average daily toll traffic volume was 103,620 vehicles, representing a year-on-year increase of 43.6% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Northern Ring Road

During the Reporting Year, the average daily toll revenue was RMB1,973,000, representing a year-on-year increase of 12.2% from 2022. The average daily toll traffic volume was 387,106 vehicles, representing a year-on-year increase of 12.5% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Shantou Bay Bridge

During the Reporting Year, the average daily toll revenue was RMB292,000, representing a year-on-year decrease of 24.9% from 2022. The average daily toll traffic volume was 18,558 vehicles, representing a year-on-year decrease of 24.3% from 2022.

The year-on-year decreases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the continuous diversion impact on this project as a result of the commencement of operation of Shantou Bay Tunnel on 28 September 2022 and the implementation of free permit for passenger cars.

Qinglian Expressway

During the Reporting Year, the average daily toll revenue was RMB1,862,000, representing a year-on-year increase of 10.4% from 2022. The average daily toll traffic volume was 51,855 vehicles, representing a year-on-year increase of 15.4% from 2022.

The year-on-year increases of the average daily toll revenue and the average daily toll traffic volume were mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume.

Pazhou Port Project

During the Reporting Year, the trial operation of Pazhou Port commenced on 14 April 2023, and formal operation commenced on 4 May 2023.

The average daily ticket business revenue was RMB85,000 and the average daily passenger volume was 281 person-time.

FINANCIAL REVIEW

Key operating results figures

	Reporting Year RMB'000	2022 RMB'000	Change %
Revenue	3,966,726	3,288,923	20.6
Gross profit	2,147,343	1,719,388	24.9
Operating profit	1,804,404	1,454,942	24.0
Earnings before interests, tax, depreciation and amortisation (“EBITDA”) ⁽¹⁾	3,519,724	2,866,872	22.8
Finance costs	(562,395)	(625,483)	-10.1
Share of result of a joint venture, net of tax	75,708	53,257	42.2
Share of results of associates, net of tax	200,998	119,007	68.9
Profit attributable to shareholders of the Company	765,309	453,114	68.9
Basic earnings per share	RMB0.4574	RMB0.2708	68.9
Diluted earnings per share	RMB0.4574	RMB0.2708	68.9
Dividend	457,447	291,793	56.8

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

I. Overview of operating results

In the Reporting Year and as compared with the previous reporting year, the Group's revenue increased by 20.6 percent to RMB3.97 billion; operating profit increased by 24.0 percent to RMB1.80 billion; and profit attributable to shareholders of the Company increased by 68.9 percent to RMB765 million.

The increase in the Group's revenue during the Reporting Year was mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume. Besides, the increment was because of the consolidation of the financial results of the newly acquired Henan Lanwei Expressway by the Group since 19 November 2022.

The increase in the profit attributable to shareholders of the Company during the Reporting Year was mainly due to the revenue increment and the decrease in finance costs due to the optimization of debt portfolio, minus the impairment loss on investment in Shantou Bay Bridge amounting to RMB100 million made during the Reporting Year.

The Board has recommended the payment of final dividend for 2023 of HK\$0.15 which is equivalent to approximately RMB0.1362 (2022: HK\$0.10 which was equivalent to approximately RMB0.0883) per share. Together with the interim dividend of HK\$0.15 which was equivalent to approximately RMB0.1372 (2022: HK\$0.10 which was equivalent to approximately RMB0.0861) per share, the total dividend for the year ended 31 December 2023 amounts to HK\$0.30 which is equivalent to approximately RMB0.2734 (2022: HK\$0.20 which was equivalent to approximately RMB0.1744) per share, representing a dividend payout ratio of 59.8 percent (2022: 64.4 percent).

II. Analysis of operating results

Revenue

The Group recorded total revenue of RMB3.97 billion in the Reporting Year, which comprised total toll revenue of RMB3.84 billion and other revenue related to normal toll roads operation of RMB125 million.

Toll revenue

The Group recorded total toll revenue of RMB3.84 billion in the Reporting Year, representing an increase of 20.3 percent from RMB3.19 billion as compared with the 2022. The increase was mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume during the Reporting Year. Further details on the toll revenue of each expressway and bridge are set out in the “Business Review – Expressways, Bridges and Port” section of this announcement.

Analysis of toll revenue by each controlled project

Controlled Projects	Reporting	Percentage	2022	Percentage	Change
	Year	of total toll		of total toll	
	RMB'000	revenue	RMB'000	revenue	%
		%		%	%
GNSR Expressway	1,105,475	28.8	981,058	30.7	12.7
Suiyuan Expressway	715,064	18.6	632,110	19.8	13.1
Daguangnan Expressway	457,172	11.9	389,321	12.2	17.4
Weixu Expressway	377,060	9.8	389,678	12.2	-3.2
Lanwei Expressway	308,629	8.0	32,097 ⁽¹⁾	1.0	N/A
Hancai Expressway	271,598	7.1	225,200	7.1	20.6
Changzhu Expressway	256,880	6.7	231,230	7.2	11.1
Han'e Expressway	163,102	4.3	151,351	4.7	7.8
Cangyu Expressway	101,047	2.6	88,987	2.8	13.6
Jinxiong Expressway	85,292	2.2	72,106	2.3	18.3
Total toll revenue	3,841,319	100.0	3,193,138	100.0	20.3

⁽¹⁾ The Group completed the acquisition of 100% of the equity interest in Lanwei Expressway in November 2022. This figure represented the toll revenue for the period from 19 November 2022 to 31 December 2022.

Other revenue

In the Reporting Year, the Group recorded other revenue related to normal toll roads operation of RMB125 million (2022: RMB95.79 million), mainly comprising the construction service income of RMB47.09 million (2022: RMB23.78 million), income from service area and gas station of RMB35.46 million (2022: RMB34.41 million) and entrusted road management service income of RMB35.91 million (2022: RMB32.11 million). The increase in construction service income was mainly due to the increase in amount incurred for GNSR Expressway's construction service project.

Cost of services

In the Reporting Year, the Group's total cost of services amounted to RMB1.82 billion, representing an increase of 15.9 percent from RMB1.57 billion as compared with the 2022. In the Reporting Year, the total cost of services of the Group's controlled projects amounted to RMB1.80 billion. Overall cost ratio (cost of services/revenue) was 45.9 percent in the Reporting Year, which was 1.8 percentage point lower than that of the 2022.

Analysis of cost of services by each controlled project

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2022 RMB'000	Percentage of total %	Change %
GNSR Expressway	468,890	26.0	414,570	26.7	13.1
Suiyuan Expressway	257,699	14.3	225,889	14.5	14.1
Daguangnan Expressway	249,709	13.9	215,116	13.8	16.1
Weixu Expressway	153,328	8.5	146,160	9.4	4.9
Lanwei Expressway	184,805	10.3	18,230 ⁽¹⁾	1.2	N/A
Hancai Expressway	156,613	8.7	164,490	10.6	-4.8
Changzhu Expressway	141,613	7.9	132,331	8.5	7.0
Han'e Expressway	85,331	4.7	135,386	8.7	-37.0
Cangyu Expressway	44,974	2.5	47,231	3.1	-4.8
Jinxiong Expressway	57,767	3.2	54,261	3.5	6.5
Total	1,800,729	100.0	1,553,664	100.0	15.9

⁽¹⁾ The Group completed the acquisition of 100% of the equity interest in Lanwei Expressway in November 2022. This figure represented the cost of services for the period from 19 November 2022 to 31 December 2022.

Analysis of controlled projects' cost of services by nature

	Reporting Year RMB'000	Percentage of total %	2022 RMB'000	Percentage of total %	Change %
Amortisation of intangible operating rights	1,277,869	71.0	1,146,491	73.8	11.5
Staff costs	190,012	10.5	158,747	10.2	19.7
Toll highways and bridges operating expenses	165,036	9.2	109,567	7.0	50.6
Toll highways and bridges maintenance expenses	145,647	8.1	119,613	7.7	21.8
Taxes and surcharges	14,939	0.8	12,181	0.8	22.6
Depreciation of other fixed assets	7,226	0.4	7,065	0.5	2.3
Total	<u>1,800,729</u>	<u>100.0</u>	<u>1,553,664</u>	<u>100.0</u>	15.9

Gross profit

Gross profit in the Reporting Year was RMB2.15 billion, representing an increase of 24.9 percent from RMB1.72 billion in the 2022. The total gross profit of the Group's controlled projects in the Reporting Year was RMB2.13 billion. Overall gross profit margin in the Reporting Year was 54.1 percent, which was 1.8 percentage point higher than that of the 2022.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year		2022	
	Gross Profit RMB'000	Gross Margin ⁽¹⁾	Gross Profit RMB'000	Gross Margin ⁽¹⁾
GNSR Expressway	688,652	59.5%	595,743	59.0%
Suiyuanan Expressway	469,739	64.6%	417,080	64.9%
Daguangnan Expressway	218,746	46.7%	184,649	46.2%
Weixu Expressway	224,892	59.5%	244,427	62.6%
Lanwei Expressway	123,824	40.1%	13,868 ⁽²⁾	43.4%
Hancai Expressway	117,260	42.8%	63,349	27.8%
Changzhu Expressway	115,878	45.0%	99,396	42.9%
Han'e Expressway	86,468	50.3%	24,131	15.1%
Cangyu Expressway	56,123	55.5%	41,807	47.0%
Jinxiong Expressway	28,028	32.7%	18,695	25.6%
Total	2,129,610	54.2%	1,703,145	52.3%

⁽¹⁾ Gross margin = Gross profit/revenue

⁽²⁾ The Group completed the acquisition of 100% of the equity interest in Lanwei Expressway in November 2022. This figure represented the gross profit for the period from 19 November 2022 to 31 December 2022.

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB268 million, representing a decrease of 13.7 percent from RMB310 million in the 2022 and such decrease was mainly due to the decrease in staff cost as a result of reclassifying partial amount as cost of services due to improvement in overall cost management during the Reporting Year.

Other income, gains and losses – net

The Group's other income, gains and losses – net was a loss of RMB75.16 million in the Reporting Year (2022: a gain of RMB45.97 million). The change was mainly due to the impairment loss on investment in Shantou Bay Bridge of RMB100 million recognised by the Group during the Reporting Year based on the impairment assessment due to expected continuous diversion effect on Shantou Bay Bridge caused by the commencement of operation of Shantou Bay Tunnel on 28 September 2022 and the implementation of free permit for passenger cars, as well as the expected commencement of operation of Niutianyang Expressway and New Passage Crossing Shantou Bay (tentative name) in 2024 and 2027 respectively. Further details on the impairment loss is set out in note 3 "other income, gains and losses – net" to the financial statements of this announcement. Besides, there was a decrease in the compensation income on requisition of land and demolition of plants and other greening facilities of RMB27.42 million during the Reporting Year.

Finance income/Finance costs

The Group's finance income in the Reporting Year amounted to RMB30.19 million (2022: RMB63.62 million), which was 52.5 percent lower than that of the 2022. The decrease was mainly due to the decrease in interest income as a result of the decrease in average cash and cash equivalents in the banks during the Reporting Year.

The Group's finance costs in the Reporting Year decreased by 10.1 percent to RMB562 million (exclusive of amount capitalized in construction in progress of RMB4.78 million) as compared with RMB625 million in the 2022, mainly due to management's continuous effort in reducing debt level, optimising the overall debt structure and lowering debts' interest rate. The Group's overall weighted average interest rate in the Reporting Year was 3.28 percent (2022: 3.60 percent).

Share of results of associates and a joint venture, net of tax

The Group's share of results of associates and a joint venture, net of tax, increased by 60.6 percent to RMB277 million in the Reporting Year (2022: RMB172 million). The increase was mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume during the Reporting Year. More details of the toll revenue of each expressway and bridge and the ticket business revenue of port are stated in the "Business Review – Expressways, Bridges and Port" section of this announcement.

Share of post-tax profit of Humen Bridge in the Reporting Year increased by 41.5 percent to RMB88.33 million. Share of post-tax profit of Northern Ring Road in the Reporting Year increased by 64.0 percent to RMB85.51 million. Share of post-tax profit of Qinglian Expressway in the Reporting Year amounted to RMB20.26 million (2022: share of post-tax loss of RMB15.35 million). Share of post-tax profit of Huaxia Yuexiu Expressway REIT in the Reporting Year increased by 59.8 percent to RMB15.04 million. Share of post-tax profit of Shantou Bay Bridge in the Reporting Year decreased by 40.2 percent to RMB10.94 million. The decrease was mainly due to the diversion impact on this road section as a result of the commencement of operation of Shantou Bay Tunnel on 28 September 2022 and the implementation of free permit for passenger cars. Share of post-tax loss of Pazhou Port in the Reporting Year amounted to RMB19.08 million (2022: RMB7.90 million). Share of post-tax profit of GWSR Expressway in the Reporting Year increased by 42.2 percent to RMB75.71 million.

Analysis of share of results of associates and a joint venture, net of tax, and the revenue of their respective entities

	Profit Sharing ratio %	Reporting Year RMB'000	Revenue YoY change %	Share of results, net of tax Reporting Year RMB'000	YoY change %
Associates					
Humen Bridge	18.446	1,064,559	46.0	88,332	41.5
Northern Ring Road	24.3	723,921	6.9	85,509	64.0
Qinglian Expressway	23.63	682,520	10.3	20,262	turned profit
Huaxia Yuexiu Expressway REIT	30.0	242,456	18.4	15,036	59.8
Shantou Bay Bridge	30.0	107,637	-24.2	10,936	-40.2
Pazhou Port	45.0	23,164	N/A	(19,077)	141.4
Joint venture					
GWSR Expressway	35.0	503,243	22.6	75,708	42.2

Income tax expense

Total income tax expense of the Group in the Reporting Year increased by 30.5 percent to RMB427 million (2022: RMB328 million). The increase was mainly due to the increase in profit before tax due to the recovery of the toll traffic volume during the Reporting Year.

Profit attributable to shareholders of the Company

The Company reported a profit attributable to its shareholders of RMB765 million in the Reporting Year, representing an increase of 68.9 percent from RMB453 million in the 2022. The increase was mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy, the continuing recovery and growth of passenger volume during the Reporting Year, the consolidation of the financial results of the newly acquired Henan Lanwei Expressway by the Group since 19 November 2022 and the decrease in finance costs due to the optimization of debt portfolio during the Reporting Year. These impacts were partially offset by the recognition of the impairment loss on investment in Shantou Bay Bridge amounting to RMB100 million during the Reporting Year.

The management team continues to optimise the Group's overall debt structure. As part of such optimisation, inter-company loans were incurred between the holding companies level and the controlled projects level. Such interests would be ultimately eliminated 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 %	2022 RMB'000	Percentage of total %	Change %
Net profit from controlled projects	1,104,845	86.2	899,016	83.9	22.9
Net profit from non-controlled projects ⁽¹⁾	176,538	13.8	172,264	16.1	2.5
Net profit from projects	1,281,383	100.0	1,071,280	100.0	19.6
Withholding tax on PRC dividend/ interest income	(44,488)		(35,065)		26.9
Holding companies expenses	(187,018)		(231,622)		-19.3
Holding companies income/gains, net	19,650		18,417		6.7
Holding companies finance income	19,885		49,183		-59.6
Holding companies finance costs	(324,103)		(419,079)		-22.7
Profit attributable to shareholders of the Company	765,309		453,114		68.9

⁽¹⁾ Representing share of results of associates and a joint venture, net of tax, less impairment loss on investment in an associate

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

Controlled Projects	Reporting	Percentage		Percentage	Change
	Year	of total net	2022	of total net	
	RMB'000	profit from	RMB'000	profit from	%
		projects		projects	%
		%		%	
GNSR Expressway	358,467	28.0	319,399	29.8	12.2
Suiyuanan Expressway	237,473	18.5	209,242	19.6	13.5
Weixu Expressway	163,928	12.8	173,866	16.2	-5.7
Daguangnan Expressway	89,446	7.0	79,661	7.4	12.3
Changzhu Expressway	88,817	6.9	94,285	8.8	-5.8
Lanwei Expressway	61,714	4.8	7,867 ⁽¹⁾	0.7	N/A
Hancai Expressway	57,548	4.5	31,273	2.9	84.0
Cangyu Expressway	44,079	3.5	31,927	3.0	38.1
Jinxiong Expressway	9,377	0.7	5,096	0.5	84.0
Han'e Expressway	(6,004)	-0.5	(53,600)	-5.0	loss decreased
Total	1,104,845	86.2	899,016	83.9	22.9

⁽¹⁾ The Group completed the acquisition of 100% of the equity interest in Lanwei Expressway in November 2022. This figure represented the net profit (after elimination of inter-company loan interests) for the period from 19 November 2022 to 31 December 2022.

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

Controlled Projects	Reporting	Percentage		Percentage	Change
	Year	of total net	2022	of total net	
	RMB'000	profit from	RMB'000	profit from	%
		projects ⁽¹⁾		projects ⁽¹⁾	%
		%		%	%
GNSR Expressway	358,467	31.6	319,399	37.9	12.2
Suiyuanan Expressway	229,576	20.2	191,865	22.7	19.7
Weixu Expressway	166,423	14.7	175,085	20.7	-4.9
Daguangnan Expressway	28,725	2.5	(24,223)	-2.9	turned profit
Changzhu Expressway	50,846	4.5	45,482	5.4	11.8
Lanwei Expressway	62,576	5.5	7,867 ⁽²⁾	0.9	N/A
Hancai Expressway	29,057	2.6	(7,484)	-0.9	turned profit
Cangyu Expressway	45,672	4.0	32,937	3.9	38.7
Jinxiong Expressway	10,153	0.9	5,563	0.7	82.5
Han'e Expressway	(23,752)	-2.1	(74,968)	-8.8	loss decreased
Total	957,743	84.4	671,523	79.6	42.6

⁽¹⁾ Representing net profit from projects before elimination of inter-company loans interests

⁽²⁾ The Group completed the acquisition of 100% of the equity interest in Lanwei Expressway in November 2022. This figure represented the net profit (before elimination of inter-company loan interests) for the period from 19 November 2022 to 31 December 2022.

In the Reporting Year, net profit from non-controlled projects increased by 2.5 percent to RMB177 million (2022: RMB172 million) as compared with the 2022. The increase was mainly due to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy and the continuing recovery and growth of passenger volume during the Reporting Year. The impact was lessened by impairment loss on investment in Shantou Bay Bridge amounting to RMB100 million during the Reporting Year.

During the Reporting Year and at the holding companies level, the withholding tax on PRC dividend/interest income increased by RMB9.42 million; holding companies expenses decreased by RMB44.60 million, mainly due to decrease in costs during the Reporting Year; holding companies income/gains, net increased by RMB1.23 million during the Reporting Year; and holding companies finance income decreased by RMB29.30 million, mainly due to the decrease in interest income from banks at holding companies level during the Reporting Year. In addition, holding companies finance cost decreased by RMB94.98 million, mainly due to management's optimisation of debt portfolio and lowering the interest rate on existing debts during the Reporting Year.

Final dividend

The Board has recommended the payment of final dividend for 2023 of HK\$0.15 which is equivalent to approximately RMB0.1362 (2022: HK\$0.10 which was equivalent to approximately RMB0.0883) per share payable to shareholders whose names appear on the register of members of the Company on 29 May 2024. Subject to the approval of shareholders at the Annual General Meeting to be held on 21 May 2024, the final dividend will be paid on or about 28 June 2024. Together with the interim dividend of HK\$0.15 which was equivalent to approximately RMB0.1372 (2022: HK\$0.10 which was equivalent to approximately RMB0.0861) per share, the total dividend for the year ended 31 December 2023 amounts to HK\$0.30 which is equivalent to approximately RMB0.2734 (2022: HK\$0.20 which was equivalent to approximately RMB0.1744) per share, representing a dividend payout ratio of 59.8 percent (2022: 64.4 percent).

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

III. Analysis of financial position

Key financial position figures

	Reporting Year RMB'000	2022 RMB'000	Change %
Total assets	36,502,458	36,337,410	0.5
Total liabilities	21,652,521	22,102,435	-2.0
Cash and cash equivalents	2,380,785	2,480,267	-4.0
Total debts	16,923,816	17,561,068	-3.6
of which: Bank borrowings*	9,496,565	9,285,666	2.3
Corporate bonds*	2,499,094	3,114,362	-19.8
Notes payable*	4,794,783	4,994,698	-4.0
Current ratio	0.3 times	0.4 times	
EBITDA interest coverage	6.4 times	4.7 times	
Equity attributable to the shareholders of the Company	11,613,337	11,230,445	3.4

* *excluding interest payable*

Assets, Liabilities and Equity

As at 31 December 2023, the Group's total assets amounted to RMB36.50 billion, which was 0.5 percent higher than the balance as at 31 December 2022. The Group's total assets consisted mainly of intangible operating rights of RMB30.25 billion (31 December 2022: RMB30.64 billion); investments in a joint venture and associates of RMB2.08 billion (31 December 2022: RMB2.29 billion); and cash and cash equivalents of RMB2.38 billion (31 December 2022: RMB2.48 billion).

As at 31 December 2023, the Group's total liabilities amounted to RMB21.65 billion, which was 2.0 percent lower than the balance as at 31 December 2022. The Group's total liabilities consisted mainly of bank borrowings of RMB9.50 billion (31 December 2022: RMB9.29 billion); corporate bonds of RMB2.50 billion (31 December 2022: RMB3.11 billion); notes payable of RMB4.79 billion (31 December 2022: RMB4.99 billion); loan from the immediate holding company of RMB100 million (31 December 2022: RMB100 million); loan from a non-controlling interest of a subsidiary of RMB28.30 million (31 December 2022: RMB50.37 million); and deferred income tax liabilities of RMB3.07 billion (31 December 2022: RMB3.05 billion).

As at 31 December 2023, the Group's total equity increased by RMB615 million to RMB14.85 billion (31 December 2022: RMB14.23 billion), of which RMB11.61 billion was equity attributable to the shareholders of the Company (31 December 2022: RMB11.23 billion).

Analysis of major assets, liabilities and equity items

Items	Reporting Year RMB'000	2022 RMB'000	Change %
Total assets	36,502,458	36,337,410	0.5
Approximately 90.0% of which:			
Intangible operating rights	30,247,734	30,641,331	-1.3
Investments in a joint venture and associates	2,078,796	2,286,943	-9.1
Cash and cash equivalents	2,380,785	2,480,267	-4.0
Total liabilities	21,652,521	22,102,435	-2.0
Approximately 90.0% of which:			
Bank borrowings* – due within 1 year	1,056,966	2,504,061	-57.8
– long-term portion	8,439,599	6,781,605	24.4
Corporate bonds* – due within 1 year	1,999,427	615,268	225.0
– long-term portion	499,667	2,499,094	-80.0
Notes payable* – due within 1 year	3,296,037	2,996,235	10.0
– long-term portion	1,498,746	1,998,463	-25.0
Loan from the immediate holding company*			
– due within 1 year	100,000	100,000	—
Loan from a non-controlling interest of a subsidiary			
– due within 1 year	10,000	10,000	—
– long-term portion	18,301	40,368	-54.7
Deferred income tax liabilities	3,072,085	3,052,185	0.7
Total equity	14,849,937	14,234,975	4.3
Of which: Equity attributable to the shareholders of the Company	11,613,337	11,230,445	3.4

* *excluding interest payable*

Cash flows

The Group's primary objective is focused on preventing risks and improving liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risks. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to RMB2.38 billion (31 December 2022: RMB2.48 billion), of which 99.9 percent are RMB-denominated and the rest are denominated in HKD. 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	2022 RMB'000
Net cash generated from operating activities	2,797,682	2,210,569
Net cash used in investing activities	(1,162,424)	(668,383)
Net cash used in financing activities	(1,734,791)	(1,980,948)
Decrease in cash and cash equivalents	(99,533)	(438,762)
Cash and cash equivalents at 1 January	2,480,267	2,918,574
Effect of exchange rate changes on cash and cash equivalents	51	455
Cash and cash equivalents at 31 December	<u>2,380,785</u>	<u>2,480,267</u>

Net cash generated from operating activities during the Reporting Year amounted to RMB2.80 billion (2022: RMB2.21 billion), which was the sum of cash generated from operations of RMB3.17 billion (2022: RMB2.58 billion) less PRC enterprise income tax and withholding tax paid of RMB375 million (2022: RMB367 million).

Net cash used in investing activities during the Reporting Year amounted to RMB1.16 billion (2022: RMB668 million). The outflow mainly consisted of capital expenditures of RMB1.55 billion (2022: RMB1.20 billion). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB358 million (2022: RMB471 million); interest received in aggregate of RMB30.37 million (2022: RMB64.55 million) and proceeds from disposal of property, plant and equipment of RMB338,000 (2022: RMB541,000).

Net cash used in financing activities during the Reporting Year amounted to RMB1.73 billion (2022: RMB1.98 billion). The outflow mainly included repayment of notes payable of RMB4.30 billion (2022: RMB1.0 billion); repayment of bank borrowings of RMB2.61 billion (2022: RMB6.60 billion); repayment of corporate bonds of RMB617 million (2022: Nil); dividend paid to the shareholders of the Company of RMB383 million (2022: RMB740 million); payment of interests and related financing fees of RMB581 million (2022: RMB572 million); dividend paid to non-controlling interests of RMB284 million (2022: RMB308 million); repayment of loan from the immediate holding company of RMB100 million (2022: Nil); repayments of loan from a non-controlling interest of a subsidiary of RMB22.0 million (2022: RMB22.0 million) and payment for lease liabilities (including interest) of RMB12.32 million (2022: RMB11.74 million). There was no repayment of other borrowings (2022: RMB200 million) and no repayment of loan from a joint venture (2022: RMB52.5 million) during the Reporting Year. The inflow mainly included the net proceeds from notes payable of RMB4.09 billion (2022: RMB2.49 billion); drawdown of bank borrowings of RMB2.82 billion (2022: RMB4.86 billion); drawdown of loan from the immediate holding company of RMB100 million (2022: RMB100 million); capital contribution from non-controlling interests of RMB160 million (2022: RMB66.67 million).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2023 was 0.3 times (31 December 2022: 0.4 times). As at 31 December 2023, current assets balance was RMB2.63 billion (31 December 2022: RMB2.78 billion) and current liabilities balance was RMB7.83 billion (31 December 2022: RMB7.43 billion). Cash and cash equivalents were the major components of the Group's current assets and the balance amounted to RMB2.38 billion as at 31 December 2023 (31 December 2022: RMB2.48 billion). The Group's current liabilities as at 31 December 2023 mainly included external debts with maturities within one year (excluding interest payable) of RMB6.35 billion (31 December 2022: RMB6.12 billion), which consisted of bank borrowings of RMB1.05 billion, notes payable of RMB3.30 billion and corporate bonds of RMB2.0 billion (31 December 2022: bank borrowings of RMB2.50 billion, notes payable of RMB3.0 billion and corporate bonds of RMB615 million). The management will continue to take a prudent approach to effectively match capital and debt commitments with existing cash, future operating cash flow and cash return from investments, in order to manage liquidity risks. Taking into account the additional financing facilities available to the Group and the internally generated funds from operations, the management is confident that the Group will be able to meet its liabilities as they fall due in the next twelve months.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the year ended 31 December 2023 was 6.4 times (31 December 2022: 4.7 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 2023 was 21.0 percent (31 December 2022: 16.5 percent), which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings, corporate bonds and notes payable (“total external debts”).

Profit before interest and income tax interest coverage for the year ended 31 December 2023 was 4.0 times (31 December 2022: 2.8 times), which was measured as the ratio of profit before interest and income tax to interest expenses (profit and loss impact).

Cash interest coverage for the year ended 31 December 2023 was 6.5 times (31 December 2022: 5.5 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 RMB1.55 billion (2022: RMB1.20 billion). Capital expenditures related to intangible operating rights and fixed assets included: (1) payments of prepayment related to GNSR Expressway R&E Project of RMB917 million (2022: Nil); (2) payments of construction costs of toll highways and bridges upgrade services of RMB606 million (2022: RMB311 million); and (3) purchase of property, plant and equipment of RMB27.63 million (2022: RMB24.45 million). During the Reporting Year, there was no cash outflow relating to acquisition of subsidiary (2022: RMB862 million). Apart from the aforementioned, no material capital expenditure was incurred during the Reporting Year. Going forward, the management believes that the Group’s operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investment needs.

Capital structures

It is one of the Group's financial policies to maintain a balanced capital structure, which aims to strike a balance between enhancing profitability and ensuring financial leverage ratios to remain at safe levels.

Analysis of capital structures

	Reporting Year RMB'000	2022 RMB'000
External debts*		
Bank borrowings	9,496,565	9,285,666
Corporate bonds ⁽¹⁾	2,499,094	3,114,362
Notes payable ⁽²⁾	4,794,783	4,994,698
Loan from the immediate holding company*	100,000	100,000
Loan from a non-controlling interest of a subsidiary	28,301	50,368
Lease liabilities	5,073	15,974
	<hr/>	<hr/>
Total debts	16,923,816	17,561,068
Less: cash and cash equivalents	(2,380,785)	(2,480,267)
	<hr/>	<hr/>
Net debt	14,543,031	15,080,801
Total Equity	14,849,937	14,234,975
	<hr/>	<hr/>
Total capitalisation (Net debt + Total equity)	29,392,968	29,315,776
	<hr/>	<hr/>

* *excluding interest payable*

Financial ratios

Gearing ratio (net debt/total capitalisation)	49.5%	51.4%
Debt to Equity ratio (net debt/total equity)	97.9%	105.9%
Total liabilities/Total assets ratio	59.3%	60.8%

(1) As at 31 December 2023, the details of the corporate bonds issued in the Shanghai Stock Exchange:

	Drawdown date:	Principal:	Principal repayment date:	Coupon rate (per annum):	Next interest payment date:
RMB1,000 million five-year corporate bonds (2021 Phase 1)	25 January 2021	RMB1,000 million	25 January 2026	3.63%	25 January 2024
RMB1,000 million five-year corporate bonds (2021 Phase 2)	13 May 2021	RMB1,000 million	13 May 2026	3.48%	13 May 2024
RMB500 million seven-year corporate bonds (2021 Phase 2)	13 May 2021	RMB500 million	13 May 2028	3.84%	13 May 2024

(2) As at 31 December 2023, the details of the notes payable issued in the Beijing Financial Assets Exchange:

	Drawdown date:	Principal:	Principal repayment date:	Coupon rate (per annum):	Next interest payment date:
RMB1,000 million five-year medium term notes (2021 Phase 1)	28 January 2021	RMB1,000 million	28 January 2026	3.78%	28 January 2024
RMB1,000 million five-year medium term notes (2022 Phase 1)	18 March 2022	RMB1,000 million	18 March 2027	3.28%	18 March 2024
RMB500 million three-year medium term notes (2023 Phase 1)	7 August 2023	RMB500 million	7 August 2026	2.87%	7 August 2024
RMB1,300 million 270 days super short-term commercial paper (2023 Phase 3)	11 October 2023	RMB1,300 million	7 July 2024	2.50%	7 July 2024
RMB500 million 270 days super short-term commercial paper (2023 Phase 4)	19 October 2023	RMB500 million	15 July 2024	2.51%	15 July 2024
RMB500 million 270 days super short-term commercial paper (2023 Phase 5)	15 December 2023	RMB500 million	10 September 2024	2.75%	10 September 2024

Financing structures

In a way to ensure that 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 further optimise its debt portfolio. In order to effectively maintain cost-efficient funding, the Group will: (1) continue to maintain close banking relationship with financial institutions both in Hong Kong and China, to capitalise on the different levels of liquidity offered by, and to take advantage of the cost differentials, in these two markets and in international markets; and (2) strike a balance between lowering interest rate and mitigating exchange risk exposure. As at the end of the Reporting Year, the Group's total debts comprised bank borrowings, corporate bonds, notes payable, loan from the immediate holding company, loan from a non-controlling interest of a subsidiary and lease liabilities. There was no debt with foreign exchange risk exposure as at 31 December 2023 (31 December 2022: Nil).

As at 31 December 2023, the Group's total external debts (excluding interest payable) in aggregate were RMB16.79 billion (31 December 2022: RMB17.39 billion), which consisted of bank borrowings of RMB9.50 billion (31 December 2022: RMB9.29 billion), corporate bonds of RMB2.50 billion (31 December 2022: RMB3.11 billion) and notes payable of RMB4.79 billion (31 December 2022: RMB4.99 billion). Onshore and offshore debts ratio was 99.7 percent and 0.3 percent (31 December 2022: 97.4 percent and 2.6 percent). Secured external debt ratio was 44.7 percent (31 December 2022: 37.9 percent). The effective interest rate of total external debt at 31 December 2023 was 3.24 percent (31 December 2022: 3.38 percent). Of the bank borrowings, RMB9.21 billion was at floating rates and RMB287 million was at fixed rates with the overall effective interest rate of 3.13 percent at 31 December 2023 (31 December 2022: 3.38 percent). Corporate bonds (in three types) were at fixed rates with coupon rates of 3.63 percent, 3.48 percent and 3.84 percent respectively with the overall effective interest rate at 3.75 percent as at 31 December 2023 (31 December 2022: 3.65 percent). Notes payable included medium term notes (in three tranches) were at fixed rates with coupon rates of 3.78 percent, 3.28 percent and 2.87 percent respectively and super short-term commercial paper (in three tranches) was at fixed rate with coupon rate of 2.50 percent, 2.51 percent and 2.75 percent respectively, with the overall effective interest rate at 3.19 percent as at 31 December 2023 (31 December 2022: 3.22 percent).

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

	Reporting Year Percentage of total	2022 Percentage of total
Source		
Onshore	99.7%	97.4%
Offshore	0.3%	2.6%
	100.0%	100.0%
Repayment term		
Within 1 year	37.8%	35.2%
Over 1 year but within 2 years	15.6%	23.5%
Over 2 years but within 5 years	27.5%	25.7%
Over 5 years	19.1%	15.6%
	100.0%	100.0%
Currency		
RMB	100.0%	100.0%
Interest rate		
Fixed	45.2%	54.4%
Floating	54.8%	45.6%
	100.0%	100.0%
Terms of credit		
Secured	44.7%	37.9%
Unsecured	55.3%	62.1%
	100.0%	100.0%
Financing method		
Direct financing	43.4%	46.6%
Indirect financing	56.6%	53.4%
	100.0%	100.0%

* *excluding interest payable*

As at 31 December 2023, loan from the immediate holding company is unsecured, interest bearing at an annual rate of 3.15%, denominated in RMB and repayable in 2024.

As at 31 December 2023, loan from a non-controlling interest of a subsidiary is unsecured, interest-free and denominated in RMB. The carrying amount of the loan approximated its fair value, calculated based on cash flows discounted at a rate of 4.35 percent (31 December 2022: 4.35 percent) per annum. Loan from a non-controlling interest of a subsidiary is repayable between one and three years, except for RMB10.0 million which is due within one year.

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. All of its major revenue, operating expenses, capital expenditures and its external debts (31 December 2022: 100.0 percent) are denominated in RMB. As at the end of the Reporting Year, the Group has no material foreign-currency denominated assets and liabilities. As the foreign exchange market is still volatile, the Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, optimise its debt structure and control its foreign currency exposure.

IV. Commitments and contingent liabilities

As at 31 December 2023, the Group had contractual commitments of approximately RMB7.84 billion, which related to intangible operating rights and property, plant and equipment.

Except for the aforementioned, the Group had no material contractual commitments as at 31 December 2023. There were no significant contingent liabilities as at 31 December 2023.

V. Employees

As at 31 December 2023, the Group had approximately 2,134 employees, of whom about 1,909 were directly engaged in the daily operation, management and supervision of toll, bridges and port projects. The Group remunerates its employees largely based on industry practice, including social insurance, contributory provident funds, share options and other staff benefits.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS AND COMMUNICATIONS

The Group is committed to maintaining a high level of corporate governance as well as good and effective communication mechanism with capital markets. In this regard, the Group has been maintaining open dialogues with investors and industry researchers and, subject to compliance with disclosure requirements, will proactively provide timely and accurate information, including monthly operational data for each project and strategic business developments.

On the basis of strict compliance requirements on information disclosure of the regulatory authorities, the Group, including executive directors and senior management, initiated proactive communication continuously by meeting and communicating with shareholders, industry researchers, domestic and foreign investors who are concerned about the Group regularly through various platforms and channels, including conducting online conferences for results announcement, participating in online roadshows for results announcement and various industry seminars, to disseminate positive information and stabilise market confidence. Furthermore, in the process of communicating with investors and other groups, the Group extensively collected feedback from the market and used it as a reference for improving its governance and management standards.

During the Reporting Year, investment banks such as HSBC, HTSC, CICC, DBS Bank, Dongxing Securities, Haitong International, Galaxy International, China Merchants Securities and China Galaxy released research coverage reports on the Group successively, and institutions such as HSBC and HTSC also organised market briefings on the Group successively and arranged meetings with international and domestic institutional investors, which was a sufficient reflection of the Group's popularity and impact in the capital market.

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

- Provided feedback of investors' enquiries in a timely manner through e-mail, telephone and other forms, and released monthly operational data to investors on regular basis.
- Initiated in-depth communication with investors and industry researchers in the form of online and offline meetings.

- Communicated with domestic and worldwide investors through launching activities such as press conferences for results announcement, participating in results roadshows, which included:

Month	Venue and Form	Event	Organiser
March	Hong Kong Physical Meeting	2022 Annual Results Roadshow	HSBC
March	Shanghai Physical Meeting	2022 Annual Results Roadshow	HTSC
April	Guangzhou On-line Meeting	2022 Annual Results Roadshow	Mizuho Securities Asia
August	Hong Kong Physical Meeting	2023 Interim Results Roadshow	HSBC
August	Beijing and Shanghai Physical Meetings	2023 Interim Results Roadshow	HTSC

As the recognition of our performance, corporate governance standards and investor relations efforts, during the Reporting Year, the Group was awarded the following honors for listed companies by renowned media outlets such as Bloomberg Business Weekly, Capital Magazine and Quamnet:

Bloomberg Business Weekly:	Listed Enterprises Excellence Awards 2023
Capital Magazine:	Listed Enterprise Excellence Awards 2022
Quamnet:	Outstanding Enterprise Awards 2022
Organized by Southern Finance Omnimedia Corp. — Stock Market News Broadcasting and Investment Bulletin:	Greater Bay Area Outstanding Enterprise Brand Awards 2023
Ming Pao:	ESG Award 2023 — Excellence in Transport Infrastructure Award
Mercury Excellence Awards 2023/2024:	Gold — Annual Reports — Overall Presentation: Transport Infrastructure
LACP Annual Report Design Awards:	Gold, World Top 100 (ranked 56th), Technology Achievement Award (Honour)

CONSISTENT RETURN TO SHAREHOLDERS

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 stable return to our shareholders while we recorded consistent growth of our operating results.

	2017	2018	2019	2020	2021	2022	2023
Earnings per share (RMB)	0.5666	0.6300	0.6799	0.0959	0.8756	0.2708	0.4574
Dividend per share (HKD)	0.36	0.39	0.39	0.07	0.61	0.20	0.30
Dividend payout ratio	52.4%	53.6%	51.5%	60.9%	56.9%	64.4%	59.8%

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2023, the Company has complied with the code provisions as set out in the Corporate Governance Code.

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 statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by Ernst & Young 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 Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the Reporting 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, 16 May 2024 to Tuesday, 21 May 2024, 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 21 May 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 14 May 2024.

In addition, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Wednesday, 29 May 2024, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Monday, 27 May 2024.

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

Hong Kong, 5 March 2024

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

Executive Directors: **LI Feng (Chairman), HE Baiqing, CHEN Jing, CAI Minghua and PAN Yongqiang**

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