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

CREATING EXCELLENT VALUES

ANNUAL REPORT 2013

Weixu road section-Lannan and Yongdeng intersection (S83/S32hub)

CONTENTS

FIVE YEARS FINANCIAL SUMMARY

INCOME STATEMENT

Year ended 31 December

(RMB'000)	**2013**	2012	2011	2010	2009 (Restated)
Revenue	**1,753,084**	1,485,211	1,321,997	1,252,665	1,000,746
Earnings before interests, tax, depreciation and amortisation ("EBITDA")[1]	**1,687,068**	1,406,065	1,182,515	1,141,945	937,753
Profit before income tax	**953,645**	806,245	859,278	848,055	582,207
Profit for the year	**692,991**	557,728	725,061	701,736	498,727
Profit attributable to:					
Shareholders of the Company	**554,419**	426,915	558,212	534,544	382,350
Non-controlling interests	**138,572**	130,813	166,849	167,192	116,377
Basic earnings per share for profit attributable to the shareholders of the Company	**RMB0.3314**	RMB0.2552	RMB0.3336	RMB0.3195	RMB0.2285
Dividend per share	**RMB0.206**	RMB0.163	RMB0.197	RMB0.187	RMB0.141

BALANCE SHEET

As at 31 December

(RMB'000)	**2013**	2012	2011	2010	2009 (Restated)
Total Assets	**18,225,968**	18,710,701	16,147,403	13,842,966	12,152,740
Total Liabilities	**7,947,642**	8,626,339	6,187,997	4,156,148	2,692,150
Total Equity	**10,278,326**	10,084,362	9,959,406	9,686,818	9,460,590
Equity attributable to:					
Shareholders of the Company	**8,275,767**	8,094,466	7,933,853	7,813,584	7,619,861
Non-controlling interests	**2,002,559**	1,989,896	2,025,553	1,873,234	1,840,729
Net assets per share to shareholders of the Company	**RMB4.95**	RMB4.84	RMB4.74	RMB4.67	RMB4.55

FINANCIAL RATIOS

Year ended 31 December

	2013	2012	2011	2010	2009 (Restated)
Return on equity attributable to shareholders of the Company	**6.70%**	5.27%	7.04%	6.84%	5.02%
Interest Coverage	**4.5 times**	4.1 times	7.6 times	19.6 times	14.9 times
Gearing ratio[2]	**34.1%**	40.2%	28.4%	8.40%	Net Cash
Total liabilities/Total assets ratio[3]	**43.6%**	46.1%	38.3%	30.0%	22.2%

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

2: net debts÷total capitalization

3: total liabilities÷total assets

FINANCIAL HIGHLIGHTS

RESULTS HIGHLIGHTS FOR 2013

18.0% ▲
Revenue*
RMB 1,753 million

19.1% ▲
Gross profit*
RMB 1,171 million

0.6 percentage point ▲
Gross margin*
66.8%

10.5% ▲
Operating profit
RMB 984 million

18.3% ▲
Profit before income tax
RMB954 million

29.9% ▲
Profit attributable to shareholders of the company
RMB 554 million

29.9% ▲
Earnings per share
RMB 0.3314

2.6% ▼
Total assets
RMB 18.23 billion

2.2% ▲
Net assets per share
RMB 4.95

* from toll operation

CORPORATE PROFILE

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

Public
39.35%

Yue Xiu Enterprises (Holdings) Limited
60.65%

Yuexiu Transport Infrastructure Limited

Expressway / Bridge / Port

- ■ GNSR Expressway / 60%
- ■ Xian Expressway / 100%
- ■ Cangyu Expressway / 100%
- ■ Jinbao Expressway / 60%[(1)]
- ■ Han-Xiao Expressway / 90%
- ■ Changzhu Expressway / 90%
- ■ Yuexin Chishui Port / 51%
- ■ Weixu Expressway / 100%

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

(1) The Group's profit sharing ratio in Humen Bridge and Jinbao Expressway could be referred to notes of 'Business Review' in page 24.

■ subsidiaries
● associates and joint venture

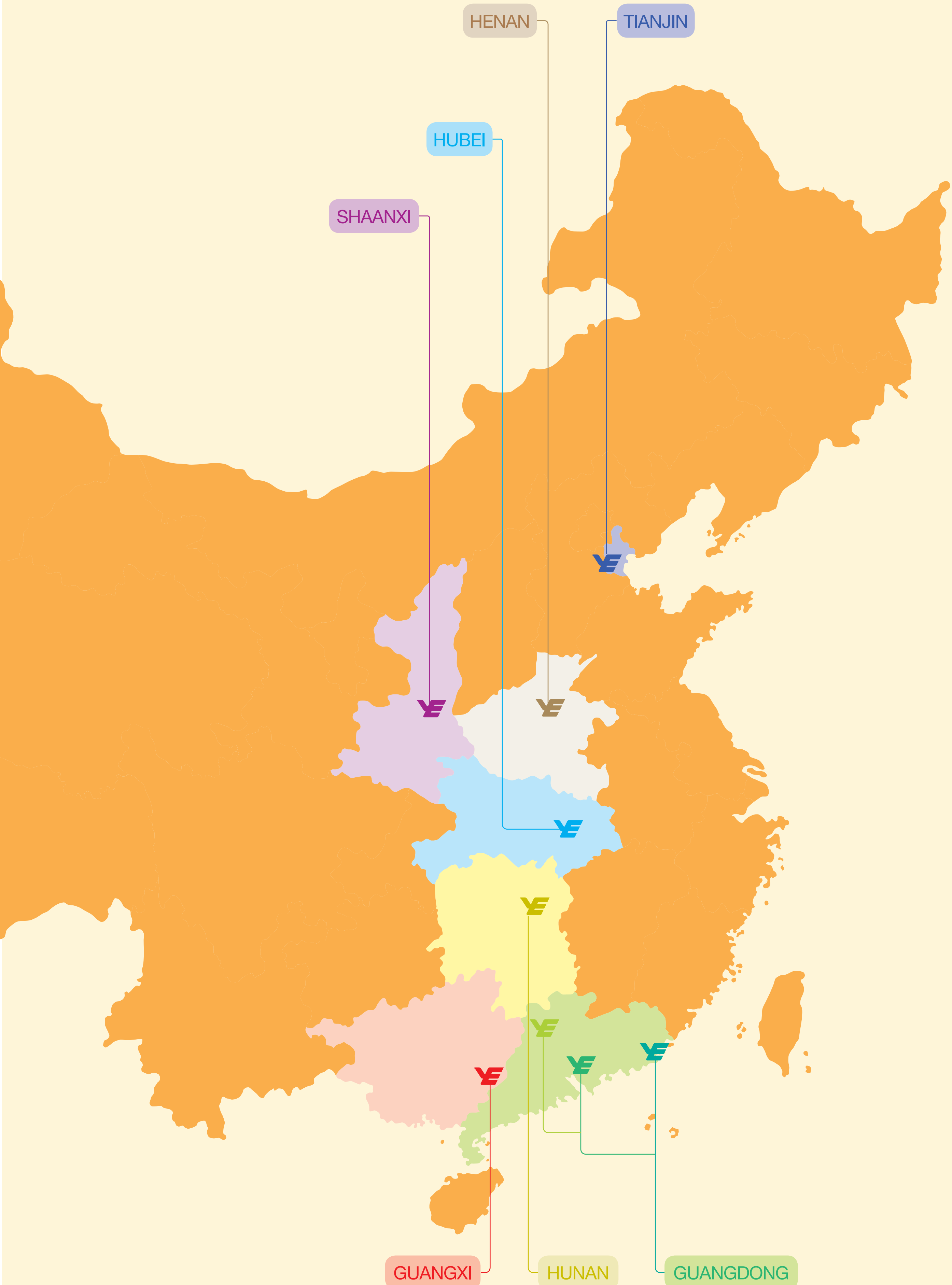
Yuexiu Transport Infrastructure Limited ("Company") and its subsidiaries (collectively, "Group") are principally engaged in investment, operation and management of toll expressways and bridges in Guangdong Province and other high-growth provinces in the People's Republic of China ("PRC"). The Company's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

As at 31 December 2013, the Group had a total of 12 investments in its operating expressways and bridge projects which included Guangzhou Northern Second Ring Expressway ("GNSR Expressway"), Guangzhou Western Second Ring Expressway ("GWSR Expressway"), Guangzhou Northern Ring Road ("Northern Ring Road"), Guangdong Humen Bridge ("Humen Bridge"), Shantou Bay Bridge and Qinglian Expressway, all of which are located within Guangdong Province; Xian to Lintong Expressway in Shaanxi Province ("Xian Expressway"); Cangyu Expressway in Guangxi Zhuang Autonomous Region ("Cangyu Expressway"); Jinbao Expressway in Tianjin Municipality; Han-Xiao Expressway in Hubei Province; Changzhu Expressway in Hunan Province; and Weixiu Expressway in Henan Province.

As at 31 December 2013, the attributable toll length of the Group's subsidiaries is approximately 224 km (total toll length is approximately 259.1 km), attributable toll length of the Group's associates/joint venture is approximately 77.3 km, the total attributable toll length of expressways and bridges is approximately 301.3 km. Moreover, the Group has also invested in Yuexin Chishui Port, a terminal project located in Wuzhou city ("Yuexin Chishui Port").

LOCATION MAPS OF PROJECTS

LOCATION	PROJECTS NAME
GUANGDONG	
Dongguan City	Humen Bridge
Guangzhou City	GNSR Expressway
Guangzhou City	Northern Ring Road
Guangzhou City	GWSR Expressway
Qingyuan City	Qinglian Expressway
Shantou City	Shantou Bay Brdge
SHAANXI	
Xian City	Xian Expressway
GUANGXI	
Wuzhou City	Cangyu Expressway
Wuzhou City	Yuexin Chishui Port
TIANJIN	
Tianjin City	Jinbao Expressway
HUBEI	
Wuhan City	Han-Xiao Expressway
HUNAN	
Changsha City	Changzhu Expressway
HENAN	
Xuchang City	Weixu Expressway


HENAN
TIANJIN
HUBEI
SHAANXI
GUANGXI
HUNAN
GUANGDONG

1 HUMEN BRIDGE

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

2 GNSR Expressway

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

3 Northern Ring Road

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

4 Qinglian Expressway

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

5 GWSR Expressway

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

6 Shantou Bay Bridge

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

LOCATION MAPS OF PROJECTS

GUANGDONG PROVINCE

SHAANXI PROVINCE

7 Xian Expressway

It is the connection between Xian and Tongguan as well as a part of Lianhuo Expressway (G30) with a toll length of approximately 20.1 km with four lanes and intersects with Rao Cheng Expressway. It is also a major access connecting Xian City to World Famous historical relics and scenic spots such as Terra-Cotta Warriors and Huaqing Hot Spring.

LOCATION MAPS OF PROJECTS

GUANGXI

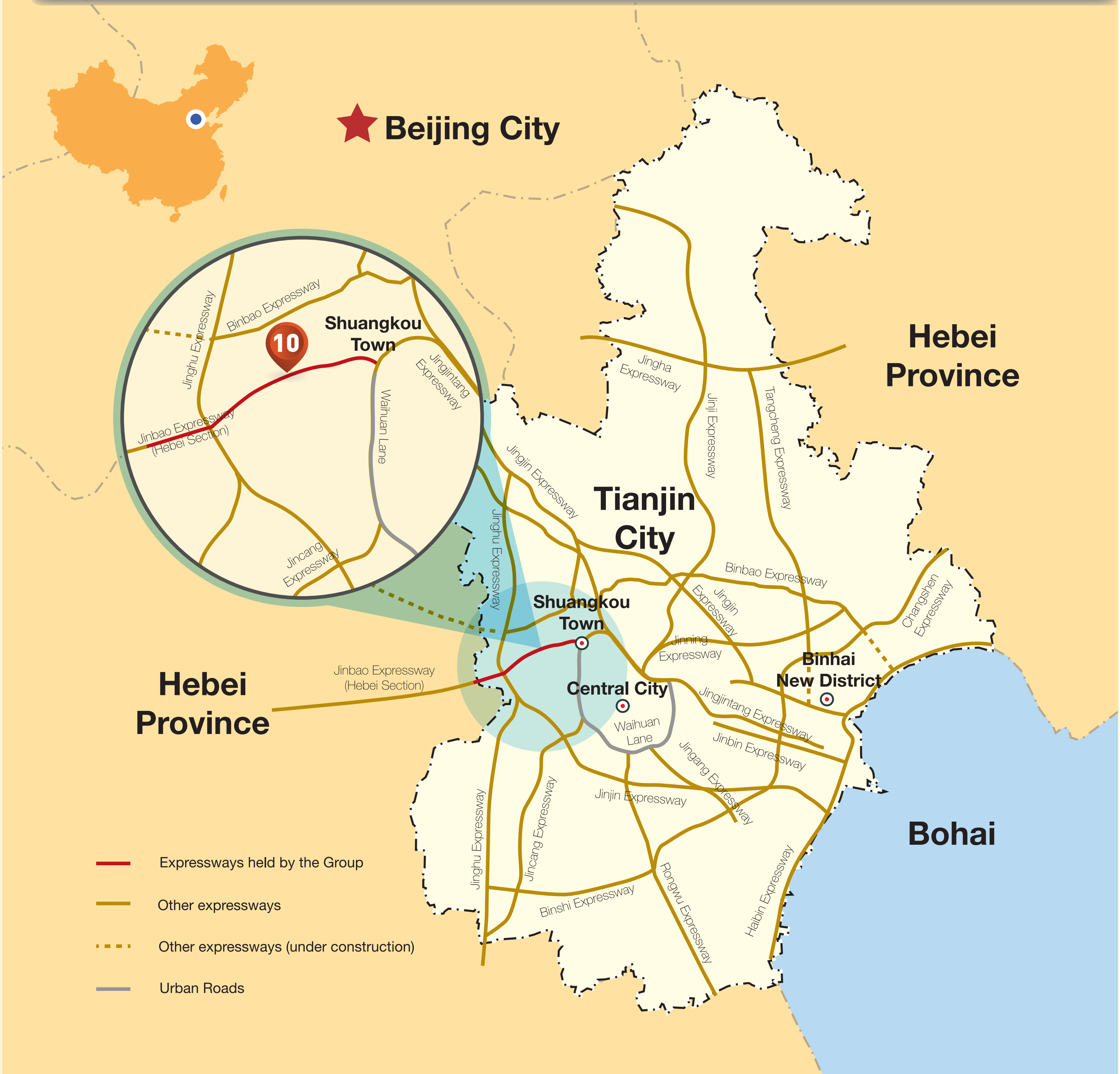
8 Cangyu Expressway

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

9 Yuexin Chishui Port

It is situated at the Xijiang Gold Water-course in the PRC and is a main inland port at Xijiang. Located 8.2 km upstream from the dam site at Changzhou Water Conservancy Hub in Wuzhou City, the Port has five 2,000-tonne berths (Phase I) with designed annual handling capacity of 1,980,000 tonnes. The Port connects with the Class 1 Port Entry Highway and Nanwhu Class 2 Highway at Kong Liang area. Also, the entry to the Port is only 6 km away from Baomao Expressway. The specialized entry-railway connects the Kong Liang station of the Wuzhou section of Luozhan Railway.

TIANJIN CITY



10 Jinbao Expressway

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

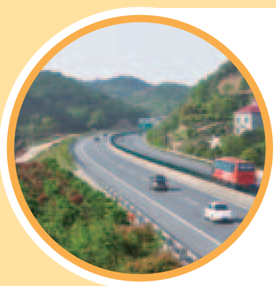
LOCATION MAPS OF PROJECTS

HUBEI PROVINCE

11 Han-Xiao Expressway

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

HUNAN PROVINCE



12 Changzhu Expressway

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

HENAN PROVINCE

13 Weixu Expressway

Weixu Expressway is an important part of Lan-nan Expressway as well as the significant linkage between G4 Expressway, Daguang Expressway (G45), Ningluo Expressway (G36) and Lianhuo Expressway (G30). The toll length is approximately 64.3 km with six lanes.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Mr. Zhu Chunxiu
Chairman

"On behalf of the Board, I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2013."

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2013 (the "Reporting Year"), the toll revenue of the Group (being the Company and its subsidiaries) reached a new record by increasing 18.0% year-on-year to RMB1,753 million. Profit attributable to shareholders amounted to RMB554 million, representing a year-on-year increase of 29.9%.

The Board has recommended the payment of a final dividend for 2013 of HK$0.16 per share which is equivalent to RMB0.126387 per share (2012: HK$0.11 per share which was equivalent to RMB0.0889706). Together with the paid interim dividend of HK$0.10 per share which is equivalent to RMB0.079542 per share, total dividends for the Reporting Year amounted to HK$0.26 (equivalent to RMB0.205929) per share, representing a dividend payout ratio of 62.1% (2012: 63.7%), which reflects the Group's stable and continuous dividend policy.

ANNUAL REVIEW

- **Macro-economy review**

  Given the continuous pattern of slow recovery for global economy during the reporting year, overall complexities still exist due to the subsequent impacts by financial crisis. Development patterns of major economies differentiated obviously. Relatively strong recovery occurred in advanced economies like U.S.A and Japan, and Euro Zone was turning the corner from debt crisis to fragile recovery. Emerging markets and developing countries, however, were slowing down in growth momentum while entered to an adjustment period.

  Confronting such complexities, Chinese government maintained the strength of measures to ensure an overall stable economy, and went further with structural balancing. According to the National Bureau of Statistics, the 2013 GDP amounted to RMB 56.88 trillion with a Y-O-Y growth of 7.7%. A stabilized momentum with steady growth was achieved for the economy.

- **Sector policy review**

  As no more severe or negative measures were introduced by central government, the policy environment of toll road sector in China remained stable during the Reporting Year. On 8 May 2013 a revised consultation draft of "Regulations for Administration of Toll Roads" (《收費公路管理條例》(修正案徵求意見稿) (hereinafter referred to as the "Consultation Draft") was issued to seek opinions from the public. The Consultation Draft mentioned operators' losses caused by measures like toll-free holiday policy should be compensated by measures such as extended toll concessions, and issues like construction costs and inflation should be factored into toll rate mechanism. The rate increase and extended concessions approved in regions like Yunan, Jiangxi, Guangxi also reflected prominent contradictions between the current fixed rate mechanism and rising construction costs of expressways especially the new ones. Currently, discussions of amendments and supplements are still undergone amidst National Ministry of Transport and other departments, to which the Group will pay close attention.

CHAIRMAN'S STATEMENT

- **Operation review**

  During the Reporting Year, the Group's projects sustained sound revenue growth. Central region projects including Weixu Expressway recorded strong double-digit revenue growth, while Guangdong projects outperformed expectation with over 10% revenue growth recorded amidst mature projects like GNSR Expressway and Humen Bridge, driven by steady regional economic growth, infrastructure investments, enhanced domestic consumption and other favorable factors.

  The Group's cash resource was strengthened by receiving consideration for the transfer of the entire equity interest in Guangzhou Securities Co. Ltd. and remaining compensation for Guangzhou Class 1 Highways during the Reporting Year. Additionally, the Group obtained "Baa2" of corporate credit rating with a "stable" outlook from Moody's, creating favorable conditions for future capital operation.

FUTURE PROSPECT

- **Macro-economy Outlook**

  Given the relatively strong recovery in the United States, Japan and other advanced economies, the projection of global economy growth by the International Monetary Fund ("IMF") in its latest report 'World Economic Outlook 2014' rose from 3% to 3.7%. However, IMF also pointed out that deflation and risks in financial industries would still be the uncertainties affecting the overall recovery of economy.

  On the other hand, since the tapering of Quantitative Easing has been triggered by U.S.A, the emerging markets and developing countries will confront adjustment of investments along with the risk of capital outflow due to their inherent economic fragility. In general, the global economy will still follow the track of slow recovery in 2014.

  Given the complicated external economic landscape, resolutions of deepening domestic economic reforms were passed at the Third Plenum of the 18th Central Committee of the Communist Party of China, requesting accelerated economic transition through certain reforms to shift the economy towards higher efficiency, more fairness with strengthened sustainability. A steady and progressing economic momentum will be expected in China during the economic transition by reforms.

- **Sector Policy Outlook**

  According to 'National Highway Network Plan (2013~2030)'('the Plan') issued by National Ministry of Transport on June 20th 2013, China still has huge needs of expressway constructions. Meanwhile, the Plan also pointed out that toll collection policy should continuously be implemented, and social capital should be encouraged to engage as a way of diversifying investment parties and source of financing. Management expect the central government to, by considering factors like fiscal capacity of local government, liability position of expressways and escalating construction costs, persistently updating and perfecting the legal requirements, so as to effectively protect legal benefits of investors and operators, and maintaining an overall stable policy environment of toll road sector.

- **Operation outlook**

  The Group's projects such as GNSR Expressway, Xian Expressway, Cangyu Expressway, Northern Ring Road, Humen Bridge and Shantou Bay Bridge, which have become relatively mature, continue to be the main source of stable profits. In particular, operational performance of projects in central Guangzhou will become stronger catalyzed by toll-by-weight policy anticipated to be carried out in 2014. New projects acquired in recent years like Han-xiao Expressway, Changzhu Expressway and Weixu Expressway will maintain strong double-digit growth of traffic volume and revenue driven by rapid growth of local economy.

- **Expansion of investments**

  The Group will continue to focus on the investment and operations of quality expressways, while still paying close attention to investment opportunities in the following areas in terms of regional strategies: (1) the Pearl River Delta region which is more matured in economic development; (2) central and western provinces in China, which have enjoyed rapid economic growth, strong support from the central government and development opportunities brought by the relocation of industries from eastern coastal areas.

  The Group remains optimistic about the investment opportunities of transport infrastructure in mainland China, and is actively reserving quality expressways. By fully leveraging the advantages of its access to financing platforms both in Hong Kong and mainland China as well as its internal resources, the Group will adjust and optimize its debt structure and actively explore diversified debt financing methods in order to lower its overall finance costs. It will also acquire quality projects as and when opportunities arise and optimize its overall portfolio to improve the profitability of its assets as a whole and continue to generate reasonable returns to shareholders.

APPRECIATION

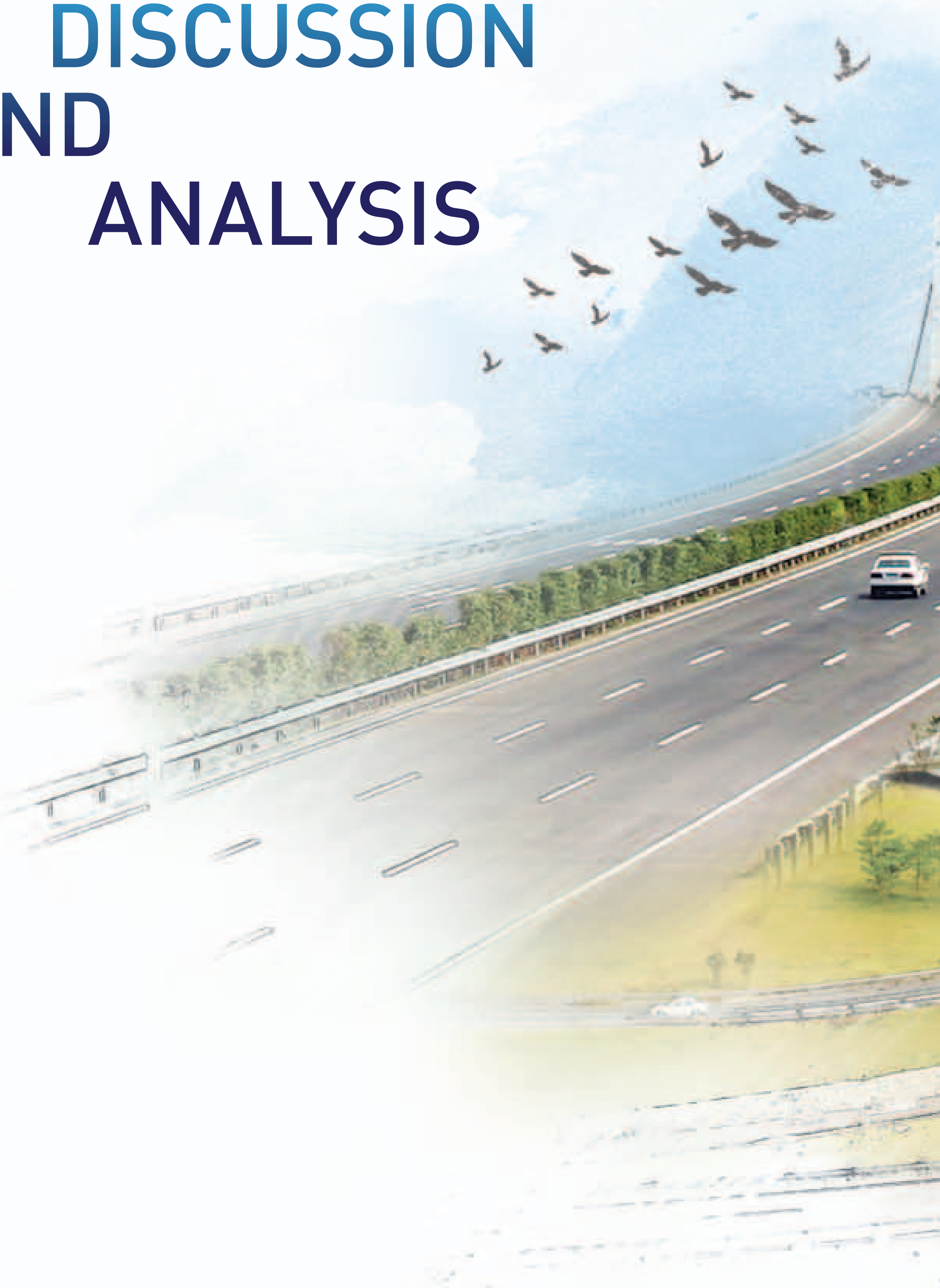
During the year, our directors, senior management officers and staff continued to adhere to their pragmatic resolute working attitude, in pursuit of performance excellence, and completed a substantial amount of work. On behalf of the Board, I would like to express my sincere gratitude for their invaluable contribution.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude and appreciation to our shareholders, our colleagues in the banking and commercial sectors, and our business partners for their continued support over the years.

Zhu Chunxiu
Chairman

Hong Kong, 19 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Tolled Mileage	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Remaining Operating Term (years)
Subsidiaries						
GNSR Expressway	42.5	6	9	Expressway	60.00	19
Xian Expressway	20.1	4	3	Expressway	100.00	3
Cangyu Expressway	23.3	4	1	Expressway	100.00	17
Jinbao Expressway	23.9	4	3	Expressway	60.00[(1)]	17
Han-Xiao Expressway	38.5	4	2	Expressway	90.00	23[(2)]
Changzhu Expressway	46.5	4	5	Expressway	90.00	27
Weixu Expressway	64.3	6	2	Expressway	100.00	22
Associates and Joint Venture						
GWSR Expressway	42.1	6	5	Expressway	35.00	17
Humen Bridge	15.8	6	4	Suspension Bridge	27.78[(3)]	16
Northern Ring Road	22.0	6	10	Expressway	24.30	10
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	15
Qinglian Expressway	215.2	4	17	Expressway	23.63	21

(1) The Group holds 60% interests; profit sharing ratio: 90% up to 2012, 40% from 2013 to 2015, and 60% from 2016 onwards.

(2) According to the Notice of Hubei Provincial Price Bureau (2013 No. 4), the concession period was adjusted from 29 years to 30 years, but the trial operation period was included in the concession period, that is, from 9 December 2006 to 9 December 2036, which is ten months shorter than the original concession period.

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

Toll Summary of Toll Roads and Bridges

For the twelve months ended 31 December 2013

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll revenue per vehicle	
	(vehicle/ day)	Change %	(RMB/day)	Change %	(RMB)	Change %
Subsidiaries						
GNSR Expressway	131,386	20.3%	2,070,784	12.7%	15.8	-6.3%[(1)]
Xian Expressway	51,384	4.5%	686,839	4.5%	13.4	0.0%
Cangyu Expressway	11,912	8.4%	290,091	6.1%	24.4	-2.1%
Jinbao Expressway	25,877	3.8%	296,091	-9.8%	11.4	-13.1%[(2)]
Han-Xiao Expressway	14,970	25.0%	348,828	24.9%	23.3	-0.1%
Changzhu Expressway	13,276	19.5%	387,239	18.6%	29.2	-0.8%
Weixu Expressway	13,586	28.9%	723,096	23.1%	53.2	-4.5%[(3)]
Associates and Joint Venture						
GWSR Expressway	42,337	21.7%	824,777	15.6%	19.5	-5.0%[(1)]
Humen Bridge	84,699	12.8%	3,322,775	16.4%	39.2	3.2%
Northern Ring Road	237,131	16.9%	1,719,579	4.2%	7.3	-10.9%[(4)]
Shantou Bay Bridge	18,412	16.6%	671,337	12.3%	36.5	-3.7%
Qinglian Expressway	28,344	24.2%	1,947,843	32.7%	68.7	6.9%

(1) Due to the enforcement of unified toll rates on all expressways across Guangdong Province since 1 June 2012, the weighted average toll revenue per vehicle of GNSR Expressway and GWSR Expressway decreased year-on-year.

(2) Due to the diversion impact of Binbao Expressway, a change of traffic mix has incurred on Jinbao Expressway. As a result, the percentage of long-mileage volumes dropped, leading to a year-on-year decrease of weighted average toll revenue per vehicle.

(3) As renovation and expansion works were carried out at the Hebei section of G4 National Expressway since May 2013, causing certain vehicles to use Weixu Expressway instead and in turn leading to a change of proportion of long-haul and short-haul traffic, and with the rectification of overloaded vehicles in Henan Province since 1 May 2013 which resulted in a decrease in the number of overloaded goods vehicles, the weighted average toll revenue per vehicle of Weixu Expressway decreased.

(4) Due to the traffic restrictions against certain goods vehicles during specific hours on the First Ring Road of Guangzhou since 10 January 2013 and the enforcement of unified toll rates on all expressways across Guangdong Province since 1 June 2012, the weighted average toll revenue per vehicle of Northern Ring Road decreased year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

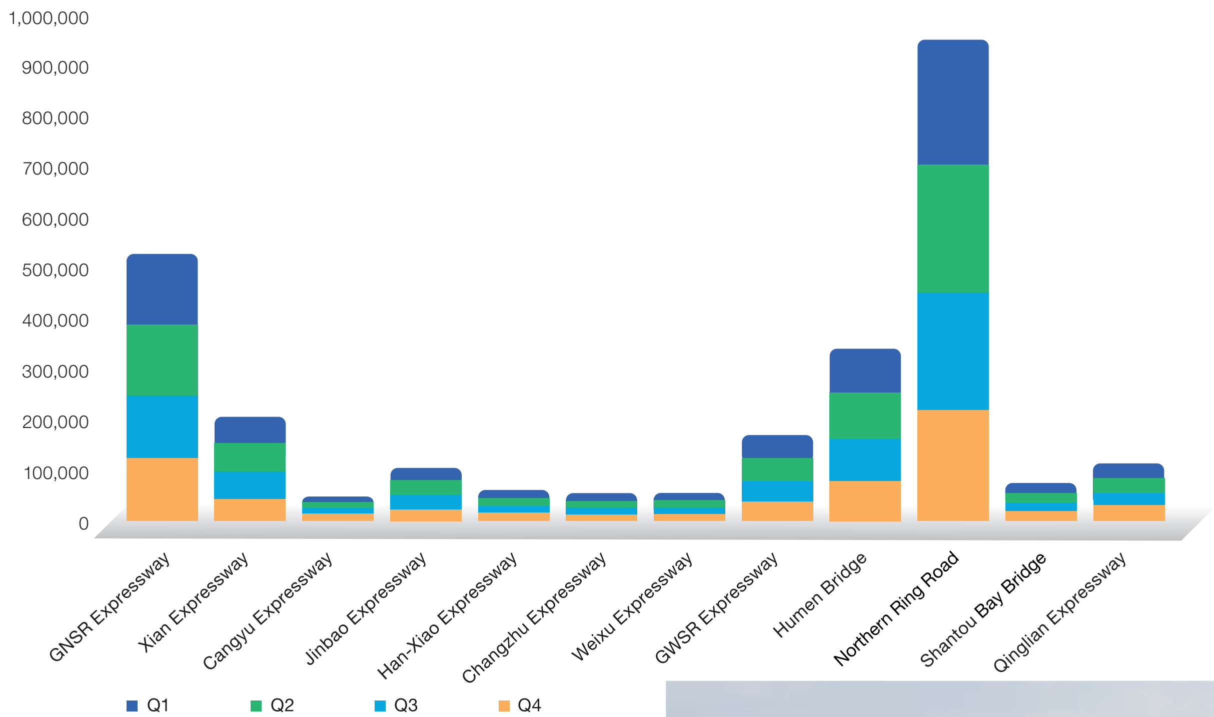
Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for 2013

	Average daily toll traffic volume (vehicle/day)			
	first quarter	second quarter	third quarter	fourth quarter
Subsidiaries				
GNSR Expressway	122,458	123,417	141,326	138,065
Xian Expressway	43,452	52,717	57,011	52,108
Cangyu Expressway	14,287[1]	9,949	12,469	10,973
Jinbao Expressway	21,776	28,480	29,353	23,838
Han-Xiao Expressway	14,685	13,882	15,454	15,839
Changzhu Expressway	12,024	12,885	13,912	14,251
Weixu Expressway	12,327	12,876	14,750	14,675
Associates and Joint Venture				
GWSR Expressway	37,487	40,461	45,471	45,804
Humen Bridge	78,070	82,685	92,281	85,594
Northern Ring Road	217,466	233,277	251,210	246,101
Shantou Bay Bridge	17,613	16,688	20,141	19,170
Qinglian Expressway	30,489[1]	24,146	29,482	29,260

[1] During the Spring Festival, the traffic volume of Cangyu Expressway (being an important road connecting Guangdong Province and Guangxi Province) and Qinglian Expressway (being an important road connecting Guangdong Province and Hunan Province) grew significantly, resulting in a much higher average daily toll traffic volume in the first quarter than that in the second quarter.

Quarterly analysis of average daily toll traffic volume for 2013

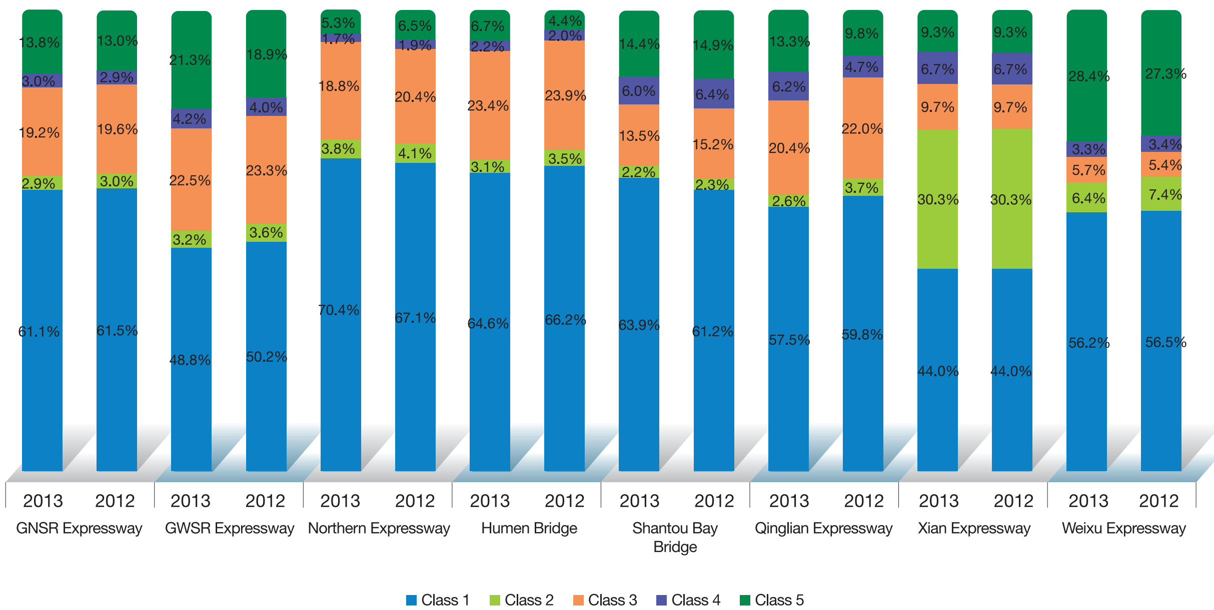


Vehicle type analysis (based on statistics of traffic volume)

As a result of the implementation of its investment strategies in recent years, the operating projects of the Group have become widely distributed in seven provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Shaanxi, Henan and Tianjin. During the Reporting Year, according to the vehicle type classification, which was based on the location where the Group invested and operated its projects, the vehicle types of projects operated in the provinces of Guangdong, Shaanxi and Henan were classified as Class 1 to Class 5, for projects operated in other areas, the vehicle types were classified into passenger (vehicle) and goods (vehicle).

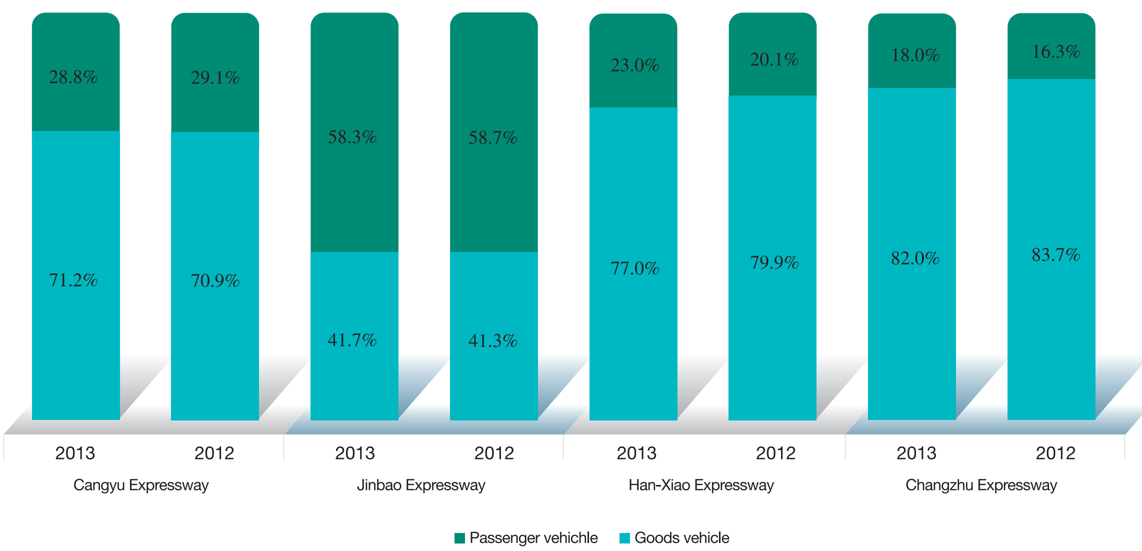
MANAGEMENT DISCUSSION AND ANALYSIS

Vehicle type analysis on projects operated in the provinces of Guangdong, Shaanxi and Henan for 2013 (based on statistics of traffic volume)



Note: Weixu Expressway's data for 2012 represents its full year data.

Vehicle type analysis on projects operated in other regions for 2013 (based on statistics of traffic volume)



The traffic restriction against certain types of goods vehicles during specific hours became effective on the First Ring Road of Guangzhou since 10 January 2013, resulting in certain volumes structural changes of the Northern Ring Road, the GNSR Expressway and the GWSR Expressway during the Reporting Year. In particular, percentage of Class 1 vehicles rose significantly in Northern Ring Road but dropped slightly in GNSR and GWSR Expressway, however, the percentage of goods vehicles of Class 5 increased.

As a result of commencement of operation of neighboring roads and the close-for-major overhaul of G4 national expressway from May to November 2013, the percentages of Class 4 and 5 goods vehicles of Qinglian Expressway increased significantly within the period.

As the tax rebate policy for departure port was implemented in Yangluo Port , and traffic restriction against goods vehicles which was implemented from 1 March 2013 was escalated on the third ring road of Wuhan city, the percentage of goods vehicles of Han-Xiao Expressway within the period rose significantly.

Due to continued and centralized actions against toll evasion since January 2013, the percentage of Class 5 vehicles within the period rose significantly for Humen Bridge.

Summary of operating performance

Macroeconomic environment

In 2013, the Chinese government, confronting the internal and worldwide complexities, upheld the tone of ‘making progress while ensuring stability’ as the framework of policy-making to press ahead with reforms and open-up. By the scientific and innovative manner of macroeconomic control by Chinese government, reforms were taken to promote new development and progress, economic transition and upgrades as well as improved living standards. Therefore, the overall economy in China was growing steadily at a sound momentum. The 2013 GDP of China, as primarily estimated, totaled RMB56.8845 trillion which equaled to a Y-O-Y growth of 7.7%. The aggregate national traffic demand remained stable as highways’ volumes of passenger and freight grew by 5.3% and 11.3% respectively year-on-year. The growth rate of freight volumes was higher than that of passenger volumes.

Meanwhile, China’s motor vehicle market in 2013 maintained its steady growth, with global record highs in production and sales volumes of 22.117 million units and 21.984 million units, respectively, representing an increase of 14.8% and 13.9%, respectively, year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the economy of Guangdong Province remained stable with continuous improvement in economic structure and further advancement in the quality and efficiency of economic growth. The overall economy developed steadily with a positive momentum for improvement in quality. The GDP of Guangdong Province reached RMB6,216.4 billion, growing by 8.5% year-on-year. The economic growth in regions where the Group had controlling interests in projects (including Shaanxi, Tianjin, Guangxi, Hunan, Hubei and Henan) remained relatively fast; their GDPs in 2013 grew by 11%, 12.5%, 10.2%, 10.1%, 10.1% and 9.0% respectively, all of which were higher than the national average for the same period.

(Unit: RMB100 million)

	National	Guangdong Province	Shaanxi Province	Tianjin City	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
GDP in 2013	568,845	62,164	16,045	14,370	14,378	24,502	24,668	32,156
Growth rate in 2013	7.7%	8.5%	11.0%	12.5%	10.2%	10.1%	10.1%	9.0%
Growth rate in 2012	7.8%	8.2%	12.9%	13.8%	11.3%	11.3%	11.3%	10.1%

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

Policy Environment of the Industry

During the Reporting Year, the "Green Passage Toll Free Policy" was enforced on the expressways and bridges of the Group in compliance with the relevant national requirements, resulting in a decrease of approximately RMB128.23 million in the Group's toll revenue (a decrease of RMB95.83 million was recorded in 2012).

In compliance with the national regulations, the toll-free policy for passenger cars with seven seats or less during major holidays were implemented at all of the Group's expressways and bridges. There were a total of 20 days meeting such requirements in 2013, 12 days more than that for the last year because the policy was first implemented in the second half of 2012. During these toll free holidays, the twelve expressways and bridges operated by the Group's subsidiaries, associates and joint venture recorded actual toll revenue of approximately RMB110,000,000, representing a decrease of approximately 34%[(1)] year-on-year.

(1) Weixu Expressway has been consolidated since 28 May 2012. As such, actual toll revenue of 12 expressways and bridges operated by subsidiaries, associates and joint venture of the Group in 2012 only included the toll revenue of such expressways and bridges during the relevant holidays after consolidated in the statement.

The outlook of policy in the toll road sector became clearer as positive signs revealed during the Reporting Year. The Ministry of Transport issued a revised consultation draft on "Regulations for Administration of Toll Roads" (《收費公路管理條例》(修正案徵求意見稿)) (hereinafter referred to as the "Consultation Draft") on 8 May 2013 to seek opinions from the public. To summarise, the consultation draft sought to clarify the principles of "Investors as beneficiaries, users as payers" (「誰投資、誰受益，誰使用、誰付費」原則), and the procedure for equity transfer of toll roads. Also, the reasonable return from investment in toll roads was ascertained, recognizing the government's effort in promoting long-term development of the toll road sector. On the other hand, on 1 April 2013, subsequent to the increase in toll rate for goods vehicles in previous year, the Jiangxi Province officially implemented a unified toll rate standard, with toll rate of Class 1 passenger vehicles increased from RMB0.4/km to RMB0.45/km. Moreover, the Guangxi Autonomous Region approved a higher toll rate for newly constructed expressways (with toll rate for Class I vehicles at RMB0.6/km) as compared to prior projects (with toll rate for Class I vehicles at RMB0.4/km).

Business Improvements and Innovations

During the Reporting Year, the Group managed to increase its revenue with reinforced efforts in marketing and basically developed a compound marketing pattern covering "road networks study, road signage improvement, customer visits, advertising and promotion and civilized services". Traffic volume maintained a good momentum for growth as the Group's measures to attract traffic volume achieved remarkable results. Meanwhile, the Group put more efforts on the maintenance and management of road works by carefully organising construction works to mitigate the impact on operations and toll revenue. The Group further improved its interactive mechanism covering "traffic monitoring, road administration, traffic police, maintenance and rescue" and improved its capabilities to divert traffic flows during rush hours and deal with emergencies, in order to provide road users with faster and safer traffic movement service to enhance the competitiveness and operational performance of its projects. Furthermore, the Group continued to improve its operation and management systems and mechanisms by carrying out a series of activities to further enhance its enterprise standardization and meticulous management, including comprehensive cost control, comprehensive risk management, the establishment of a professional manager mechanism and knowledge management.

Progress of Investments

After several acquisitions in recent years, the Group has achieved rapid growth in its asset size. During the Reporting Year, the emphasis of the Group was shifted to the continuous improvement of the operational management and profitability of its existing projects. In the long run, the Group will timely select projects with high growth potential for acquisition.

Performance of Expressways and Bridges

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll traffic volume was 131,386 vehicles and the average daily toll revenue was RMB2,071,000, representing an increase of 20.3% and 12.7%, respectively, when compared with 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Benefiting from the stabilization and recovery of regional economy, the traffic restriction regarding certain types of goods vehicles during specific hours enforced on the First Ring Road of Guangzhou since 10 January 2013 and the closure of the Leiyi section of the Beijing-Hong Kong-Macau Expressway for major overhaul between May and November 2013, the average daily toll traffic volume maintained rapid growth. The YoY growth of the average daily toll revenue was lower than that of the average daily toll traffic volume mainly due to the implementation of unified toll rates on all expressways across Guangdong Province since 1 June 2012.

Xian Expressway

During the Reporting Year, the average daily toll traffic volume was 51,384 vehicles and the average daily revenue was RMB687,000, representing an increase of 4.5% and 4.5%, respectively, when compared with 2012.

Benefiting from the rapid development of the economy in Shaanxi, as well as the improvement in road traffic environment and the establishment of a sound mechanism to ensure smooth traffic through the improvement in ETC auxiliary projects of Baqiao station of Xian Expressway and the optimization of road signs and markings in order to increase revenue, the average daily toll traffic volume and the average daily toll revenue continued to maintain steady growth momentum.

Cangyu Expressway

During the Reporting Year, the average daily toll traffic volume was 11,912 vehicles and the average daily toll revenue was RMB290,000, representing an increase of 8.4% and 6.1%, respectively, when compared with 2012.

With the deterioration of its surrounding road conditions and its repair from June to November 2013, measures regarding optimizing road signs and sign boards and dissemination of road network information were timely adopted on Cangyu Expressway for attracting traffic. As a result, the toll traffic volume and the toll revenue continued to maintain growth momentum.

Jinbao Expressway

During the Reporting Year, the average daily toll traffic volume was 25,877 vehicles and the average daily toll revenue was RMB296,000, representing an increase of 3.8% and a decrease of 9.8%, respectively, when compared with 2012.

The average daily traffic volume continued to maintain growth, but the average daily toll revenue decreased year-on-year, which was mainly due to the continued impact of traffic diversion from Binbao Expressway. However, since the second half of 2013, the cumulative YOY decline showed a trend of narrowing month by month.

Han-Xiao Expressway

During the Reporting Year, the average daily toll traffic volume was 14,970 vehicles and the average daily toll revenue was RMB349,000, representing an increase of 25.0% and 24.9%, respectively, when compared with 2012.

Benefiting from the tax rebate policy for departure port at Yangluo Port and escalating traffic restriction against trucks on the third ring road of Wuhan City enforced from 1 March 2013, the average daily toll traffic volume and the average daily toll revenue of Han-Xiao Expressway continued to maintain significant growth on a year-on-year basis during the Reporting Period.

Changzhu Expressway

During the Reporting Year, the average daily toll traffic volume was 13,276 vehicles and the average daily toll revenue was RMB387,000, representing an increase of 19.5% and 18.6%, respectively, when compared with 2012.

As a result of continuous improved traffic signs and boards, strengthened market promotion and enhanced operational service, Changzhu Expressway became increasingly familiar among growing number of drivers who then chose to use the road. Therefore, both the average daily toll traffic volume and the average daily toll revenue continued to maintain rapid growth on a year-on-year basis.

Weixu Expressway

During the Reporting Year, the average daily toll traffic volume was 13,586 vehicles and the average daily toll revenue was RMB723,000, representing an increase of 28.9% and 23.1%, respectively, when compared with 2012.

Benefiting from the reconstruction and expansion of the Hebei section of the G4 National Expressway since May 2013, traffics were partially diverted to the Weixu Expressway. Therefore, both the average daily toll traffic volume and average daily toll revenue grew rapidly on YOY basis.

Associates and Joint Venture

GWSR Expressway

During the Reporting Year, the average daily toll traffic volume was 42,337 vehicles and the average daily toll revenue was RMB825,000, representing an increase of 21.7% and 15.6%, respectively, when compared with 2012.

Benefiting from the stabilization and recovery of regional economy and enforcement of restricted access to Guangzhou first ring road regarding certain types of goods vehicles during specific hours since 10 January 2013, the average daily toll traffic volume and the average daily toll revenue maintained rapid growth. The YOY growth of the average daily toll revenue is lower than that of the average daily toll traffic volume, which was attributable to the enforcement of unified toll rates on all expressways across Guangdong Province since 1 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Humen Bridge

During the Reporting Year, the average daily toll traffic volume was 84,699 vehicles and the average daily toll revenue was RMB3,323,000, representing an increase of 12.8% and 16.4%, respectively, when compared with 2012.

Benefiting from the continuous growth of car ownership and actions against toll evasion across the board since January 2013, the average daily toll traffic volume and the average daily toll revenue experienced rapid growth.

Northern Ring Road

During the Reporting Year, the average daily toll traffic volume was 237,131 vehicles and the average daily toll revenue was RMB1,720,000, representing an increase of 16.9% and 4.2%, respectively, when compared with 2012.

As traffic restriction against specific goods vehicles during specific hours was enforced on the First Ring Road of Guangzhou since 10 January 2013 which greatly improved traffic conditions, the toll traffic volumes increased significantly mainly driven by rapid growth of small passenger vehicles. The YoY growth of the toll revenue was lower than that of the toll traffic volume mainly due to the traffic restrictions against certain goods vehicles during specific hours on the First Ring Road of Guangzhou since 10 January 2013 and the enforcement of unified toll rates on all expressways across Guangdong Province since 1 June 2012.

Shantou Bay Bridge

During the Reporting Year, the average daily toll traffic volume was 18,412 vehicles and the average daily toll revenue was RMB671,000, representing an increase of 16.6% and 12.3%, respectively, when compared with 2012.

Benefiting from the relocation of industries in surrounding areas and the continuous growth of car ownership, the average daily toll traffic volume and the average daily toll revenue maintained steady growth year-on-year.

Qinglian Expressway

During the Reporting Year, the average daily toll traffic volume was 28,344 vehicles and the average daily toll revenue was RMB1,948,000, representing an increase of 24.2% and 32.7%, respectively, when compared with 2012.

Benefiting from the completion of surrounding road networks and the closure of the Leiyi section of the Beijing-Hong Kong-Macau Expressway for major overhaul during the period between May and November 2013 which resulted in the diversion of some vehicles to Qinglian Expressway, the proportion of the traffic volume with long-distance gains increased, the average daily toll traffic volume and the average daily toll revenue also showed rapid growth.

FINANCIAL REVIEW

Key operating results figures	Reporting Year RMB'000	2012 RMB'000	Change %
Toll Revenue	**1,753,084**	1,485,211	18.0
Gross profit of toll collection	**1,171,459**	983,216	19.1
Operating profit	**983,870**	890,090	10.5
Earnings before interests, tax, depreciation and amortization ("EBITDA")[1]	**1,687,068**	1,406,065	20.0
Finance costs	**(337,430)**	(330,643)	2.1
Share of results of associates	**192,133**	179,883	6.8
Share of result of a joint venture	**14,404**	7,109	102.6
Profit attributable to shareholders of the Company	**554,419**	426,915	29.9
Basic and diluted earnings per share	**RMB0.3314**	RMB0.2552	29.9
Dividends	**344,552**	271,999	

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

I. Overview of operating results

With an encouraging performance in the first half of 2013 after the tough 2012 had passed, the positive momentum continued in the second half with overall operating results in whole year 2013 concluded with toll revenue increased by 18.0 percent to RMB1,753.1 million and profit attributable to the shareholders of the Company increased by 29.9 percent to RMB554.4 million. The Directors have recommended the payment of final dividend for 2013 of HK$0.16 which is equivalent to approximately RMB0.126387 (2012: HK$0.11 which was equivalent to approximately RMB0.0889706), together with the interim dividend of HK$0.10 which was equivalent to approximately RMB0.079542 (2012 HK$0.09 which was equivalent to approximately RMB0.0735952) per share, total dividends for the year ended 31 December 2013 will amount to HK$0.26 which is equivalent to approximately RMB0.205929 (2012: HK$0.20 which was equivalent to approximately RMB0.1625658) per share, represented a dividend payout ratio of 62.1 percent (2012: 63.7 percent).

With the implementation of Standardization Scheme on toll distance calculation in Guangdong Province in June 2012 and the nationwide implementation of toll-free holiday policy for passenger vehicles during statutory holidays effective in the second half of 2012 of which 8 days were affected versus 20 days (full year) in 2013; despite that, China's economic recovery has stimulated traffic growth which led to toll revenue of all the controlled and non-controlled toll projects except Jinbao Expressway to show continued growth in the Reporting Year. Controlled toll projects such as GNSR Expressway, Changzhu Expressway, Han-Xiao Expressway and Weixu Expressway, all recorded double digits growth of 12.4 percent, 18.2 percent, 24.5 percent and 22.8 percent respectively. Toll revenue of all the non-controlled toll projects have in aggregate grown by 16.2 percent, with Humen Bridge growing 16.1 percent; Northern Ring Road growing 3.9 percent; Qinglian Expressway growing 32.4 percent; Shantou Bay Bridge growing 12.0 percent and GWSR Expressway growing 15.3 percent.

MANAGEMENT DISCUSSION AND ANALYSIS

In the profit attributable to shareholders of the Company, controlled toll projects contributed RMB402.4 million in the Reporting Year with a 31.0 percent increase despite the impairment loss provision of RMB41.2 million (after deferred tax impact) to the intangible operating rights of Jinbao Expressway based on an independent valuation performed by independent traffic consultant and independent valuer. Apart from the aforementioned impairment loss, Jinbao Expressway's normal operating profit attributable to the shareholders of the Company amounted to RMB13.1 million, a drop of RMB21.9 million which was mainly due to the change in profit sharing ratio from 90.0 percent to 40.0 percent effective 2013 and ending 2016 pursuant to the relevant joint venture agreement, as the impact of the profit sharing ratio adjustment was RMB15.7 million. Weixu Expressway has contributed its first full year net profit of RMB66.0 million versus its 7 months net profit of RMB16.2 million consolidated in 2012. Xian Expressway has taken advantage of the Great Western Expansion Campaign Tax Relief Policy and successfully applied for a preferential tax rate of 15.0 percent. The 2012 profit tax refund of RMB14.9 million was recorded leading to its overall net profit increased by 25.4 percent to RMB133.6 million in the Reporting Year. Cangyu Expressway has recorded net profit increased by 20.1 percent to RMB40.3 million. Han-Xiao Expressway continued to grow significantly with its net profit increased by 106.7 percent in the Reporting Year to RMB23.1 million due to the rapid economic development in the region. Changzhu Expressway (commenced toll operation only in August 2010) which was still in its incubation period, further narrowed its net loss down by 37.9 percent to RMB48.8 million in the Reporting Year. The non-controlled toll projects contributed RMB206.5 million net profit to the Group with 10.5 percent increase despite the loss from disposal of Qinglian Class 2 Road. According to the notice published by the Communication Department of Guangdong Province, toll collection rights of some highways in Guangdong Province, including Qinglian Class 2 Road held by Guangdong Qinglian Highway Development Company Limited ("Qinglian Company"), had been cancelled with effect from 24:00 of 30 June 2013. Qinglian Company has been trying to work with relevant government departments on the arrangement details of the cancellation of toll collection at the Qinglian Class 2 Road and any related subsequent works. Pending an outcome of such negotiation, Qinglian Company has fully provided against the carrying value of Qinglian Class 2 Road of which the Group shared RMB48.1 million (after deferred tax impact) as at the end of the Reporting Year. With respect to the Expressway, with the opening of the Liannan section of Qinglian Expressway in early 2011 followed by the opening of Yilian Expressway on 25 September 2011, enabling overall surrounding road networks highly connected, Qinglian Expressway started to operate with profit in the Reporting Year versus the operating loss in 2012. Share of after tax profit of Qinglian Expressway amounted RMB2.8 million in the Reporting Year while share of loss in 2012 amounted RMB24.4 million. Humen Bridge contributed RMB136.5 million to the net profit of the Group representing 22.0 percent increase. GWSR Expressway has recorded two-fold net profit attributable to the Group of RMB14.4 million in the Reporting Year. Northern Ring Road and Shantou Bay Bridge have contributed RMB65.5 million and RMB35.5 million net profit representing 9.1 percent and 9.5 percent increase respectively.

The overall profit attributable to the shareholders of the Company has included the following corporate level transactions which have significant impacts on the Reporting Year: (1) The disposal of the Group's entire interest in Guangzhou Securities Co., Ltd. ("GZ Securities") (for details of the disposal, please refer to the Company's announcements dated 7 November 2012 and 22 April 2013) was completed on 4 November 2013 with a disposal gain (net of estimated corporate tax of its Holding Company) of approximately RMB103.4 million; (2) with the appreciation of RMB against HKD and USD, an aggregate of RMB42.7 million exchange gain in respect of the translation of HK$1.6 billion and US$83.8 million (equivalent to aggregate RMB1.77 billion) offshore loans was recorded; (3) there was an impairment loss of RMB39.5 million provided for goodwill related to Tianjin Jinfu Expressway Co., Ltd. based on an independent valuation performed by independent traffic consultant and independent valuer.

II. Analysis of operating results

Toll Revenue

The Group recorded toll revenue of RMB1,753.1 million in the Reporting Year, represented a 18.0 percent growth over 2012.

Analysis of toll revenue by each controlled toll project

Controlled Toll Projects	Reporting Year RMB'000	Percentage of total %	2012 RMB'000	Percentage of total %	Change %
GNSR Expressway	**755,836**	**43.0**	672,228	45.3	12.4
Weixu Expressway	**263,930**	**15.1**	130,397	8.8	N/A[1]
Xian Expressway	**250,696**	**14.3**	240,618	16.2	4.2
Changzhu Expressway	**141,344**	**8.1**	119,533	8.0	18.2
Han-Xiao Expressway	**127,322**	**7.3**	102,235	6.9	24.5
Jinbao Expressway	**108,073**	**6.2**	120,165	8.1	-10.1
Cangyu Expressway	**105,883**	**6.0**	100,035	6.7	5.8
Total	**1,753,084**	**100.0**	1,485,211	100.0	18.0

(1) Acquisition of Weixu Expressway was completed on 28 May 2012. For comparison purpose, toll revenue from 1 January 2012 to 31 December 2012 amounted to RMB214.9 million by which the toll revenue in the Reporting Year was higher by 22.8 percent.

MANAGEMENT DISCUSSION AND ANALYSIS

GNSR Expressway accounted for 43.0 percent (2012: 45.3 percent) to the total toll revenue of the Group's controlled toll projects in the Reporting Year. Despite the full year impact from the implementation of Standardization Scheme on toll distance calculation in Guangdong Province which took effect in June 2012 and the nationwide implementation of toll-free holiday for passenger vehicles during statutory holidays effective in the second half of 2012 with 8 days affected versus 20 days in the Reporting Year, toll revenue of GNSR Expressway in the Reporting Year has rebounded and increased by 12.4 percent to RMB755.8 million.

Weixu Expressway was consolidated to the Group in late May 2012 and its full year's toll revenue amounted to RMB263.9 million. It accounted for 15.1 percent of the total toll revenue from controlled toll projects. For comparison purpose, toll revenue for full year 2012 was RMB214.9 million, by which the toll revenue in the Reporting Year was higher by 22.8 percent.

Xian Expressway, ranked third in terms of toll revenue contribution representing approximately 14.3 percent (2012: 16.2 percent) of the total revenue from controlled toll projects. Toll revenue of Xian Expressway grew 4.2 percent to RMB250.7 million in the Reporting Year.

Changzhu Expressway, ranked fourth in terms of toll revenue contribution representing approximately 8.1 percent (2012: 8.0 percent) of the total toll revenue from controlled toll projects. Toll revenue in the Reporting Year amounted to RMB141.3 million being 18.2 percent higher than 2012.

With the rapid economic development in the region, Han-Xiao Expressway continued to record strong toll revenue amounted to RMB127.3 million, a growth of 24.5 percent in the Reporting Year. Han-Xiao Expressway ranked fifth in toll revenue contribution representing approximately 7.3 percent (2012: 6.9 percent) of the total toll revenue from controlled toll projects.

Jinbao Expressway, ranked sixth in terms of toll revenue contribution representing approximately 6.2 percent (2012: 8.1 percent) of the total toll revenue from controlled toll projects. Due to the opening of the Binbao Expressway in second half of 2010 which changed the structure of regional traffic pattern and led to a decrease of long-haul toll traffic volume, Jinbao Expressway's toll revenue declined 10.1 percent in the Reporting Year to RMB108.1 million.

Cangyu Expressway, accounted for 6.0 percent (2012: 6.7 percent) of the total toll revenue from controlled toll projects. Despite the full year impact from the implementation of Standardization Scheme on toll distance calculation in Guangdong Province which took effect in June 2012 and the nationwide implementation of toll-free holiday policy for passenger vehicles during statutory holidays effective in the second half of 2012 with 8 days affected versus 20 days in the Reporting Year, Cangyu Expressway recorded an increase in toll revenue of 5.8 percent to RMB105.9 million.

Cost of services

In the Reporting Year, cost of services of the Group's toll highways amounted to RMB581.6 million (2012: RMB502.0 million), representing an increase of RMB79.6 million or 15.9 percent over 2012. Cost ratio was 33.2 percent in the Reporting Year which was 0.6 percentage point lower than 2012. An analysis of cost of services showed that the increase was mainly due to (1) full year cost of services from Weixu Expressway (consolidated in late May 2012) with its increment of RMB40.8 million in the Reporting Year; (2) increase in amortization of intangible operating rights; and (3) GNSR Expressway's toll highways and bridges maintenance expenses in the Reporting Year increased by RMB13.5 million mainly due to the additional toll road reinforcement repairs works carried out.

Analysis of cost of services by each controlled toll project

Controlled Toll Projects	Reporting Year RMB'000	Percentage of total %	2012 RMB'000	Percentage of total %	Change %
GNSR Expressway	**243,889**	**41.9**	221,935	44.2	9.9
Weixu Expressway	**77,154**	**13.3**	36,335	7.2	N/A
Xian Expressway	**68,479**	**11.8**	70,492	14.0	-2.9
Changzhu Expressway	**55,710**	**9.6**	49,096	9.8	13.5
Han-Xiao Expressway	**48,010**	**8.3**	34,563	6.9	38.9
Jinbao Expressway	**58,011**	**10.0**	59,697	11.9	-2.8
Cangyu Expressway	**30,372**	**5.1**	28,822	5.8	5.4
	581,625		500,940		16.1
Others	—	—	1,055	0.2	N/A
Total	**581,625**	**100.0**	501,995	100.0	15.9

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of cost of services by nature

Controlled Toll Projects	Reporting Year RMB'000	Percentage of total %	2012 RMB'000	Percentage of total %	Change %
Amortization of intangible operating rights	**304,210**	**52.3**	256,291	51.1	18.7
Toll highways and bridges maintenance expenses	**70,155**	**12.1**	51,036	10.2	37.5
Staff costs	**82,955**	**14.3**	77,861	15.5	6.5
Business tax	**59,477**	**10.2**	51,098	10.2	16.4
Toll highways and bridges operating expenses	**52,370**	**9.0**	49,692	9.9	5.4
Depreciation of other fixed assets	**12,458**	**2.1**	16,017	3.1	-22.2
Total	**581,625**	**100.0**	501,995	100.0	15.9

Gross profit

Gross profit of toll collection in the Reporting Year increased by 19.1 percent to RMB1,171.5 million of which RMB186.8 million was derived from Weixu Expressway's full year contribution (consolidated in late May 2012). Gross profit margin in the Reporting Year was 66.8 percent being 0.6 percentage point higher than that of 2012.

Analysis of gross profit of toll collection by each controlled toll project

Controlled Toll Projects	Reporting Year Gross Profit RMB'000	Reporting Year Gross Margin	2012 Gross Profit RMB'000	2012 Gross Margin
GNSR Expressway	**511,947**	**67.7%**	450,293	67.0%
Weixu Expressway	**186,776**	**70.8%**	94,062	72.1%
Xian Expressway	**182,217**	**72.7%**	170,126	70.7%
Changzhu Expressway	**85,634**	**60.6%**	70,437	58.9%
Han-Xiao Expressway	**79,312**	**62.3%**	67,672	66.2%
Jinbao Expressway	**50,062**	**46.3%**	60,468	50.3%
Cangyu Expressway	**75,511**	**71.3%**	71,213	71.2%
	1,171,459	**66.8%**	984,271	66.3%
Others	—	—	(1,055)	N/A
Total	**1,171,459**	**66.8%**	983,216	66.2%

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB203.0 million (2012: RMB195.3 million), representing an increase of RMB7.7 million or 3.9 percent over 2012. Such increase was mainly attributed to (1) full year general and administrative expenses from Weixu Expressway (consolidated in late May 2012) with its increment of RMB2.7 million in the Reporting Year; and (2) overall increase in staff costs.

Other income and other gains - net

The disposal of the Group's entire interest in GZ Securities was completed on 4 November 2013 and a disposal gain (before tax impact) of approximately RMB121.5 million was recorded. In the Reporting Year, management has considered an impairment indicator existed in respect of Jinbao Expressway and has engaged an independent traffic consultant and independent valuer to perform an independent valuation. The assessment based on the independent valuation resulted to a total impairment loss provision (before tax impact) of RMB131.1 million, of which RMB39.5 million was allocated to impairment of goodwill and RMB91.6 million was allocated to impairment of intangible operating rights.

Finance income/Finance costs

The Group's finance income in the Reporting Year amounted to RMB100.7 million which was 68.3 percent higher than 2012 mainly due to the appreciation of RMB against HKD and USD, by which an aggregate of RMB42.7 million exchange gain in respect of the translation of HK$1.6 billion and US$83.8 million (equivalent to aggregate RMB1.77 billion) offshore loans was recorded.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's finance costs in the Reporting Year amounted to RMB337.4 million (net of amount capitalized in construction in progress of RMB19.7 million) as compared to 2012 of RMB330.6 million (net of amount capitalized in construction in progress of RMB24.3 million), representing an increase of approximately 2.1 percent or RMB6.8 million. Finance costs attributed to Weixu Expressway's full year's consolidation amounted to RMB95.4 million as compared to 2012 (consolidated in late May 2012) with only 7 months' consolidation in the amount of RMB68.7 million, representing increase of RMB26.7 million. During the Reporting Year, net change in balance of offshore bank borrowings in aggregate showed an increase of approximately RMB579.4 million and the total corporate finance costs amounted to approximately RMB56.8 million, representing increase of approximately RMB21.4 million. The Group's onshore bank borrowings have net decrease in aggregate of RMB1.17 billion (of which RMB710.0 million in aggregate was for loan restructure) and the related finance costs totaled RMB280.6 million, of which RMB95.4 million was related to Weixu Expressway with RMB26.7 million increase as aforementioned and RMB185.2 million was related to other controlled project companies with decrease of RMB41.3 million. The Group's overall average interest rate in the Reporting Year was 5.72 percent as compared to 6.26 percent in 2012 which has started to reflect the beneficial impact from loan restructure carried out in 2013.

Share of results of associates and a joint venture

The Group's share of results of associates has increased by 6.8 percent in the Reporting Year to RMB192.1 million and share of result of a joint venture increased 102.6 percent to RMB14.4 million in the Reporting Year.

Share of post-tax profit of Humen Bridge in the Reporting Year amounted to RMB136.5 million, representing 22.0 percent increase over 2012. Benefited from continued growth in car ownership, toll revenue at the project company level increased by 16.1 percent to RMB1,212.8 million in the Reporting Year.

Share of post-tax profit of Northern Ring Road in the Reporting Year increased by 9.1 percent to RMB65.5 million. Toll revenue at the project company level has rebounded with a growth of 3.9 percent to RMB627.6 million since the implementation of unified toll collection policy on expressways in Guangdong Province effective from 1 June 2012.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year increased by 9.5 percent to RMB35.5 million. With the continuous growth in car ownership, Shantou Bay Bridge's toll revenue at project company level enjoyed continued growth of 12.0 percent to RMB245.0 million in the Reporting Year.

In the Reporting Year, Qinglian Expressway's normal operating performance has turned to profit with the Group's share being RMB2.8 million as compared to the share of loss in 2012 of RMB24.4 million. According to the notice published by the Communication Department of Guangdong Province, toll collection rights of some highways in Guangdong Province, including Qinglian Class 2 Road held by Qinglian Company, had been cancelled with effect from 24:00 of 30 June 2013. Qinglian Company has been trying all feasible ways to work with relevant government departments on the arrangement details of the cancellation of toll collection at the Qinglian Class 2 Road and any related subsequent works. As at the end of the Reporting Year, Qinglian Company has fully provided against the carrying value of Qinglian Class 2 Road of which the Group shared RMB48.1 million (after deferred tax impact). Toll revenue from Qinglian Expressway at the project company level posted a growth of 32.4 percent to RMB711.0 million in the Reporting Year. Management believed that the completion of surrounding road networks will further boost the toll revenue of Qinglian Expressway, which is anticipated to become a more meaningful contributor to the Group's profitability.

Despite the full year impact from the implementation of Standardization Scheme on toll distance calculation in Guangdong Province which took effect in June 2012 and the nationwide implementation of toll-free holiday policy for passenger vehicles during statutory holidays effective in the second half of 2012 with 8 days affected versus 20 days in the Reporting Year, toll revenue of GWSR Expressway at the project company level has rebounded with a growth of 15.3 percent to RMB301.0 million in the Reporting Year and share of its post-tax profit has increased by 102.6 percent to RMB14.4 million.

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

		Revenue[1]		Share of results	
	Profit Sharing ratio %	**Reporting Year RMB'000**	YoY change %	**Reporting Year RMB'000**	YoY change %
Associates					
Humen Bridge	18.446	**1,212,813**	16.1	**136,525**	22.0
Northern Ring Road	24.3	**627,646**	3.9	**65,455**	9.1
Shantou Bay Bridge	30.0	**245,038**	12.0	**35,507**	9.5
Qinglian Expressway	23.63	**710,963**	32.4	**2,764**[2]	N/A
Qinglian Class 2 Road	23.63	—	—	**(48,118)**[2]	N/A
Sub-total		**2,796,460**	16.3	**192,133**	6.8
Joint venture					
GWSR Expressway	35.0	**301,045**	15.3	**14,404**	102.6
Total		**3,097,505**	16.2	**206,537**	10.5

(1) Represented figures at the respective project companies' level

(2) The performance of Qinglian Expressway has turned profitable in the Reporting Year, with the Group's share of profit amounted to RMB2.8 million compared to share of loss in 2012 of RMB24.4 million. Share of impairment loss of RMB48.1 million (net of deferred tax impact) was in respect of the written off of Qinglian Class 2 Road.

Income tax expense

Total income tax expense of the Group in the Reporting Year amounted to RMB260.7 million, representing an increase of RMB12.1 million or 4.9 percent in the Reporting Year mainly due to the increase in PRC enterprise income tax.

In the Reporting Year, a total of RMB18.2 million (2012: RMB15.4 million) was reversed from deferred tax assets and charged to the income tax expense.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB554.4 million in the Reporting Year, representing an increase of 29.9 percent over 2012.

Analysis of the profit attributable to shareholders of the Company

	Reporting Year RMB'000	**Percentage of total %**	2012 RMB'000	Percentage of total %	Change %
Net profit from controlled toll projects	**402,437**	**66.1**	307,210	62.2	31.0
Net profit from non-controlled toll projects[1]	**206,537**	**33.9**	186,992	37.8	10.5
Net profit from toll projects	**608,974**	**100.0**	494,202	100.0	23.2
Withholding tax on PRC dividends/income	**(49,600)**		(28,106)		76.5
Corporate expenses	**(110,436)**		(106,833)		3.4
Corporate income/gains	**24,579**		27,384		-10.2
Corporate finance income	**49,531**		8,805		462.5
Corporate finance costs	**(56,848)**		(35,455)		60.3
Net impact from exemption of business tax of Class 1 Highways	—		49,158		N/A
Net impact of interest income on compensation receivable	**24,301**		22,620		7.4
Goodwill impairment	**(39,470)**		—		N/A
Disposal gain of asset classified as held for sale (net of estimated corporate tax)	**103,388**		—		N/A
Expenses subsequent to cessation of toll operation[2]	—		(4,860)		N/A
Profit attributable to shareholders of the Company	**554,419**		426,915		29.9

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

(2) All being from Class 1 Highways.

An analysis of the profit attributable to shareholders of the Company showed net profit derived from toll projects amounted to RMB609.0 million in the Reporting Year which represented a 23.2 percent growth or RMB114.8 million over 2012. Of which, net profit from controlled toll projects accounted for 66.1 percent (2012: 62.2 percent) while net profit from non-controlled toll projects accounted for 33.9 percent (2012: 37.8 percent) in the Reporting Year.

Net profit from controlled toll projects amounted to RMB402.4 million in the Reporting Year representing an increase of 31.0 percent over 2012. With toll revenue rebounded, net profit of GNSR Expressway grew 18.0 percent to RMB216.4 million. Xian Expressway recorded an increase of 25.4 percent in its net profit to RMB133.6 million. Xian Expressway has taken advantage of the Great Western Expansion Campaign Tax Relief Policy and successfully applied for a preferential income tax rate of 15.0 percent and the 2012 profit tax refund of RMB14.9 million was recorded in the Reporting Year. Weixu Expressway's first full year's net profit since its consolidation to the Group in late May 2012 amounted to RMB66.0 million (only seven months' net profit recorded in 2012 amounted RMB16.2 million). Cangyu Expressway has rebounded in the second half of Reporting Year with its net profit increased by 20.1 percent to RMB40.3 million. Han-Xiao Expressway recorded net profit of RMB23.1 million, representing an increase of 106.7 percent over 2012 due to the rapid economic development in the region. Having experienced traffic diversion due to the opening of the Binbao Expressway in second half of 2010 which changed the structure of regional traffic volume and led to a decrease of long-haul toll traffic volume, Jinbao Expressway has provided for an impairment loss of RMB41.2 million (after deferred tax impact) in the Reporting Year based from an independent valuation performed by independent traffic consultant and independent valuer. Moreover, apart from the aforementioned impairment loss provision, Jinbao Expressway's normal operating profit attributable to the shareholders of the Company amounted to RMB13.1 million, a drop of RMB21.9 million which was mainly due to the change in profit sharing ratio from 90.0 percent to 40.0 percent effective 2013 and ending 2016 pursuant to the relevant joint venture agreement, as the impact of the profit sharing ratio adjustment was RMB15.7 million. Changzhu Expressway (commenced toll operation only in August 2010) being still in its incubation period, its net loss further narrowed down by 37.9 percent to RMB48.8 million in the Reporting Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of net profit by each controlled toll project [2]

Controlled Toll Projects	Reporting Year RMB'000	Percentage of total %	2012 RMB'000	Percentage of total %	Change %
GNSR Expressway	**216,426**	**35.6**	183,420	37.1	18.0
Xian Expressway	**133,638**	**22.0**	106,537	21.6	25.4
Weixu Expressway	**65,959**	**10.8**	16,163[1]	3.2	N/A
Cangyu Expressway	**40,280**	**6.6**	33,527	6.8	20.1
Han-Xiao Expressway	**23,065**	**3.8**	11,160	2.3	106.7
Jinbao Expressway – normal operation	**13,054**	**2.1**	34,969	7.1	-62.7
Jinbao Expressway – impairment loss	**(41,221)**	**-6.8**	—	—	N/A
Changzhu Expressway	**(48,764)**	**-8.0**	(78,566)	-15.9	loss reduce 37.9
Total	**402,437**	**66.1**	307,210	62.2	31.0

[1] Acquisition of Weixu Expressway was completed on 28 May 2012 and only seven months' operating results were consolidated to the Group in 2012.

[2] The analysis was after elimination of inter-company transactions between the controlled toll project companies and the holding company of the Group.

Net profit from non-controlled toll projects (an analysis was shown in the aforementioned table "analysis of share of results of associates and a joint venture and respective revenue") amounted to RMB206.5 million which was 10.5 percent higher than 2012. Among the non-controlled toll projects, profits attributable to the shareholders of the Company from Humen Bridge, Northern Ring Road, Shantou Bay Bridge and GWSR Expressway accounted for 22.4 percent (2012: 22.6 percent), 10.7 percent (2012: 12.1 percent), 5.8 percent (2012: 6.6 percent) and 2.4 percent (2012: 1.4 percent) respectively. According to the notice published by the Communication Department of Guangdong Province, toll collection rights of some highways in Guangdong Province, including Qinglian Class 2 Road held by Qinglian Company, had been cancelled with effect from 24:00 of 30 June 2013. Qinglian Company has been trying all feasible ways to work with relevant government departments on the arrangement details of the cancellation of toll collection at the Qinglian Class 2 Road and any related subsequent works. As at the end of the Reporting Year, Qinglian Company has fully provided against the carrying value of Qinglian Class 2 Road of which the Group shared RMB48.1 million (after deferred tax impact). On the normal operation side, with the opening of the Liannan section of Qinglian Expressway early in 2011 followed by the opening of Yilian Expressway on 25 September 2011, enabling overall surrounding road networks highly connected, Qinglian Expressway started to operate with profit in the Reporting Year versus the operating loss in 2012. Share of after tax profit of Qinglian Expressway amounted to RMB2.8 million in the Reporting Year while share of loss in 2012 amounted to RMB24.4 million.

The overall profit attributable to the shareholders of the Company has included the following corporate level transactions which have material impacts on the Reporting Year: (1) The disposal of the Group's entire interest in Guangzhou Securities was completed on 4 November 2013 with a disposal gain (net of estimated corporate tax of its Holding Company) of approximately RMB103.4 million; (2) with the appreciation of RMB against HKD and USD, an aggregate of RMB42.7 million exchange gain (included in "corporate finance income") in respect of the translation of HK$1.6 billion and US$83.8 million (equivalent to aggregate RMB1.77 billion) offshore loans was recorded; (3) there was an impairment loss of RMB39.5 million provided for goodwill related to Tianjin Jinfu Expressway Co., Ltd. based on an independent valuation performed by independent traffic consultant and independent valuer.

Final dividend

The Directors have recommended the payment of final dividend for 2013 of HK$0.16 which is equivalent to approximately RMB0.126387 (2012: HK$0.11 which was equivalent to approximately RMB0.0889706) per share payable to shareholders whose names appear on the register of members of the Company at 5:00 p.m. on 30 May 2014. Subject to the approval of shareholders at the Annual General Meeting to be held on 27 May 2014, the final dividend will be paid on or about 26 June 2014. Together with the interim dividend of HK$0.10 which was equivalent to approximately RMB0.079542 (2012 HK$0.09 which was equivalent to approximately RMB0.0735952) per share, total dividends for the year ended 31 December 2013 will amount to HK$0.26 which is equivalent to approximately RMB0.205929 (2012: HK$0.20 which was equivalent to approximately RMB0.1625658) per share, representing a dividend payout ratio of 62.1 percent (2012: 63.7 percent).

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

MANAGEMENT DISCUSSION AND ANALYSIS

III. Analysis of financial position

Key financial position figures	Reporting Year RMB'000	2012 RMB'000	Change %
Total assets	**18,225,968**	18,710,701	-2.6
Total liabilities	**7,947,642**	8,626,339	-7.9
Cash and cash equivalents	**1,604,676**	1,057,124	51.8
Total borrowings	**5,801,885**	6,427,483	-9.7
Bank borrowings	**5,660,479**	6,252,414	-9.5
Current ratio	**1.4 times**	1.4 times	
Interest coverage	**4.5 times**	4.1 times	
Equity attributable to the shareholders of the Company	**8,275,767**	8,094,466	2.2

Assets, Liabilities and Equity

As at 31 December 2013, the Group's total assets amounted to RMB18.2 billion representing a decrease of 2.6 percent over the balance as at 31 December 2012. The Group's total assets comprised mainly of intangible operating rights of RMB13.3 billion (31 December 2012: RMB13.6 billion); investments in joint venture and associates of RMB1.91 billion (31 December 2012: RMB1.95 billion); and cash and cash equivalents of RMB1.60 billion (31 December 2012: RMB1.06 billion). The compensation receivable of RMB587.6 million in 2012 was fully repaid in 2013, being the balance of compensation for closure of the four Class 1 Highways (before 30 September 2012, the Group and The People's Government of Guangzhou Municipality ("GZ Government") have entered into a supplemental agreement, where GZ Government agreed to repay the remaining balance on or before 30 September 2013 along with the interests (based on bank's benchmark lending rate) during the period between 1 October 2012 and date of payment). The asset classified as held for sale of RMB201.5 million in 2012 was disposed with consideration fully settled in November 2013 (this asset was related to the Group's entire interest in GZ Securities which the Directors of the Company have approved to sell in November 2012 (for details of the disposal, please refer to the Company's announcements dated 7 November 2012 and 22 April 2013).

As at 31 December 2013, the Group's total liabilities amounted to RMB7.95 billion which was 7.9 percent lower than the balance as at 31 December 2012. The Group's total liabilities comprised mainly of bank borrowings of RMB5.7 billion (31 December 2012: RMB6.3 billion); loans from non-controlling interests of RMB124.5 million (31 December 2012: RMB158.2 million); other loan of RMB16.9 million (31 December 2012: RMB16.9 million) being short-term borrowing from an external party; deferred income tax liabilities of RMB1.52 billion (31 December 2012: RMB1.53 billion); and balance payable in respect of prior acquisition totaled RMB221.8 million included in "trade and other payables and accrued charges". Movement in deferred income tax liabilities during the Reporting Year included payments made in respect of PRC distributable dividend tax of RMB29.9 million.

As at 31 December 2013, the Group's total equity amounted to RMB10.3 billion (31 December 2012: RMB10.1 billion), of which amount attributable to the shareholders of the Company amounted to RMB8.3 billion, an increase of RMB181.3 million over the balance as at 31 December 2012.

Analysis of major assets, liabilities and equity items

Items	Reporting Year RMB'000	31 December 2012 RMB'000	Change %
Total assets	**18,225,968**	18,710,701	-2.6
Approximately 90.0 % of which:			
Intangible operating rights	**13,314,416**	13,612,830	-2.2
Investments in joint venture and associates	**1,913,088**	1,945,143	-1.6
Compensation receivable	—	587,583	-100.0
Cash and cash equivalents	**1,604,676**	1,057,124	51.8
Total liabilities	**7,947,642**	8,626,339	-7.9
Approximately 90.0 % of which:			
Bank borrowings – current portion	**674,472**	560,778	20.3
– long term portion	**4,986,007**	5,691,636	-12.4
Other loans	**16,880**	16,880	0.0
Loans from non-controlling interests	**124,526**	158,189	-21.3
Deferred income tax liabilities	**1,524,700**	1,529,145	-0.3
Total equity	**10,278,326**	10,084,362	1.9
Of which: Attributable to the shareholders of the Company	**8,275,767**	8,094,466	2.2

MANAGEMENT DISCUSSION AND ANALYSIS

Cash flows

It has been the primary objective of the Group to focus on preventing risk and managing liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to approximately RMB1.60 billion which was 51.8 percent higher than the level at 31 December 2012. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amount applied to securities investment. As at 31 December 2013 there were short term bank deposits in aggregate of RMB22.0 million with original maturity over 3 months placed in PRC banks.

Analysis of cash flow movement

	Reporting Year RMB'000	2012 RMB'000
Net cash generated from operating activities	**1,142,090**	747,418
Net cash generated/(used in) investing activities	**817,717**	(821,187)
Net cash used in financing activities	**(1,412,939)**	(168,115)
Increase/(decrease) in cash and cash equivalents	**546,868**	(241,884)
Cash and cash equivalents at 1 January	**1,057,124**	1,298,476
Effect of foreign exchange rate changes	**684**	532
Cash and cash equivalents at 31 December	**1,604,676**	1,057,124

Net cash generated from operating activities during the Reporting Year amounted to RMB1,142.1 million (2012: RMB747.4 million) which was arrived from cash generated from operations of RMB1,352.9 million (2012: RMB947.3 million) less China enterprise income tax and withholding tax paid of RMB210.8 million (2012: RMB199.9 million).

Net cash generated from investing activities during the Reporting Year amounted to RMB817.7 million (2012: net cash used of RMB821.2 million). On the outflow side mainly were capital expenditures amounted to approximately RMB140.9 million (2012: RMB1.16 billion); and an aggregate of RMB22.0 million placed to bank fixed deposits with original maturity over 3 months. The inflow side mainly consisted of proceeds from compensation arrangements of RMB490.7 million; proceeds from disposal of GZ Securities of RMB201.5 million; investment returns from associates of RMB238.6 million (2012: RMB258.8 million); interest income received in respect of the compensation receivable of RMB36.6 million (2012: RMB39.2 million) and bank interest income amounted to approximately RMB13.2 million (2012: RMB21.0 million).

Net cash used in financing activities during the Reporting Year amounted to RMB1,412.9 million (2012: RMB168.1 million). The inflow side mainly included new bank borrowings amounted to approximately RMB1,074.6 million (2012: RMB988.2 million); capital injection from non-controlling interest of RMB4.5 million (2012: RMB8.1 million); proceeds of loans from joint venture of RMB10.5 million (2012: RMB14.0 million); and proceeds of loan from a non-controlling interest of a subsidiary of RMB4.9 million. The outflow side mainly included repayment of bank borrowings amounted to RMB1,617.7 million (2012: RMB411.4 million); payment of bank borrowings interest and bank facility fees of RMB342.2 million (2012: RMB341.3 million); repayments of loans from non-controlling interest of subsidiaries of RMB43.7 million (2012: RMB43.4 million); no repayment of short term loans in the Reporting Year (2012: RMB25.8 million); dividends paid to non-controlling interests of RMB221.9 million (2012: RMB42.6 million); and dividends paid to the shareholders of the Company of RMB281.9 million (2012: RMB313.9 million).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2013 was 1.4 times (2012: 1.4 times). The current assets balance as at 31 December 2013 was RMB1.84 billion (2012: RMB1.79 billion) and current liabilities balance was RMB1.33 billion (2012: RMB1.29 billion). Cash and cash equivalents were the major components of the Group's current assets with balance as at 31 December 2013 of RMB1.60 billion (2012: RMB1.06 billion). As at 31 December 2013 there were short term bank deposits in aggregate of RMB22.0 million with original maturity over 3 months placed in PRC banks. The compensation receivable of RMB587.6 million being the consideration receivable balance in relation to the compensation arrangement of the closure of toll stations of the Class 1 Highways was settled in December 2013. Included in the Group's current liabilities as at 31 December 2013 was short term borrowings (i.e. maturity within one year) of approximately RMB705.5 million (2012: RMB615.4 million), of which bank borrowings amounted to RMB674.5 million (2012: RMB560.8 million). In view of the various capital expenditures committed and investments acquired since the second half of 2010 which had utilized a significant portion of the Group's cash and cash equivalents in the past three years and increased the Group's bank borrowings level, management will take a prudent approach to effectively match the existing cash and cash equivalents and future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

Interest coverage

The interest coverage is measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (with cash flow effect). Interest coverage for the year ended 31 December 2013 was 4.5 times (31 December 2012: 4.1 times).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB140.9 million. Capital expenditures related to investment funds included payments of cash considerations to acquisition of subsidiaries of approximately RMB54.4 million. Capital expenditures related to intangible operating rights and fixed assets included payments of construction costs of toll highways and bridges upgrade services of RMB15.7 million and purchase of property, plant and equipment of RMB70.8 million. Apart from the aforementioned, no material capital expenditures were paid during the Reporting Year. Going forward, management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structures

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

Analysis of capital structures

	Reporting Year RMB'000	2012 RMB'000
Bank borrowings	**5,660,479**	6,252,414
Other loan	**16,880**	16,880
Loans from non-controlling interests	**124,526**	158,189
Amounts due to non-controlling interests of subsidiaries	**42,254**	43,070
Amount due to a joint venture	**42,000**	31,500
Total debts	**5,886,139**	6,502,053
Less: cash and cash equivalents	**(1,604,676)**	(1,057,124)
Net debts	**4,281,463**	5,444,929
Total Equity	**10,278,326**	10,084,362
Of which: Equity attributable to the shareholders of the Company	**8,275,767**	8,094,466
Total capitalization (Net debts + Equity attributable to the shareholders of the Company)	**12,557,230**	13,539,395
Financial ratios		
Gearing ratio (net debts/total capitalization)	**34.1%**	40.2%
Debt to Equity ratio (net debts/total equity)	**41.7%**	54.0%
Total liabilities/Total assets ratio	**43.6%**	46.1%

Financing structures

In a way to ensure the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively control the increase of finance costs, the Group will continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by and to take advantage of the cost differentials of these two markets. As at the end of the Reporting Year, the Group's borrowings comprised of bank borrowings, other loans and loans from non-controlling interests.

Bank borrowings of the Group as at 31 December 2013 amounted to approximately RMB5.66 billion (31 December 2012: RMB6.25 billion). During the Reporting Year, the Group has carried out its debt optimization plan which resulted in onshore bank loans' ratio falling to 68.8 percent from 81.0 percent in 2012. Secured bank loans' ratio fell to 57.3 percent from 70.9 percent in 2012. All the bank borrowings are at floating rates. The effective interest rate of these bank borrowings at 31 December 2013 was 5.43 percent (31 December 2012: 6.01 percent).

Analysis of bank borrowings

	Reporting Year Percentage of total	2012 Percentage of total
Source		
Onshore	**68.8%**	81.0%
Offshore	**31.2%**	19.0%
	100.0%	100.0%
Repayment term		
Within 1 year	**11.9%**	9.0%
1 to 2 year	**12.9%**	16.1%
More than 2 years and less than 5 years	**41.4%**	35.2%
Above 5 years	**33.8%**	39.7%
	100.0%	100.0%
Currency		
RMB	**68.8%**	81.0%
HKD	**22.2%**	15.0%
USD	**9.0%**	4.0%
	100.0%	100.0%
Terms of credit		
Secured	**57.3%**	70.9%
Unsecured	**42.7%**	29.1%
	100.0%	100.0%

Other loan was short term borrowing from an external party both at 2013 and 2012. As at 31 December 2013 and 2012, this other loan of RMB16.9 million is unsecured. This borrowing is bearing interest at a rate of 6.55 percent per annum during the Reporting Year and 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Loans from non-controlling interests are unsecured and denominated in RMB, of which RMB4.7 million was interest bearing at 6.6 percent per annum and RMB9.4 million was interest bearing at 7.04 percent per annum, both were repayable within one year; the rests were interest free and the carrying amounts of these loans were stated at fair values.

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

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating payments, expenses and capital expenditures are denominated in RMB. As at the end of the Reporting Year, the Group has cash and cash equivalent of approximately RMB156.4 million and RMB0.024 million denominated in HK$ and US$ respectively, equivalent to HK$198.9 million and US$0.0039 million respectively; and approximately RMB1,257.6 million and RMB510.8 million offshore bank borrowings denominated in HK$ and US$ respectively, equivalent to HK$1,599.6 million and US$83.8 million respectively. The Group will closely review and assess its currency risk and will adopt appropriate currency hedge measures when appropriate. Meanwhile, the Group has taken advantage of the current relaxed measures in the RMB business in Hong Kong with dividends from PRC joint venture can now be remitted to Hong Kong either in Hong Kong dollar or directly in Renminbi.

IV. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2013, the Group had capital commitments related to intangible operating rights and property, plant and equipment of approximately RMB68.4 million being contracted but not provided for and approximately RMB35.7 million being authorized but not contracted for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2013. There were no significant contingent liabilities as at 31 December 2013.

V. EMPLOYEES

As at 31 December 2013, the Group had approximately 1,770 employees of whom about 1,495 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

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

In accordance with requirements under Rule 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the directors of the Company reported below details of loan facilities, which existed at any time during the year ended 31 December 2013 and included conditions relating to specific performance of the controlling shareholder of the Company.

(a) On 1 November 2011, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for an unsecured 3-year term loan facility of up to US$40 million from the date of the acceptance of the facility.

(b) On 30 March 2012, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 60-month term loan facility of up to HK$863 million from the first utilisation date, i.e.18 May 2012.

(c) On 27 April 2012, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 24-month term loan facility of up to HK$300 million from the drawdown date, i.e. 28 April 2012.

(d) On 19 February 2013, the Company, as borrower, entered into two bilateral agreements with two banks for unsecured term loan facilities. The first loan facility was a facility of up to US$50 million for a term of 36 months from the date of the agreement. The second loan facility of up to HK$500 million was for a term of 48 months from the date of the agreement.

Pursuant to the aforesaid facility letter or agreements, it shall be an event of default if Yue Xiu Enterprises (Holdings) Limited, a controlling shareholder of the Company, ceases to be the single largest shareholder of the Company with ownership of not less than 35% or maintain effective management control over the board of directors of the Company.

These obligations have been duly complied with for the year ended 31 December 2013.

INVESTOR RELATIONS REPORT

Investor relations is very important for a listed company so as to reinforce its communications with investors and prospective investors, gain investors' further understanding and recognition on the company, enhance corporate governance, maximize the overall benefits of the company and protect the lawful interests of investors through information disclosure and exchange.

Since the establishment of the Investor Relations Department, the Group has been actively developing continuous and focused investor relations. Through establishing and continuously improving the platform for the Group to exchange information with capital markets and financial media, the Group continued to enhance its transparency to gain an objective and reasonable assessment for its intrinsic value.

INVESTOR RELATIONS ACTIVITIES

During the Reporting Period, the Group has actively organized and engaged in various types of investor relations activities. For example, the Group has participated in the post results non deal roadshow ("NDR") in Hong Kong, Singapore and major cities in mainland China (such as Beijing, Shanghai) respectively and major conferences organized by investment banks. Through persistent efforts, investors obtain more in-depth knowledge of the Company and generally agree to the Company's development strategies and continuously pay attention to its operating conditions.

COVERAGE REPORTS

During the Reporting Year, the Group obtained a total of 29 coverage reports issued by professional analysts from renowned international investment banks such as JP Morgan Chase, Citibank, Bank of America Merrill Lynch, DBS Vickers, HSBC and Daiwa Capital, assigning a "Buy" or "Hold" rating to the Group, reflecting the recognition of the development strategies of the Company by the analysts and their positive outlook of the Company. With coverage reports issued by analysts from the professional institutions mentioned above, the Group became more well-known in the stock market. Currently, most of the Group's shareholders are long-term value investors from Europe, United States, Singapore, Australia and etc. For instance, Matthews International Capital in San Francisco, United States, further increased its shareholding in the Group during the reporting period to 11.06%, which indicated that the Group's operation, development and intrinsic value have been further acknowledged by renowned international institutional investors.

PUBLIC MEDIA RELATIONS

Through various forms of events, the Group has strengthened and developed good relationship with the mainstream and internet financial media in Hong Kong. During the Reporting Year, the Group obtained increasing media coverage and received four awards for listed companies from the mainstream financial media in Hong Kong as follows:

- "The 8th Outstanding China Enterprise Awards" by Capital Weekly
- "The Excellence of Listed Enterprise Awards 2013" by Capital Weekly
- "Hong Kong Outstanding Enterprise 2013" by Economic Digest
- "Hong Kong Outstanding Enterprise 2013" by Wen Wei Po

In particular, the Group has received both "The Excellence of Listed Enterprise Awards" and the "Hong Kong Outstanding Enterprise Award" for four consecutive years and "The Outstanding China Enterprise Awards" for two consecutive years.

During our communication with investors, they have provided us with their valuable suggestions and opinions which are beneficial to the development of the Group and we would like to hereby express our sincere gratitude to investors for their active feedback and constructive opinions, such that the Company will be able to formulate development strategies in line with shareholders' interest and be capable of delivering more fruitful rewards to our shareholders.

PARTICIPATION OF INVESTOR RELATIONS ACTIVITIES IN 2013

March	Hong Kong	NDR organized by JP Morgan Chase
	Beijing	NDR organized by HSBC
	Shanghai	NDR organized by HSBC
	Singapore	NDR organized by Daiwa Capital
April	Hong Kong	Conference organized DBS Vickers
May	Hong Kong	Conference organized by JP Morgan Chase
	Hong Kong	Conference organized by Bank of America Merrill Lynch
June	Beijing	Conference organized by JP Morgan Chase
August	Hong Kong	NDR organized by Citigroup
	Singapore	NDR organized by Bank of America Merrill Lynch
September	Beijing	NDR organized by HSBC
	Shanghai	NDR organized by HSBC
November	Beijing	Conference organized by Bank of America Merrill Lynch
	Macau	Conference organized by Citigroup
December	Hong Kong	Conference organized by JP Morgan Chase

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Zhu Chunxiu, aged 51, was appointed executive director and Chairman of the Company on 19 March 2014. He is also vice chairman and general manager of Guangzhou Yue Xiu Holdings Limited (" Guangzhou Yue Xiu"), the ultimate holding company of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"). He is also a non-executive director of Yuexiu Financial Holdings Limited, and vice chairman and an executive director of Yuexiu Property Company Limited ("Yuexiu Property")(Stock Code: 123) and a non-executive director of Chong Hing Bank Limited (Stock Code: 1111), both being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr Zhu is also a director of Guangzhou Rural Commercial Bank (formerly known as "Guangzhou Rural Credit Union"). Prior to joining Yue Xiu in 2013, Mr Zhu was vice chairman and general manager of Guangzhou Finance Holdings Group Co., Ltd. (formerly known as "Guangzhou International Holding Group Co., Ltd."). Mr Zhu was awarded the Degree in Executive Master of Business Administration by Sun Yat-Sen University. Mr Zhu holds the economist qualification in China and has extensive experience in the operation and management of large financial institutions and banks. He is a deputy of the 14th session of the Guangzhou City People's Congress.

Mr Liang Youpan, aged 58, was appointed executive director and Deputy Chairman of the Company on 13 June 2011. He is also a deputy general manager of Guangzhou Yue Xiu and Yue Xiu. Mr Liang graduated in 1986 from Guangzhou Economics Management Cadre's Institute in China with a diploma in corporate governance. Prior to joining Yue Xiu in 1998, Mr Liang was the Workshop director of Guangzhou Wen Chong Shipyard Company Limited, which is a subsidiary of China State Shipbuilding Company. Between 1991 and 1998, Mr Liang was a unit head in the administrative supervisory division of the People's Government of Guangzhou Municipality. Mr Liang has a wide range of experience in PRC corporate governance practices, particularly in the area of internal controls. He was an executive director of Yuexiu Property from January 2010 to June 2011 and a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)) from November 2005 to February 2012.

Mr He Baiqing, aged 49, was appointed as an executive director of the Company on 19 March 2014. He has been General Manager of the Company since January 2013. Before being appointed as General Manager of the Company, Mr He was appointed deputy general manager in 2009 and senior deputy general manager in 2011. Mr He graduated from Changsha Transport Institute in China with a Bachelor's Degree majoring in Highway and City Roads. Mr He had held position of the head of Guangzhou Highway Prospecting and Design Institute. He is a senior engineer of Highway and Bridge, and a chartered civil engineer in China. Mr He was in charge of the thirty-year plan of Guangzhou highway network between 1997 and 1998. He has participated in surveying and designing of Guangzhou Northern Second Ring Expressway, Guangzhou Western Second Ring Expressway and has extensive experience in the industry. He previously served as a director of the Company from April 2005 to April 2007.

Mr Qian Shangning, aged 51, was appointed executive director on 12 April 2007. Mr Qian graduated from Chongqing Transport Institute in Highway and Urban Transportation, and later from Sun Yat-Sen University in Guangzhou in Legal Studies. Mr Qian also holds an Executive Master of Business Administration degree awarded by South China University of Technology. Between 1998 to 2001, Mr Qian had been a senior management member of GNSR Expressway Co. Mr Qian has more than 30 years of experience in highway construction and is a senior engineer in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 66, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property Company Limited (Stock Code: 123), COFCO Land Holdings Limited (Stock Code: 207), Wing Hang Bank, Limited (Stock Code: 302), Brightoil Petroleum (Holdings) Limited (Stock Code: 933), and The People's Insurance Company (Group) of China Limited (Stock Code: 1339). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Mr Cheung Doi Shu, aged 52, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his bachelor's and master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors.

CORPORATE GOVERNANCE REPORT

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

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

The Company has complied throughout the year ended 31 December 2013 with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term and the attendance of non-executive directors at annual general meeting, details of which will be explained below.

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

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

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

THE BOARD

Responsibilities

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

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

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

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. As at 31 December 2013, the Board comprised six executive directors and three independent non-executive directors.

On 19 March 2014, Mr Zhang Zhaoxing (Chairman), Mr Li Xinmin, Mr Liang Ningguang and Mr Wang Shuhui resigned as executive directors of the Company. Mr Zhu Chunxiu was appointed as Chairman and an executive director of the Company and Mr He Baiqing, General Manager, was appointed as an executive director of the Company.

For a list of directors during the year ended 31 December 2013 and up to the date of this annual report, please refer to page 71 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

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

During the year ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

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

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

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

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

CORPORATE GOVERNANCE REPORT

Training for Directors

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

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

During the year, the Company had arranged tailor-made training programmes conducted by reputable international legal and audit firms and other professional bodies for the Directors with an emphasis on the statutory disclosure obligations on inside information as well as the roles, functions and duties of a director of a listed company. According to the records maintained by the Company, the Directors received trainings in the following areas:

	Corporate Governance/ Updates on Laws, Rules & Regulations	
Directors	**Read Materials**	**Attended Seminars/ Briefings**
Executive Directors		
Zhang Zhaoxing	✓	✓
Liang Youpan	✓	✓
Li Xinmin	✓	✓
Liang Ningguang	✓	✓
Wang Shuhui	✓	✓
Qian Shangning	✓	✓
Independent Non-Executive Directors		
Fung Ka Pun	✓	✓
Lau Hon Chuen Ambrose	✓	✓
Cheung Doi Shu	✓	✓

Board Meetings

Number of Meetings and Directors' Attendance

In year 2013, the Board held 12 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below :

Directors	Attendance/ Number of Board meetings	Written Resolutions	Annual General Meeting
Executive Directors			
Zhang Zhaoxing	4/4	8/8	✓
Liang Youpan	4/4	8/8	✓
Li Xinmin	4/4	8/8	✓
Liang Ningguang	3/4	8/8	—
Wang Shuhui	3/4	8/8	—
Qian Shangning	4/4	8/8	✓
Independent Non-Executive directors			
Fung Ka Pun	4/4	8/8	✓
Lau Hon Chuen Ambrose	4/4	8/8	—
Cheung Doi Shu	1/4	8/8	—

Mr Cheung Doi Shu and Mr Lau Hon Chuen Ambrose, the independent non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 29 May 2013 because they were either indisposed or had other urgent business engagement.

Practices and Conduct of Meetings

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The position of the Chairman was held by Mr Zhang Zhaoxing up to 19 March 2014 while the position of General Manager is held by Mr He Baiqing.

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

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

BOARD COMMITTEES

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

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

The Audit Committee held two meetings during the year ended 31 December 2013 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditor. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

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

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

Remuneration Committee

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Remuneration Committee met once during the year ended 31 December 2013 with 100% attendance to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

Nomination Committee

The Nomination Committee comprises two executive directors, namely Mr Zhang Zhaoxing and Mr Liang Youpan, and three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu. The committee is chaired by Mr Zhang Zhaoxing, the Chairman of the Board.

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

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

Directors	Meeting Attended
Executive Directors	
Zhang Zhaoxing	1/1
Liang Youpan	1/1
Independent Non-Executive Directors	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

The Nomination Committee met once during the year ended 31 December 2013 with 100% attendance to review the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

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

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is also the company secretary of Yue Xiu Enterprises (Holdings) Limited, Yuexiu Property Company Limited (Stock Code: 123) and Yue Xiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2013, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

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

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

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2013.

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

During the year ended 31 December 2013, the remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit related services amounted to approximately RMB2,665,000 and non-audit services fees amounted to RMB1,523,000 have been incurred.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board is responsible for the establishment of the internal control system of the Company and for review, through its audit committee, of the effectiveness of the system.

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

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

The Company's Bye-Laws are available on the websites of the Company and the Stock Exchange. During 2013, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 79.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2013:

	RMB'000
Interim dividend of HK$0.10 equivalent to approximately RMB0.08 per share paid on 8 November 2013	133,086
Proposed final dividend of HK$0.16 equivalent to approximately RMB0.13 per share	211,466
	344,552

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 May 2014 to Tuesday, 27 May 2014, 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 27 May 2014, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 20 May 2014.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the consolidated financial statements.

DONATIONS

During the year, the Group made a charitable donation of RMB1,000,000 to a charitable organisation for charitable purpose.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2013 are set out in note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the distributable reserves of the Company available for distribution amounted to RMB2,569,279,000 (2012: RMB2,305,116,000).

DIRECTORS

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

Executive directors
Mr Zhang Zhaoxing (resigned on 19 March 2014)
Mr Zhu Chunxiu (appointed on 19 March 2014)
Mr Liang Youpan
Mr He Baiqing (appointed on 19 March 2014)
Mr Li Xinmin (resigned on 19 March 2014)
Mr Liang Ningguang (resigned on 19 March 2014)
Mr. Wang Shuhui (resigned on 19 March 2014)
Mr Qian Shangning

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

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

ROTATION AND RE-ELECTION OF DIRECTORS

Mr Liang Youpan and Mr Cheung Doi Shu retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr Zhu Chunxiu and Mr He Baiqing retire in accordance with Bye-Law 102 of the Company's Bye-Laws and, being eligible, offer themselves for re-election.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES

Each of the three independent non-executive directors of the Company received RMB180,000 as Director's fees for the year ended 31 December 2013.

DIRECTORS' INTEREST IN CONTRACTS

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

CONNECTED TRANSACTIONS

On 27 February 2012, the Company announced that various wholly-owned subsidiaries of the Company have entered into property leasing agreements with Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("YX IFC"), which is a connected person of the Company by virtue of its being an indirect associate of Guangzhou Yue Xiu Holdings Limited, ultimate holding company of the Company, in respect of the lease of various properties located in The Guangzhou International Financial Centre, Guangzhou, PRC. YX IFC ceased to be an indirect associate of ultimate holding company, and thus, a connected person of the Company on 8 October 2012. Following the adoption of Hong Kong Financial Reporting Standard 10 effective for the financial year beginning 1 January 2013, YX IFC became an indirect associate of ultimate holding company. The rent payable under the aforesaid property leasing agreements are subject to the annual caps of RMB8,865,000 for each of the three years commencing 1 January 2012 and ending 31 December 2014. During the year, approximately RMB7,116,000 has been paid/payable by the Group to YX IFC pursuant to the property leasing agreements. This transaction had also been disclosed as related party transaction in note 35(b)(iv) to the consolidated financial statements.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board of Directors of the Company; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the maximum aggregate annual caps in respect of each of the disclosed Continuing Connected Transactions.

Other related party transactions disclosed in note 35(b)(i), (iii) and (v) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as an "exempted transaction" and a "de minimis transaction", respectively, pursuant to the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2013 is set out in note 28 to the consolidated financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

Report of the Directors

The Company

Long positions in shares of the Company:

Name	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liang Ningguang	Personal	34,950	0.002
Mr Li Xinmin	Personal	200,000	0.012
Mr Qian Shangning	Personal	250,000	0.015
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012
Mr He Baiqing	Personal	52,000	0.003

Yuexiu Property Company Limited

Long positions in shares of Yuexiu Property Company Limited:

Name	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liang Youpan	Personal	4,623,053	0.050
Mr Liang Ningguang	Personal	390,000	0.004
Mr Fung Ka Pun	Personal	1,770,000	0.019
Mr Lau Hon Chuen Ambrose	Personal	3,640,000	0.039

Long positions in underlying shares of equity derivatives of Yuexiu Property Company Limited:

			Number of share options		
Name	Date of grant	Exercise price per share HK$	Outstanding as at 1 January 2013	Exercised during the year	Outstanding as at 31 December 2013
Mr Liang Youpan	23/06/2004	0.607	4,622,222	4,622,222[a]	—

Note:

(a) The closing price per share immediately before the date on which the options were exercised was HK$2.1.

Save as disclosed herein, as at 31 December 2013, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2013, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Note	Long position in shares	Approximate % of interest
廣州越秀集團有限公司(Guangzhou Yue Xiu Holdings Limited)	(a)	1,014,796,050	60.65
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	(a)	1,014,796,050	60.65
Grace Lord Group Limited	(a)	578,428,937	34.57
First Dynamic Limited	(a)	367,500,000	21.96
Housemaster Holdings Limited	(a)	367,500,000	21.96
Matthews International Capital Management, LLC	(b)	184,973,000	11.05

Notes:

(a) The entire issued share capital of Yue Xiu was beneficially wholly-owned by Guangzhou Yue Xiu Holdings Limited. Yue Xiu held 8,653 shares in the Company as beneficial owner and deemed interest in the balance of 1,014,787,397 shares through its wholly-owned subsidiaries, namely, Grace Lord Group Limited, Housemaster Holdings Limited, Yue Xiu Finance Company Limited, Dragon Year Industries Ltd. and Greenwood Pacific Limited.

(b) Matthews International Capital Management, LLC held these shares as investment manager.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Zhu Chunxiu
Chairman

Hong Kong, 19 March 2014

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Yuexiu Transport Infrastructure Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 155, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RMB'000	2012 RMB'000
Revenue	5	**1,753,084**	1,485,211
Cost of services	7	**(581,625)**	(501,995)
Construction income under service concession upgrade services	33	**97,400**	64,768
Construction cost under service concession upgrade services	33	**(97,400)**	(64,768)
Other income and other gains - net	6	**15,381**	102,166
General and administrative expenses	7	**(202,970)**	(195,292)
Operating profit		**983,870**	890,090
Finance income	9	**100,668**	59,806
Finance costs	9	**(337,430)**	(330,643)
Share of result of a joint venture	19	**14,404**	7,109
Share of results of associates	20	**192,133**	179,883
Profit before income tax		**953,645**	806,245
Income tax expense	10	**(260,654)**	(248,517)
Profit for the year		**692,991**	557,728
Attributable to:			
Shareholders of the Company		**554,419**	426,915
Non-controlling interests		**138,572**	130,813
		692,991	557,728
Earnings per share for profit attributable to the shareholders of the Company		**RMB**	RMB
Basic and diluted earnings per share	12	**0.3314**	0.2552
		RMB'000	RMB'000
Dividends	13	**344,552**	271,999

The notes on pages 88 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 RMB'000	2012 RMB'000
Profit for the year	692,991	557,728
Other comprehensive income		
Items that may be reclassified to profit or loss		
Fair value (loss)/gain on available-for-sale financial assets, net of tax	(135)	47,548
Release of reserve upon disposal of asset classified as held for sale, net of tax	(91,158)	—
Currency translation differences	123	—
Total comprehensive income for the year	601,821	605,276
Total comprehensive income attributable to:		
Shareholders of the Company	463,249	474,463
Non-controlling interests	138,572	130,813
	601,821	605,276

The notes on pages 88 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	**31 December 2013 RMB'000**	31 December 2012 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights	14	**13,314,416**	13,612,830
Goodwill	15	**368,806**	408,276
Property, plant and equipment	16	**648,148**	597,519
Investment properties	17	**16,354**	16,876
Investment in a joint venture	19	**345,949**	331,545
Investments in associates	20	**1,567,139**	1,613,598
Available-for-sale financial assets	21	**812**	992
Other non-current receivables	22	**127,508**	135,579
		16,389,132	16,717,215
Current assets			
Trade receivables	23	**32,210**	33,105
Other receivables, deposits and prepayments	23	**177,950**	701,714
Short term bank deposits	24	**22,000**	—
Cash and cash equivalents	25	**1,604,676**	1,057,124
		1,836,836	1,791,943
Asset classified as held for sale	35(d)	**—**	201,543
		1,836,836	1,993,486
Total assets		**18,225,968**	18,710,701

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	26	147,322	147,322
Reserves	27		
Others		7,916,979	7,798,282
Proposed final dividend		211,466	148,862
		8,275,767	8,094,466
Non-controlling interests		2,002,559	1,989,896
Total equity		10,278,326	10,084,362
LIABILITIES			
Non-current liabilities			
Borrowings	28	5,096,381	5,812,058
Deferred income tax liabilities	29	1,524,700	1,529,145
		6,621,081	7,341,203
Current liabilities			
Borrowings	28	705,504	615,425
Amounts due to non-controlling interests of subsidiaries	30	148,461	244,192
Amounts due to holding companies	30	225	239
Amount due to a joint venture	30	42,000	31,500
Trade and other payables and accrued charges	31	348,939	336,234
Current income tax liabilities		81,432	57,546
		1,326,561	1,285,136
Total liabilities		7,947,642	8,626,339
Total equity and liabilities		18,225,968	18,710,701
Net current assets		510,275	506,807
Total assets less current liabilities		16,899,407	17,425,565

Zhu Chunxiu
Director

He Baiqing
Director

The notes on pages 88 to 155 are an integral part of these consolidated financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	729	1,019
Investments in subsidiaries	18(a)	3,528,601	3,528,601
		3,529,330	3,529,620
Current assets			
Amounts due from subsidiaries	18(b)	2,934,952	2,504,435
Deposits and prepayments	23	1,220	808
Cash and cash equivalents	25	459,487	67,028
		3,395,659	2,572,271
Total assets		6,924,989	6,101,891
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	26	147,322	147,322
Reserves	27		
Others		4,733,556	4,531,997
Proposed final dividend		211,466	148,862
Total equity		5,092,344	4,828,181
LIABILITIES			
Non-current liability			
Borrowings	28	1,253,755	1,113,366
		1,253,755	1,113,366

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	31 December 2013 RMB'000	31 December 2012 RMB'000
Current liabilities			
Borrowings	28	**514,702**	75,706
Amounts due to subsidiaries	18(b)	**18,139**	50,524
Other payables and accrued charges	31	**46,049**	34,114
		578,890	160,344
Total liabilities		**1,832,645**	1,273,710
Total equity and liabilities		**6,924,989**	6,101,891
Net current assets		**2,816,769**	2,411,927
Total assets less current liabilities		**6,346,099**	5,941,547

Zhu Chunxiu
Director

He Baiqing
Director

The notes on pages 88 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	32	**1,352,873**	947,302
China enterprise income tax and withholding tax paid		**(210,783)**	(199,884)
Net cash generated from operating activities		**1,142,090**	747,418
Cash flows generated from/(used in) investing activities			
Payments of construction costs under service concession upgrade services		**(15,654)**	(64,768)
Acquisition of a subsidiary in 2011		**–**	(18,337)
Acquisition of subsidiaries in 2012		**(54,399)**	(946,555)
Capital injection to an associate	20	**–**	(52,736)
Proceeds from compensation arrangements		**490,726**	19,080
Proceeds from disposal of property, plant and equipment		**1**	930
Purchase of property, plant and equipment		**(70,819)**	(77,607)
Dividends received from associates	20	**238,592**	258,812
Proceeds from disposal of asset classified as held for sale	35(d)	**201,543**	–
Investment in available-for-sale financial assets		**–**	(200)
Investment in short term bank deposits		**(22,000)**	–
Interest received from compensation receivable		**36,552**	39,213
Interest received		**13,175**	20,981
Net cash generated from/(used in) investing activities		**817,717**	(821,187)
Cash flows used in financing activities			
Proceeds from bank borrowings		**1,074,603**	988,156
Repayment of bank borrowings		**(1,617,669)**	(411,370)
Payment of bank facility fees		**(11,987)**	(7,826)
Loan from a non-controlling interest of a subsidiary		**4,865**	–
Repayment of loans from non-controlling interests of subsidiaries		**(43,687)**	(43,413)
Repayment of short term loans		**–**	(25,800)
Loan from a joint venture		**10,500**	14,000
Dividends paid to the shareholders of Company		**(281,949)**	(313,855)
Dividends paid to non-controlling interests		**(221,906)**	(42,639)
Capital contribution from non-controlling interest		**4,472**	8,096
Interest paid		**(330,181)**	(333,464)
Net cash used in financing activities		**(1,412,939)**	(168,115)
Net increase/(decrease) in cash and cash equivalents		**546,868**	(241,884)
Cash and cash equivalents at 1 January		**1,057,124**	1,298,476
Effect of exchange rate changes		**684**	532
Cash and cash equivalents at 31 December	25	**1,604,676**	1,057,124
Analysis of cash and cash equivalents			
Bank balances and cash		**1,604,676**	1,057,124

The notes on pages 88 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to shareholders of the Company			
	Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2013	147,322	7,947,144	1,989,896	10,084,362
Comprehensive income				
Profit for the year	–	554,419	138,572	692,991
Other comprehensive income				
Decrease in fair value of available-for-sale financial assets, net of tax	–	(135)	–	(135)
Release of reserve upon disposal of asset classified as held for sale, net of tax	–	(91,158)	–	(91,158)
Currency translation differences	–	123	–	123
Total other comprehensive income	–	(91,170)	–	(91,170)
Total comprehensive income	–	463,249	138,572	601,821
Transactions with owners				
Capital contribution from non-controlling interests	–	–	4,472	4,472
Dividends to the shareholders of the Company	–	(281,948)	–	(281,948)
Dividends to non-controlling interests	–	–	(130,381)	(130,381)
Total transactions with owners	–	(281,948)	(125,909)	(407,857)
Balance at 31 December 2013	147,322	8,128,445	2,002,559	10,278,326

	Attributable to shareholders of the Company			
	Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012	147,322	7,786,531	2,025,553	9,959,406
Comprehensive income				
Profit for the year	—	426,915	130,813	557,728
Other comprehensive income				
Increase in fair value of available-for-sale financial assets, net of tax	—	47,548	—	47,548
Total other comprehensive income	—	47,548	—	47,548
Total comprehensive income	—	474,463	130,813	605,276
Transactions with owners				
Capital contribution from non-controlling interests	—	—	8,096	8,096
Setup of a subsidiary	—	5	—	5
Dividends to the shareholders of the Company	—	(313,855)	—	(313,855)
Dividends to non-controlling interests	—	—	(174,566)	(174,566)
Total transactions with owners	—	(313,850)	(166,470)	(480,320)
Balance at 31 December 2012	147,322	7,947,144	1,989,896	10,084,362

The notes on pages 88 to 155 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

These financial statements are presented in Renminbi ("RMB") thousand dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 19 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

New/revised standards, amendments and improvements

The following new standards, amendments and improvements to existing standards relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2013 for the Group.

HKAS 1 (amendment)	Presentation of financial statements – Presentation of items of other comprehensive income
HKAS 19	Employee Benefits
HKAS 27	Separate Financial Statements
HKAS 28	Investments in Associates and Joint Ventures
HKASs and HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 7 (amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 10 (amendment)	Consolidated Financial Statements: Transition guidance
HKFRS 11	Joint Arrangements
HKFRS 11 (amendment)	Joint Arrangement: Transition guidance
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 12 (amendment)	Disclosure of Interests in Other Entities: Transition guidance
HKFRS 13	Fair Value Measurement

The application of the above new or revised HKFRSs in the current year has had no material impact on the Group's results and financial position except for certain disclosures in respect of amendments to HKAS 1, HKFRS 12 and HKFRS 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
HKAS 32 (amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities	1 January 2014
HKAS 36 (amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (amendment)	Financial Instruments: Recognition and Measurement – Novation of derivatives	1 January 2014
HK(IFRIC)-Int 21	Levies	1 January 2014
HKFRS 10, 12 and HKAS 27 (amendment)	Investment Entities	1 January 2014
HKASs and HKFRSs	Annual improvements 2012	1 July 2014
HKASs and HKFRSs	Annual improvements 2013	1 July 2014
HKAS 19 (amendment)	Defined benefit plans	1 July 2014
HKFRS 7 and 9 (amendment)	Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 Financial Instruments: Recognition and Measurement, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(ii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Separate financial statements

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

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

(iv) Joint ventures

The Group has applied HKFRS 11 to a joint arrangement as of 1 January 2012. Under HKFRS 11 investment in a joint arrangement is classified as either joint operation or joint venture depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangement and determined them to be a joint venture. The joint venture is accounted for using the equity method.

Under the equity method of accounting, interest in joint venture is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(v) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'Other income and other gains - net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iv) Disposal of foreign operation and partial disposal

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

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

(e) Intangible operating rights

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for operating periods of 20 to 30 years. According to the approval documents of the relevant government and the relevant regulations, the Group is responsible for the construction of the toll highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway/bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and a joint venture and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(g) Property, plant and equipment

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

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

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

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	25 years
Furniture, fixtures and equipment	3 - 10 years
Motor vehicles	3 - 5 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and other gains - net' in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties

Investment properties, principally comprising leasehold land and office buildings, are held for long-term rental yields and are not occupied by the Group. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by an independent qualified valuer. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in “Other income and other gains - net”.

(i) Impairment of investments in non-financial assets

Assets that have an indefinite useful life – for example, goodwill is not subject to amortisation and is tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise “other non-current receivables”, “trade receivables”, “other receivables, deposits and prepayments” and ‘cash and cash equivalents’ in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains or losses on available-for-sale financial assets".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

(k) Impairment of financial asset

(i) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of financial asset (Continued)

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

(m) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and short-term bank deposits with original maturities of three months or less.

(n) Share capital

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

(o) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the drawn-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

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

(q) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Current and deferred income tax (Continued)

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(r) Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(t) Retirement benefit costs

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

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

(u) Revenue recognition

(i) Toll revenue is recognised on a receipt basis.

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

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

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

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

(v) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

The functional currency of the Company and major subsidiaries is RMB. Majority of the revenues of the Group are derived from operations in the PRC. It did not have significant exposure to foreign exchange risk in the PRC, except for certain cash and bank balances of approximately RMB156,390,000 (2012: RMB42,818,000), bank borrowings of approximately RMB1,257,642,000 (2012: RMB937,488,000) and other payable of approximately RMB29,925,000 (2012: RMB118,935,000) which were denominated in Hong Kong dollars ("HKD") and cash and bank balances of approximately RMB25,000 (2012: RMB25,000) and a bank borrowing of approximately RMB510,815,000 (2012: RMB251,584,000) which were dominated in United States dollar ("USD") as at 31 December 2013. Under the Linked Exchange Rate System in Hong Kong, HKD is pegged to USD. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2013, if HKD and USD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB82,098,000 higher/lower (2012: RMB63,258,000 higher/lower), mainly as a result of net foreign exchange on translation of HKD and USD-denominated cash and bank balances and borrowings.

The Group currently does not have a foreign currency hedging policy on the foreign currency balances.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank balances, interest bearing other receivable and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balance and interest bearing receivable held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to minimise the interest rate risk by closely monitor the ratio between borrowings at variable rates and borrowings at fixed rates. During 2013 and 2012, the Group's borrowings at variable rate were mainly denominated in the RMB, HK dollar and USD.

The Group's loans from non-controlling interests of subsidiaries were issued at fixed rates or interest free, which expose the Group to fair value interest-rate risk.

The Group's long-term borrowings issued at variable rates which expose the Group to cash flow interest-rate risk.

At 31 December 2013, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been decreased/increased by RMB15,721,000 (2012: RMB17,935,000).

(iii) Price risk

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group and the Company have no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, other non-current receivables, trade receivables, other receivables, deposits and prepayments and amounts due from subsidiaries represent the Group's and the Company's maximum exposure to credit risk in relation to its financial assets. The credit risk for bank deposits and bank balances is minimal as such balances are placed with state-owned banks or listed banks, management considers these balances are subject to low credit risk. The Group carries out regular reviews and follow-up actions on any overdue amounts to minimise exposures to credit risk.

The Group has no significant concentration of credit risk arising from its customers, except for the other non-current receivable of RMB143.1 million (2012: RMB151.8million) which is due from government authorities in the PRC in relation to compensation for surrendering the toll stations to the Xiangtan Municipal People's Government (note 22).

In addition, the Company monitors its exposure to credit risk in respect of the financial assistance provided to subsidiaries through exercising control over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

(c) Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Group

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 Years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2013						
Borrowings	–	**1,014,552**	**1,111,286**	**2,869,594**	**2,292,294**	**7,287,726**
Amounts due to non-controlling interests of subsidiaries	**42,255**	**106,206**	–	–	–	**148,461**
Amounts due to holding companies	**225**	–	–	–	–	**225**
Amount due to a joint venture	**42,000**	–	–	–	–	**42,000**
Trade and other payables and accrued charges	–	**348,939**	–	–	–	**348,939**
	84,480	**1,469,697**	**1,111,286**	**2,869,594**	**2,292,294**	**7,827,351**
As at 31 December 2012						
Borrowings	–	990,790	1,347,841	3,040,825	2,908,609	8,288,065
Amounts due to non-controlling interests of subsidiaries	137,986	106,206	–	–	–	244,192
Amounts due to holding companies	239	–	–	–	–	239
Amount due to a joint venture	31,500	–	–	–	–	31,500
Trade and other payables and accrued charges	–	336,234	–	–	–	336,234
	169,725	1,433,230	1,347,841	3,040,825	2,908,609	8,900,230

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 Years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2013					
Borrowings	—	610,729	376,843	1,009,995	1,997,567
Amounts due to subsidiaries	18,139	—	—	—	18,139
Other payables and accrued charges	—	46,049	—	—	46,049
	18,139	656,778	376,843	1,009,995	2,061,755
As at 31 December 2012					
Borrowings	—	75,706	535,092	578,274	1,189,072
Amounts due to subsidiaries	50,524	—	—	—	50,524
Other payables and accrued charges	—	34,114	—	—	34,114
	50,524	109,820	535,092	578,274	1,273,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

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

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

The gearing ratio is calculated as follows:

	2013 **RMB'000**	2012 RMB'000
Borrowings	**5,801,885**	6,427,483
Amounts due to non-controlling interests of subsidiaries	**42,254**	43,070
Amount due to a joint venture	**42,000**	31,500
Total debts	**5,886,139**	6,502,053
Less: cash and cash equivalents	**(1,604,676)**	(1,057,124)
Net debts	**4,281,463**	5,444,929
Equity attributable to the shareholders of the Company	**8,275,767**	8,094,466
Total capital	**12,557,230**	13,539,395
Gearing ratio	**34.1%**	40.2%

During the year, the Group complied with all externally imposed capital requirements to which it is subject.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2013				
Available-for-sale financial assets	–	–	**812**	**812**
Total	–	–	**812**	**812**
As at 31 December 2012				
Available-for-sale financial assets	–	–	992	992
Asset classified as held for sale (note 35(d))	–	–	201,543	201,543
Total	–	–	202,535	202,535

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. For unlisted securities without an active market, the Group establishes the fair value by reference to the latest audited financial statements. There were no changes in valuation techniques during the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2013:

	Available-for-sale financial assets RMB'000	Asset classified as held for sale RMB'000	Total RMB'000
As at 1 January 2013	**992**	**201,543**	**202,535**
Disposal of asset classified as held for sale (note 35(d))	–	(201,543)	(201,543)
Fair value loss on available-for-sale financial assets recognised in the consolidated statement of comprehensive income	(180)	–	(180)
As at 31 December 2013	**812**	–	**812**
Total gain for the year included in the consolidated income statement under "Other income and other gains - net"	–	(121,543)	(121,543)

The following table presents the changes in level 3 instruments for the year ended 31 December 2012:

	Available-for-sale financial assets RMB'000	Asset classified as held for sale RMB'000	Derivative financial instrument RMB'000	Total RMB'000
As at 1 January 2012	138,939	–	3,481	142,420
Addition	200	–	–	200
Fair value gain on available-for-sale financial assets recognised in the consolidated statement of comprehensive income	63,396	–	–	63,396
Reclassify to asset classified as held for sale (note 35(d))	(201,543)	201,543	–	–
Fair value loss on derivative financial instruments recognised in the consolidated income statement	–	–	(3,481)	(3,481)
As at 31 December 2012	992	201,543	–	202,535

3 FINANCIAL RISK MANAGEMENT (Continued)

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

The fair value of other non-current receivables and non-current borrowings are estimated by discounting at the applicable interest rate and are as follows:

	Carrying amount		Fair value	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Other non-current receivables	**127,508**	135,579	**122,873**	131,010
Non-current borrowings	**5,096,381**	5,812,058	**4,834,106**	5,572,418

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

- Trade receivables
- Other receivables, deposits and prepayments
- Cash and cash equivalents
- Borrowings due within one year
- Amounts due to non-controlling interests of subsidiaries
- Amounts due to holding companies
- Amount due to a joint venture
- Trade and other payables and accrued charges

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Amortisation of intangible operating rights

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

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

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 3.8% to 40.4%. Traffic volumes of certain toll highways and bridges of the Group have become saturated, while traffic growth rate of a toll highway in Hunan is forecasted to be significant due to rapid regional economic growth and being a via-duct to a new theme park.

(b) Current income tax, business tax and deferred income tax

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Impairment of goodwill and intangible operating rights

The Group tests annually whether goodwill and intangible operating rights have suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been primarily determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit to which the goodwill and intangible operating right belong and a suitable discount rate in order to calculate the present value. When the carrying amount of the cash generating unit exceeds its value-in-use, the Group also assesses its fair value less costs to sell to determine the cash generating unit's recoverable amount, which is the higher of its fair value less costs to sell and value in use.

Based on the impairment assessment, an impairment charge of RMB131 million relating to Tianjin Jinbao Expressway has been recognised in 2013, of which RMB39.4 million and RMB91.6 million was attributable to the goodwill and the intangible operating right respectively. With all other variables held constant, if the revenue growth rates used in the value-in-use calculation had been 0.25% lower/higher than management estimates as at 31 December 2013, the Group would have recognised a higher/lower impairment charge of the intangible operating right by RMB20 million respectively. If the pre-tax discount rate used in the value-in-use calculation had been 0.25% higher/lower than management estimates as at 31 December 2013, the Group would have recognised a higher/lower impairment charge against the intangible operating right of RMB16 million respectively.

(d) Impairment of intangible operating right owned by an associate

The Group owns an associate company (23.63% equity interest) Guangdong Qinglian Highway Development Co. Ltd (the "Qinglian Company") which operates the Qinglian Expressway and Qinglian Class 2 Road. The Communication Department of Guangdong Province (the "Communication Department") issued a notice in June 2013 to cancel the toll collection of some highways in Guangdong Province, including Qinglian Class 2 Road with effect from 1 July 2013.

In response to the situation, management of the Group has worked with the management of the holding company of Qinglian Company and commenced negotiations with the Communication Department and other relevant government departments as to the legality of such cancellation of toll collection as well as possible compensation for the loss of the toll collection. As at the date of this annual report, Qinglian Company has fully provided for impairment for the intangible operating right associated with Qinglian Class 2 Road of RMB 272 million at year end date based on the preliminary discussion with the Communication department.

(e) Fair value of investment properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUES AND SEGMENT INFORMATION

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

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews 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 Board of Directors assesses the performance of this main reporting segment based on measurement of profit after income tax for the year. Other operations mainly comprise port operation, investment and others. There have been no sales carried out between segments. None of these operations constitutes a separate segment.

Business segment	Toll roads operations RMB'000	Port and all other segments RMB'000	Total RMB'000
31 December 2013			
Revenue (from external customers)	**1,753,084**	—	**1,753,084**
Operating profit	**863,999**	**119,871**	**983,870**
Finance income	**100,668**	—	**100,668**
Finance costs	**(337,430)**	—	**(337,430)**
Share of result of a joint venture	**14,404**	—	**14,404**
Share of results of associates	**192,133**	—	**192,133**
Profit before income tax	**833,774**	**119,871**	**953,645**
Income tax expense	**(242,498)**	**(18,156)**	**(260,654)**
Profit for the year	**591,276**	**101,715**	**692,991**
31 December 2012			
Revenue (from external customers)	1,485,211	—	1,485,211
Operating profit	885,915	4,175	890,090
Finance income	59,806	—	59,806
Finance costs	(330,643)	—	(330,643)
Share of result of a joint venture	7,109	—	7,109
Share of results of associates	179,883	—	179,883
Profit before income tax	802,070	4,175	806,245
Income tax (expense)/credit	(249,138)	621	(248,517)
Profit for the year	552,932	4,796	557,728

5 REVENUES AND SEGMENT INFORMATION (Continued)

Assets and liabilities	Toll roads operations RMB'000	Port and all other segments RMB'000	Total RMB'000
As at 31 December 2013			
Total segment assets	**17,644,834**	**581,134**	**18,225,968**
Total segment assets include:			
Investment in a joint venture	**345,949**	—	**345,949**
Investments in associates	**1,567,139**	—	**1,567,139**
Total segment liabilities	**(7,532,087)**	**(415,555)**	**(7,947,642)**
Total segment liabilities include:			
Amount due to a joint venture	**(42,000)**	—	**(42,000)**
As at 31 December 2012			
Total segment assets	17,972,044	738,657	18,710,701
Total segment assets include:			
Investment in a joint venture	331,545	—	331,545
Investments in associates	1,613,598	—	1,613,598
Total segment liabilities	(8,225,966)	(400,373)	(8,626,339)
Total segment liabilities include:			
Amount due to a joint venture	(31,500)	—	(31,500)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER INCOME AND OTHER GAINS - NET

	2013 RMB'000	2012 RMB'000
Fair value gain on investment properties (note 17)	—	5,283
Fair value loss on derivative financial instrument	—	(3,481)
Exchange gain - net	949	6,524
(Loss)/gain on disposal of property, plant and equipment	(290)	47
Reversal of business tax provision (note a)	—	72,230
Disposal gain of asset classified as held for sale (note 35(d))	121,543	—
Provision for impairment losses		
– Goodwill	(39,470)	—
– Intangible operating rights	(91,604)	—
Others	24,253	21,563
	15,381	102,166

Note:

(a) The amount represents the reversal of the provision for business tax expenses in 2012 in respect of the compensation for the resumption of four Class I Highways by the Guangzhou City Government.

7 EXPENSES BY NATURE

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

	2013 RMB'000	2012 RMB'000
Business tax	59,477	51,098
Amortisation of intangible operating rights (note 14)	304,210	256,291
Depreciation of property, plant and equipment (note 16)	19,132	22,613
Toll highways and bridges maintenance expenses	70,155	51,036
Toll highways and bridges operating expenses	52,370	49,692
Staff costs (including Directors' emoluments)		
– Wages and salaries	141,291	134,096
– Pension costs (defined contribution plan) (note a)	14,406	13,350
– Social security costs	14,901	14,041
– Staff welfare and other benefits	38,512	34,318
Auditor's remuneration		
– Audit services	2,665	2,110
– Non-audit services	1,523	107
Rental expenses	9,577	10,543
Legal and professional fee	7,088	6,202
Transportation expenses	9,089	9,561
Others	40,199	42,229
Total cost of services and general and administrative expenses	784,595	697,287

Note:

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

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's MPF Scheme contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HKD1,250 (equivalent to RMB999) per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HKD6,500 per month (equivalent to RMB5,192), and more than HKD7,100 per month (equivalent to RMB5,671) effective from 1 November 2013. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

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

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of each Director and the Chief executive

For the year ended 31 December 2013

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
ZHANG Zhaoxing	—	619	1,856	2,475
LI Xinmin	—	619	1,856	2,475
QIAN Shangning	—	578	1,732	2,310
LIANG Ningguang	—	493	1,478	1,971
LIANG Youpan	—	619	1,856	2,475
WANG Shuhui	—	493	1,478	1,971
	—	3,421	10,256	13,677
Independent non-executive directors				
FUNG Ka Pun	180	—	—	180
LAU Hon Chuen Ambrose	180	—	—	180
CHEUNG Doi Shu	180	—	—	180
	540	—	—	540
Chief executive				
HE Baiqing	—	617	722	1,339
	540	4,038	10,978	15,556

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) The remuneration of each Director and the Chief executive (Continued)

For the year ended 31 December 2012

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
ZHANG Zhaoxing	—	628	1,255	1,883
LI Xinmin	—	628	1,255	1,883
QIAN Shangning	—	586	1,171	1,757
LIANG Ningguang	—	500	1,000	1,500
LIANG Youpan	—	628	1,255	1,883
WANG Shuhui	—	500	1,000	1,500
	—	3,470	6,936	10,406
Independent non-executive directors				
FUNG Ka Pun	180	—	—	180
LAU Hon Chuen Ambrose	180	—	—	180
CHEUNG Doi Shu	180	—	—	180
	540	—	—	540
	540	3,470	6,936	10,946

Notes:

No Directors waived emoluments in respect of the years ended 31 December 2013 and 2012. No emoluments were paid or payable by the Group to any Directors as an inducement to join, or as compensation for loss of office for both years presented.

(b) The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2013 and 2012 are also Directors whose emoluments are reflected in the analysis presented above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCE INCOME/COSTS

	2013 RMB'000	2012 RMB'000
Bank interest income	13,175	10,538
Interest income on other non-current receivables	8,217	8,701
Interest income on compensation receivable	36,552	39,213
Exchange gain of bank borrowings	42,724	1,354
Finance income	100,668	59,806
Interest expenses:		
- Bank borrowings	(348,357)	(342,128)
- Loans from non-controlling interests of certain subsidiaries	(7,767)	(16,484)
- Fair value adjustment on non-interest bearing loans from non-controlling interests of certain subsidiaries	6,622	7,225
- Bank facility fees	(6,534)	(1,702)
- Other loans	(1,121)	(1,813)
	(357,157)	(354,902)
Less: amount capitalised in construction in progress	19,727	24,259
Finance costs incurred	(337,430)	(330,643)

The capitalisation rate used to determine the amounts of borrowing costs eligible for capitalisation is 6.88% (2012: 6.72%) for the year.

10 INCOME TAX EXPENSE

(a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no income assessable to Hong Kong profits tax during the year (2012: Nil).

(b) During the year ended 31 December 2013, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and a joint venture in the PRC in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises.

The applicable principal income tax rate for the year ended 31 December 2013 is 25% (2012: 25%).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2012: 5% or 10%).

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

	2013 **RMB'000**	2012 RMB'000
Current income tax		
PRC enterprise income tax		
- current year	**232,537**	214,279
- under-provision in prior years	**2,132**	4,055
Deferred income tax (note 29)	**25,985**	30,183
	260,654	248,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE (Continued)

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

	2013 RMB'000	2012 RMB'000
Profit before income tax	953,645	806,245
Less: share of results of associates	(192,133)	(179,883)
Less: share of result of a joint venture	(14,404)	(7,109)
	747,108	619,253
Calculated at a tax rate of 25% (2012: 25%)	186,778	154,813
Income not subject to tax	(20,541)	(6,101)
Expenses not deductible for tax purposes	42,092	35,029
Profit of a subsidiary with preferential tax treatment (note (a))	(14,937)	—
Unrecognised temporary differences	—	(3,457)
Tax losses not recognised (note (b))	32,650	45,620
Utilisation of previously unrecognised tax losses	(5,345)	(9,548)
Under-provision in prior year	2,132	4,055
Withholding tax on undistributed profits of subsidiaries and associates	37,825	28,106
Income tax expense	260,654	248,517

Note:

(a) A subsidiary of the Group enjoys six years' preferential tax treatment of income tax from 2012 to 2017, at a preferential income tax rate of 15%.

(b) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB149,933,000 (2012: RMB152,484,000) in respect of unused losses amounting to approximately RMB599,731,000 (2012: RMB609,934,000). Unused tax losses will expire in 2014 to 2018.

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of RMB546,111,000 (2012: Profit of RMB604,736,000).

12 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Profit attributable to shareholders of the Company (RMB'000)	**554,419**	426,915
Weighted average number of ordinary shares in issue ('000)	**1,673,162**	1,673,162
Basic and diluted earnings per share (RMB)	**0.3314**	0.2552

The diluted earnings per share for the year ended 31 December 2013 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year.

13 DIVIDENDS

Company

	2013 **RMB'000**	2012 RMB'000
Interim, paid, of HKD0.10 equivalent to RMB0.08 (2012: HKD0.09 equivalent to RMB0.07) per share	**133,086**	123,137
Final, proposed, of HKD0.16 equivalent to RMB0.13 (2012: HKD0.11 equivalent to RMB0.09) per share	**211,466**	148,862
	344,552	271,999

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

14 INTANGIBLE OPERATING RIGHTS

	RMB'000
Year ended 31 December 2013	
Opening net book amount	**13,612,830**
Additions	**97,400**
Amortisation	**(304,210)**
Provision for impairment losses	**(91,604)**
Closing net book amount	**13,314,416**
At 31 December 2013	
Cost	**14,804,162**
Accumulated amortisation	**(1,489,746)**
Net book amount	**13,314,416**
Year ended 31 December 2012	
Opening net book amount	10,904,496
Acquisition of a subsidiary	2,900,001
Additions	64,768
Disposals	(144)
Amortisation	(256,291)
Closing net book amount	13,612,830
At 31 December 2012	
Cost	14,806,415
Accumulated amortisation	(1,193,585)
Net book amount	13,612,830

At 31 December 2013, toll highway operating rights with net book amount of RMB13,232,314,000 (2012: RMB13,504,007,000) were pledged to secure the Group's bank borrowings.

15 GOODWILL

	2013 RMB'000	2012 RMB'000
At 1 January	**408,276**	308,095
Acquisition of subsidiaries	—	100,181
Provision for impairment losses (note 4(c))	**(39,470)**	—
At 31 December	**368,806**	408,276

Goodwill is mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisitions of interests in subsidiaries.

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

The recoverable amounts of the above cash-generating units are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated by using the estimated growth rates ranging from 0% to 5.2%.

Key assumptions and considerations used for the value-in-use calculations included estimated traffic flow growth, vehicle types of the toll expressways and highway operation and expected gross domestic product growth rate. Toll fee charging rates of the expressways or highway were regulated by the relevant government authorities in the PRC.

Management determined the above key assumptions and considerations based on past performance and its expectations for the market development. Both internal and external factors are considered, independent professional traffic studies on traffic flow growth will be obtained where appropriate. Discount rates adopted are from 10% to 12.5%. The discount rates used are pre-tax and reflect specific risks underlying the toll highways industry.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold Land RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2013						
Opening net book amount	523	23,647	124,391	17,391	431,567	597,519
Exchange differences	(56)	(711)	—	—	—	(767)
Additions	—	344	28,584	281	41,610	70,819
Disposals	—	—	(187)	(104)	—	(291)
Depreciation	(14)	(591)	(14,437)	(4,090)	—	(19,132)
Closing net book amount	453	22,689	138,351	13,478	473,177	648,148
At 31 December 2013						
Cost	523	36,858	199,682	24,479	473,177	734,719
Accumulated depreciation	(70)	(14,169)	(61,331)	(11,001)	—	(86,571)
Net book amount	453	22,689	138,351	13,478	473,177	648,148
Year ended 31 December 2012						
Opening net book amount	539	24,293	130,018	13,775	368,808	537,433
Additions	—	—	8,570	6,279	62,759	77,608
Acquisition of a subsidiary	—	—	4,594	1,236	—	5,830
Disposals	—	—	(603)	(136)	—	(739)
Depreciation	(16)	(646)	(18,188)	(3,763)	—	(22,613)
Closing net book amount	523	23,647	124,391	17,391	431,567	597,519
At 31 December 2012						
Cost	570	38,241	173,151	25,720	431,567	669,249
Accumulated depreciation	(47)	(14,594)	(48,760)	(8,329)	—	(71,730)
Net book amount	523	23,647	124,391	17,391	431,567	597,519

Notes:

At 31 December 2013, RMB Nil (2012: RMB292,480,000) of the net book amount of property, plant and equipment were pledged to secure bank borrowing of approximately RMB Nil (2012: RMB188,890,000).

The Group's interests in leasehold land classified as finance lease were held in Hong Kong with a lease period between 10 to 50 years.

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2013			
Opening net book amount	**554**	**465**	**1,019**
Additions	**30**	**—**	**30**
Depreciation	**(121)**	**(199)**	**(320)**
Closing net book amount	**463**	**266**	**729**
At 31 December 2013			
Cost	**1,330**	**598**	**1,928**
Accumulated depreciation	**(867)**	**(332)**	**(1,199)**
Net book amount	**463**	**266**	**729**
Year ended 31 December 2012			
Opening net book amount	679	1,485	2,164
Additions	6	598	604
Disposal	(10)	(1,404)	(1,414)
Depreciation	(121)	(214)	(335)
Closing net book amount	554	465	1,019
At 31 December 2012			
Cost	1,331	598	1,929
Accumulated depreciation	(777)	(133)	(910)
Net book amount	554	465	1,019

17 INVESTMENT PROPERTIES

	2013 RMB'000	2012 RMB'000
At 1 January	16,876	11,593
Exchange differences	(522)	—
Fair value gain	—	5,283
At 31 December	16,354	16,876

The investment properties of the Group were revalued at 31 December 2013 on the basis of their open market values as determined by C S Surveyors Limited, an independent firm of professional surveyor, appointed by the Group. The fair value of each investment property is individually determined at the end of each reporting period by the independent valuer.

The fair value of investment properties had been generally derived using the sales comparison approach with significant observable inputs. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant observable input into this valuation approach was price per square foot. There were no changes in valuation techniques during the year.

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

The Group's investment properties are held on leases of between 10 to 50 years in Hong Kong.

18 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Investments in subsidiaries

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	3,528,601	3,528,601

Details of the principal subsidiaries of the Company are set out in note 36.

(b) The amounts due from/to subsidiaries are unsecured, interest free, repayable on demand and denominated in RMB.

The carrying amounts of the amounts due from/to subsidiaries approximate their fair values.

18 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

(c) Material non-controlling interests

The total non-controlling interests for the year are RMB2,002,559,000, of which RMB1,287,770,000 and RMB325,614,000 is for Guangzhou Northern Second Ring Expressway Company Limited ("GNSR Expressway Company Limited") and Tianjin Jinfu Expressway Company Limited respectively. The non-controlling interests of remaining subsidiaries are not material.

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised balance sheet

	Guangzhou Northern Second Ring Expressway Co., Ltd.		Tianjin Jinfu Expressway Co., Ltd.	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Assets	**143,319**	480,246	**41,485**	59,872
Liabilities	**(90,097)**	(165,590)	**(32,357)**	(50,894)
Total current net assets	**53,222**	314,656	**9,128**	8,978
Non-current				
Assets	**2,113,818**	2,174,980	**434,104**	445,026
Liabilities	**(356,722)**	(512,116)	**(180,619)**	(200,267)
Total non-current net assets	**1,757,096**	1,662,864	**253,485**	244,759
Net assets	**1,810,318**	1,977,520	**262,613**	253,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

(c) Material non-controlling interests (Continued)

Summarised income statement

	Guangzhou Northern Second Ring Expressway Co., Ltd.		Tianjin Jinfu Expressway Co., Ltd.	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**755,836**	672,227	**108,073**	120,165
Profit before income tax	**541,639**	463,501	**42,222**	64,579
Income tax expense	**(135,535)**	(115,684)	**(14,573)**	(16,382)
Profit and total comprehensive income	**406,104**	347,817	**27,649**	48,197
Total comprehensive income attributable to non-controlling interests	**162,441**	139,127	**16,589**	4,820
Dividends paid to non-controlling interests	**126,989**	170,555	**3,392**	4,012

18 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES (Continued)

(c) Material non-controlling interests (Continued)

Summarised cash flows

	Guangzhou Northern Second Ring Expressway Co., Ltd.		Tianjin Jinfu Expressway Co., Ltd.	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities				
Cash generated from operations	**637,869**	564,649	**76,815**	86,373
Income tax paid	**(112,966)**	(123,746)	**(10,071)**	(15,966)
Net cash generated from operating activities	**524,903**	440,903	**66,744**	70,407
Net cash generated from/(used in) investing activities	**131,956**	(8,659)	**(3,867)**	(2,784)
Net cash used in financing activities	**(784,179)**	(234,994)	**(84,241)**	(29,003)
Net (decrease)/increase in cash and cash equivalents	**(127,320)**	197,250	**(21,364)**	38,620
Cash and cash equivalents at 1 January	**380,922**	183,672	**51,536**	12,916
Cash and cash equivalents at 31 December	**253,602**	380,922	**30,172**	51,536

The information above is stated before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVESTMENT IN A JOINT VENTURE

	Guangzhou Western Second Ring Expressway Co., Ltd. Share of net assets	
	2013	2012
	RMB'000	RMB'000
At 1 January	**331,545**	324,436
Share of results for the year		
- profit before income tax	**19,205**	13,191
- income tax expense	**(4,801)**	(6,082)
	14,404	7,109
At 31 December	**345,949**	331,545

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

	Guangzhou Western Second Ring Expressway Co., Ltd.	
	2013	2012
	RMB'000	RMB'000
Revenue	**301,043**	261,086
Depreciation and amortisation	**(75,203)**	(52,143)
Finance income	**206**	223
Finance costs	**(93,277)**	(106,666)
Other expenses - net	**(77,897)**	(64,812)
Profit before income tax	**54,872**	37,688
Income tax expense	**(13,717)**	(17,377)
Profit and total comprehensive income	**41,155**	20,311

19 INVESTMENT IN A JOINT VENTURE (Continued)

	Guangzhou Western Second Ring Expressway Co., Ltd.	
	2013	2012
	RMB'000	RMB'000
Current		
Cash and cash equivalents	**57,651**	36,563
Other current assets	**154,689**	122,271
Total current assets	**212,340**	158,834
Financial liabilities	**(342,751)**	(440,931)
Other current liabilities	**(81,600)**	(67,843)
Total current liabilities	**(424,351)**	(508,774)
Non-current		
Assets	**2,387,297**	2,479,211
Financial liabilities	**(1,182,000)**	(1,182,000)
Other liabilities	**(4,860)**	—
Total non-current liabilities	**(1,186,860)**	(1,182,000)
Net assets	**988,426**	947,271

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

	Guangzhou Western Second Ring Expressway Co., Ltd.	
	2013	2012
	RMB'000	RMB'000
Opening net assets 1 January	**947,271**	926,960
Profit for the period	**41,155**	20,311
Closing net assets	**988,426**	947,271
Group's share of net assets	**345,949**	331,545
Carrying amount of investment in the joint venture	**345,949**	331,545

Details of the Group's joint venture are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATES

	Share of net Assets RMB'000
At 1 January 2013	**1,613,598**
Share of results for the year	
- profit before income tax	**276,223**
- income tax	**(84,090)**
	192,133
Dividends	**(238,592)**
At 31 December 2013	**1,567,139**
At 1 January 2012	1,639,791
Share of results for the year	
- profit before income tax	242,454
- income tax	(62,571)
	179,883
Dividends	(258,812)
Capital injection (note (a))	52,736
At 31 December 2012	1,613,598

Note:

(a) In 2012, proportional capital contribution of approximately RMB 52,736,000 was injected into Guangdong Qinglian Highway Development Co., Ltd..

20 INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information of the Group's investment in each associate is set out below:

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Revenue	**1,212,813**	1,044,751	**710,963**	537,170	**627,646**	604,215	**245,038**	218,824
Profit/(loss) and total comprehensive income	**740,125**	606,543	**(191,931)**	(103,419)	**269,364**	246,985	**118,358**	108,068
Dividends received from associates	**(608,557)**	(388,359)	**—**	—	**(314,465)**	(234,433)	**(207,343)**	(182,234)
Assets:								
Non-current assets	**1,840,411**	2,021,676	**8,054,584**	8,611,003	**1,010,494**	1,142,678	**428,788**	465,244
Current assets	**563,359**	217,761	**166,551**	91,600	**280,033**	229,498	**35,158**	84,073
	2,403,770	2,239,437	**8,221,135**	8,702,603	**1,290,527**	1,372,176	**463,946**	549,317
Liabilities:								
Non-current liabilities	**(503,464)**	(486,308)	**(5,466,119)**	(5,622,810)	**(339,181)**	(340,591)	**(65,972)**	(61,285)
Current liabilities	**(104,071)**	(88,462)	**(451,390)**	(584,236)	**(84,782)**	(119,920)	**(19,755)**	(20,828)
	(607,535)	(574,770)	**(5,917,509)**	(6,207,046)	**(423,963)**	(460,511)	**(85,727)**	(82,113)
Net assets	**1,796,235**	1,664,667	**2,303,626**	2,495,557	**866,564**	911,665	**378,219**	467,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATES (Continued)

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

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Opening net assets 1 January	1,664,667	1,446,483	2,495,557	2,376,512	911,665	899,113	467,204	541,370	5,539,093	5,263,478
Profit/(loss) for the period	740,125	606,543	(191,931)	(103,419)	269,364	246,985	118,358	108,068	935,916	858,177
Dividends	(608,557)	(388,359)	—	—	(314,465)	(234,433)	(207,343)	(182,234)	(1,130,365)	(805,026)
Capital Injection	—	—	—	222,464	—	—	—	—	—	222,464
Closing net assets	1,796,235	1,664,667	2,303,626	2,495,557	866,564	911,665	378,219	467,204	5,344,644	5,539,093
Group's share of net assets	498,994	462,445	544,347	589,700	210,575	221,535	113,466	140,161	1,367,382	1,413,841
Goodwill	93,684	93,684	—	—	—	—	106,073	106,073	199,757	199,757
Carrying amount of investments in the associates	592,678	556,129	544,347	589,700	210,575	221,535	219,539	246,234	1,567,139	1,613,598

Details of the Group's associates are set out in note 36.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 RMB'000	2012 RMB'000
At 1 January	992	138,939
Additions	—	200
Fair value (losses)/gains recognised in other comprehensive income	(180)	63,396
Transfer to asset held for sale	—	(201,543)
At 31 December	812	992

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

22 OTHER NON-CURRENT RECEIVABLES

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

As at 31 December 2013, the total remaining balance of the consideration receivable is RMB143.1 million (2012: RMB151.8 million) which will be settled by 17 half yearly installments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB127.5 million (2012: RMB135.6 million) will be received after 31 December 2014 (2012: 31 December 2013) according to the repayment schedule.

The fair value of the consideration receivable is estimated by discounting at the applicable current interest rate and is approximately RMB147.2 million (2012: RMB154.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade receivables (note a)	32,210	33,105
Other receivables, deposits and prepayments	177,950	701,714
	210,160	734,819

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Deposits and prepayments	1,220	808

Note:

(a) As at 31 December 2013, trade receivables were all aged below 30 days (2012: 30 days).

The Group's revenue is generally settled in cash and it usually does not maintain any account balances owing. Accordingly, the Group does not have any specified credit period for its customers.

As at 31 December 2013 and 2012, trade receivables were neither past due nor impaired and no provision for impairment loss has been provided for trade receivables.

As at 31 December 2013 and 2012, all other receivables and deposits were performing.

The Group and the Company do not hold any collateral as security. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables as stated in the balance sheets.

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

24 SHORT-TERM BANK DEPOSITS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Bank deposits with original maturity of more than 3 months but less than a year	22,000	—

As at 31 December 2013, the deposits are primarily denominated in RMB and the effective interest rates range from 3.25% to 3.30% per annum.

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Cash at bank and in hand	**1,188,671**	673,716	**176,914**	9,920
Term deposits with original maturities of less than 3 months	**416,005**	383,408	**282,573**	57,108
	1,604,676	1,057,124	**459,487**	67,028
Maximum exposure to credit risk	**1,601,937**	1,056,665	**457,594**	66,958

Bank balances and cash are denominated in the following currencies:

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
HK dollars	**156,390**	42,818	**119,865**	15,867
US dollars	**25**	25	**10**	9
Renminbi	**1,448,261**	1,014,281	**339,612**	51,152
	1,604,676	1,057,124	**459,487**	67,028

26 SHARE CAPITAL

	31 December 2013		31 December 2012	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Authorised:				
Ordinary shares of RMB 0.08805 each	**2,000,000,000**	**176,100**	2,000,000,000	176,100
Issued and fully paid:				
Ordinary shares of RMB 0.08805 each	**1,673,162,295**	**147,322**	1,673,162,295	147,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 RESERVES

Group

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Investment revaluation reserve RMB'000	Retained profits (note (c)) RMB'000	Asset revaluation reserve (note (d)) RMB'000	Transaction with non-controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2013	2,375,743	1,501,716	491,483	59,737	91,158	2,903,772	558,250	(34,715)	7,947,144
Profit for the year	—	—	—	—	—	554,419	—	—	554,419
Decrease in fair value of available-for-sale financial assets	—	—	—	—	(180)	—	—	—	(180)
Deferred tax on decrease in fair value of available-for-sale financial assets	—	—	—	—	45	—	—	—	45
Release of reserve upon disposal of asset classified as held for sale	—	—	—	—	(121,543)	—	—	—	(121,543)
Deferred tax on decrease of reserve upon disposal of asset classified as held for sale	—	—	—	—	30,385	—	—	—	30,385
Currency translation differences	—	—	123	—	—	—	—	—	123
Transfers	—	—	—	524	—	(524)	—	—	—
Dividends									
- 2012 Final dividend (note 13)	—	—	—	—	—	(148,862)	—	—	(148,862)
- 2013 Interim dividend (note 13)	—	—	—	—	—	(133,086)	—	—	(133,086)
Balance at 31 December 2013	2,375,743	1,501,716	491,606	60,261	(135)	3,175,719	558,250	(34,715)	8,128,445
Representing:									
Retained profits						2,964,253			
2013 Final dividend proposed (note 13)						211,466			
						3,175,719			

27 RESERVES (Continued)

Group (Continued)

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Investment revaluation reserve RMB'000	Retained profits (note (c)) RMB'000	Asset revaluation reserve (note (d)) RMB'000	Transaction with non-controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2012	2,375,743	1,501,711	491,483	59,616	43,610	2,790,833	558,250	(34,715)	7,786,531
Profit for the year	—	—	—	—	—	426,915	—	—	426,915
Increase in fair value of available-for-sale financial assets	—	—	—	—	63,396	—	—	—	63,396
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	—	—	(15,848)	—	—	—	(15,848)
Setup of a subsidiary	—	5	—	—	—	—	—	—	5
Transfers	—	—	—	121	—	(121)	—	—	—
Dividends									
- 2011 Final dividend	—	—	—	—	—	(190,718)	—	—	(190,718)
- 2012 Interim dividend (note 13)	—	—	—	—	—	(123,137)	—	—	(123,137)
Balance at 31 December 2012	2,375,743	1,501,716	491,483	59,737	91,158	2,903,772	558,250	(34,715)	7,947,144
Representing:									
Retained profits						2,754,910			
2012 Final dividend proposed (note 13)						148,862			
						2,903,772			

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

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

(c) Included in the Group's retained earnings are accumulated losses of RMB1,595,000 (2012: RMB15,999,000) and retained earnings of RMB395,695,000 (2012: RMB442,153,000) attributable to a joint venture and associates respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 RESERVES (Continued)

Company

	Share premium RMB'000	Contributed surplus (note a) RMB'000	Retained Profits RMB'000	Total RMB'000
At 1 January 2013	**2,375,743**	**1,561,564**	**743,552**	**4,680,859**
Profit for the year	—	—	**546,111**	**546,111**
Dividends:				
2012 Final dividend (note 13)	—	—	**(148,862)**	**(148,862)**
2013 Interim dividend (note 13)	—	—	**(133,086)**	**(133,086)**
At 31 December 2013	**2,375,743**	**1,561,564**	**1,007,715**	**4,945,022**
Representing:				
Retained profits			**796,249**	
2013 Final dividend proposed (note 13)			**211,466**	
			1,007,715	
At 1 January 2012	2,375,743	1,561,564	452,671	4,389,978
Profit for the year	—	—	604,736	604,736
Dividends:				
2011 Final dividend	—	—	(190,718)	(190,718)
2012 Interim dividend (note 13)	—	—	(123,137)	(123,137)
At 31 December 2012	2,375,743	1,561,564	743,552	4,680,859
Representing:				
Retained profits			594,690	
2012 Final dividend proposed (note 13)			148,862	
			743,552	

Note:

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

28 BORROWINGS

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Long-term bank borrowings	**5,660,479**	6,252,414	**1,768,457**	1,189,072
Loans from non-controlling interests of certain subsidiaries	**124,526**	158,189	**—**	—
Other loan	**16,880**	16,880	**—**	—
Total borrowings	**5,801,885**	6,427,483	**1,768,457**	1,189,072
Less: Amounts due within one year as shown under current liabilities	**(705,504)**	(615,425)	**(514,702)**	(75,706)
Total non-current borrowings	**5,096,381**	5,812,058	**1,253,755**	1,113,366

(a) As at 31 December 2013, the Group's borrowings were repayable as follows:

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Within one year	**705,504**	615,425	**514,702**	75,706
Between one to two years	**840,546**	1,008,417	**308,764**	535,092
Between two and five years	**2,341,794**	2,199,227	**944,991**	578,274
Later than five years	**1,914,041**	2,604,414	**—**	—
	5,801,885	6,427,483	**1,768,457**	1,189,072

(b) Certain bank borrowings are secured by intangible operating rights of the Group (note 14). All bank borrowings are interest bearing at rates ranging from 2.86% to 6.88% (2012: 2.9% to 7.05%). The effective interest rate of these borrowings at 31 December 2013 was 5.43% (2012: 6.01%).

(c) Loans from non-controlling interests of certain subsidiaries are unsecured and interest bearing at rates ranging from 6.60% to 7.04% except for loans of RMB110,374,000 (2012: RMB120,422,000) which are interest-free. The carrying amounts of these interest-free loans approximate their fair values which are calculated based on cash flows discounted at a rate of 6.00% (2012: 6.00%) per annum.

Loans from non-controlling interests of certain subsidiaries of RMB14,152,000 (2012: RMB37,767,000) are repayable within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BORROWINGS (Continued)

(d) The borrowings are denominated in RMB, except for bank borrowings of RMB510,815,000 (2012: RMB251,584,000) which is denominated in USD and RMB1,257,642,000 (2012: RMB937,488,000) which are denominated in HKD.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are within one year (2012: within one year).

(e) The other loan represents the unsecured short-term borrowing from a third party amounted to RMB16.9 million (2012: RMB16.9 million) which carries interest at a rate of 6.55% (2012: 6.55%) per annum.

29 DEFERRED INCOME TAX

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

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

	31 December 2013 RMB'000	31 December 2012 RMB'000
Deferred tax assets:		
Deferred income tax assets to be recovered after more than 12 months	—	—
Deferred income tax assets to be recovered within 12 months	—	(18,218)
	—	(18,218)
Deferred tax liabilities:		
Deferred income tax liabilities to be recovered after more than 12 months	**1,510,012**	1,500,142
Deferred income tax liabilities to be recovered within 12 months	**14,688**	47,221
	1,524,700	1,547,363
Deferred tax liabilities (net)	**1,524,700**	1,529,145

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

	2013 RMB'000	2012 RMB'000
At 1 January	**1,529,145**	1,173,720
Acquisition of subsidiaries	—	309,394
Charged to consolidated income statement (note 10)	**25,985**	30,183
(Debit)/credit to reserves (note 27)	**(30,430)**	15,848
At 31 December	**1,524,700**	1,529,145

29 DEFERRED INCOME TAX (Continued)

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

Deferred tax liabilities

	Withholding tax on undistributed profits of subsidiaries and associates RMB'000	Fair value gain on interest in toll highway arising from acquisition of subsidiaries RMB'000	Accelerated amortisation of intangible operating rights RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2013	**50,470**	**1,244,875**	**221,633**	**30,385**	**1,547,363**
Charged/(credited) to consolidated income statement	**37,825**	**(51,767)**	**51,611**	**—**	**37,669**
Credit to reserve	**—**	**—**	**—**	**(30,430)**	**(30,430)**
Transferred to current income tax for dividends declared	**(29,902)**	**—**	**—**	**—**	**(29,902)**
At 31 December 2013	**58,393**	**1,193,108**	**273,244**	**(45)**	**1,524,700**
At 1 January 2012	57,042	948,370	175,475	14,537	1,195,424
Acquisition of subsidiary	—	321,318	—	—	321,318
Charged/(credited) to consolidated income statement	28,106	(24,813)	46,158	—	49,451
Charged to reserve	—	—	—	15,848	15,848
Transferred to current income tax for dividends declared	(34,678)	—	—	—	(34,678)
At 31 December 2012	50,470	1,244,875	221,633	30,385	1,547,363

Deferred tax assets

	Tax losses 2013 RMB'000	2012 RMB'000
At 1 January	**(18,218)**	(21,704)
Acquisition of subsidiary	**—**	(11,924)
Credited to consolidated income statement	**18,218**	15,410
At 31 December	**—**	(18,218)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 BALANCES WITH NON-CONTROLLING INTERESTS OF SUBSIDIARIES, A JOINT VENTURE AND HOLDING COMPANIES

The amounts are unsecured, interest free, repayable on demand and denominated in RMB. Among the balances with non-controlling interests of subsidiaries, there is a consideration payable to non-controlling interest for acquiring a subsidiary of RMB106 million (2012: RMB106 million)

31 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade payables	98,471	65,338
Other payables and accrued charges	250,468	270,896
	348,939	336,234

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Other payables and accrued charges	46,049	34,114

Trade payables mainly represent construction costs payable to contractors.

The ageing analysis of trade payables is as follows:

	31 December 2013 RMB'000	31 December 2012 RMB'000
0 - 30 days	20,606	6,615
31 - 90 days	14,453	604
Over 90 days	63,412	58,119
	98,471	65,338

Trade and other payable and accrued charges are mainly denominated in RMB except for other payable of approximately RMB 71.4 million (2012: RMB 118.9 million) which was denominated in HKD and the carrying amounts approximate their fair values.

32 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to cash generated from operations:

	Note	2013 RMB'000	2012 RMB'000
Operating profit		983,870	890,090
Amortisation of intangible operating rights	14	304,210	256,291
Depreciation of property, plant and equipment	16	19,132	22,613
Fair value gains on investment properties	17	—	(5,283)
Provision for impairment losses	6	131,074	—
Fair value loss on derivative financial instrument		—	3,481
Exchange gain - net		(949)	(6,524)
Loss/(profit) on disposal of property, plant and equipment		290	(47)
Disposal gain of asset classified as held for sale		(121,543)	—
Provision for business tax written back		—	(72,230)
Operating profit before working capital changes		1,316,084	1,088,391
Changes in working capital:			
- trade and other receivables, deposits and prepayments		49,058	(721)
- trade and other payables and accrued charges		(13,083)	(91,781)
- increase/(decrease) in amounts due to non-controlling interests of subsidiaries		828	(48,598)
- (decrease)/increase in amounts due to holding companies		(14)	11
Cash generated from operations		1,352,873	947,302

33 CONSTRUCTION INCOME/COST UNDER SERVICE CONCESSION UPGRADE SERVICES

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

	2013 RMB'000	2012 RMB'000
Construction income under service concession upgrade services	97,400	64,768
Construction cost under service concession upgrade services	(97,400)	(64,768)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 COMMITMENTS

(a) Lease commitment

The Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

	2013 RMB'000	2012 RMB'000
Lease payments		
Within one year	8,071	7,253
Later than one year and not later than five years	676	7,002
	8,747	14,255
Lease receipts		
Within one year	460	101
Later than one year and not later than five years	131	—
	591	101

The Company had no commitments as at 31 December 2013 and 2012.

(b) Capital commitment

Group

	As at 31 December 2013 RMB'000	 31 December 2012 RMB'000
Authorised but not contracted for		
Upgrade and construction of toll expressways under concession arrangements and construction of port	34,017	92,206
Property, plant and equipment	1,694	6,349
	35,711	98,555
Contracted but not provided for		
Upgrade and construction of toll expressways under concession arrangements and construction of port	68,340	137,944
Property, plant and equipment	49	692
	68,389	138,636

35 RELATED PARTY TRANSACTIONS

(a) Related parties

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

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table set forth below summarises the names of related parties, with whom the Group has significant transaction during the year, and their relationship with the Company as at 31 December 2013:

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

(b) Transactions with related parties

		2013 RMB'000	2012 RMB'000
(i)	Administrative service fees paid to Yuexiu Property	**1,043**	1,058
(ii)	Interest expense paid to non-controlling interest of subsidiaries	**159**	2,377
(iii)	Rental expenses paid to a fellow subsidiary	**527**	532
(iv)	Rental expenses paid to a related company	**7,116**	5,487
(v)	Building management fee paid to a fellow subsidiary	**1,031**	864
		9,876	10,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

	2013 RMB'000	2012 RMB'000
Salaries and other short-term benefits	15,556	10,946

(d) Disposal of an asset classified as held for sale

The asset classified as held for sale represents the equity interest in Guangzhou Securities Co. Ltd.. The Group entered into an agreement with Guangzhou Yuexiu Finance Holdings Limited, a fellow subsidiary of the Group, to sell its entire equity interest at a consideration of RMB 201.5 million. The transaction was completed in 2013 and the pre-tax gain was RMB 121.5 million.

36 GROUP STRUCTURE

As at 31 December 2013, the Company held shares/interest in the following principal subsidiaries, a joint venture and associates.

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US$1.00 each	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Northern Second Ring Expressway Co., Limited
Choice Tone Limited	Hong Kong	1 Ordinary share of HKD1.00 each	—	100	Investment holding in Tianjin Jinfu Expressway Co., Ltd.
Fortune Success Group Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Tailong Highways Development Company Limited
Frame Bridge Enterprises Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Grand Speed Limited	Hong Kong	1 Ordinary share of HKD1.00 each	—	100	Investment holding in Guangxi Yuexiu Cangyu Expressway Co., Ltd.

36 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Guangzhou Nanxin Highways Development Company Limited	PRC, limited liability Company	RMB141,463,000	—	80	Development and management of Guangshen Highway linking Guangzhou and Shenzhen (note a)
Guangzhou Northern Second Ring Expressway Company Limited	PRC, limited liability Company	RMB900,000,000	—	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Suiqiao Development Company Limited	PRC, limited liability Company	RMB1,000,000	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Tailong Highways Development Company Limited	PRC, limited liability Company	RMB116,667,000	—	90	Development and management of Guangcong Highway Section II Linking Guangzhou and Conghua and Provincial Highway 355 linking Conghua and Longtan (note a)
Guangzhou Weian Highways Development Company Limited	PRC, limited liability Company	RMB175,750,000	—	80	Development and management of Guangshan Highway linking Guangzhou and Shantou (note a)
Guangzhou Xinguang Highways Development Company Limited	PRC, limited liability Company	RMB143,333,000	—	90	Development and management of Guanghua Highway linking Guangzhou and Huadu (note a)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company Direct	Percentage of attributable interest held by the Company Indirect	Principal activities
Guangzhou Yue Peng Information Limited	PRC, limited liability Company	RMB260,000,000	—	100	Investment holding
Guangxi Yuexiu Cangyu Expressway Company Limited	PRC, limited liability Company	RMB190,925,000	—	100	Development and management of Cangyu Expressway in Guangxi
Henan Ruibeika Industrials Company Limited	PRC, limited liability Company	RMB660,754,500	—	100	Development and management of Henan Weixu Expressway
Hunan Yue Tung Highway and Bridge Development Company Limited	PRC, limited liability Company	RMB21,000,000	—	75	Development and management of Xiang Jiang Bridge II in Hunan Province (note 22)
Hunan Changzhu Expressway Development Company Limited	PRC, limited liability Company	RMB929,328,460	—	90	Development and management of Changzhu Expressway in Hunan Province
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Taihe Highways Development Company Limited
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Kinleader Company Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HKD1.00 each	100	—	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1.00 each	—	100	Investment holding in Guangdong Qinglian Highway Development Company Limited

36 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Shaanxi Jinxiu Transport Company Limited	PRC, limited liability Company	RMB100,000,000	—	100	Development and management of Xian-Lintong Expressway in Shaanxi Province
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares of HKD1.00 each	—	100	Property holding
Sparco Development Limited	British Virgin Islands	100 Ordinary shares of US$1.00 each	—	100	Investment holding in Shaanxi Jinxiu Transport Company Limited
Super Praise Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangdong Shantou Bay Bridge Company Limited
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Nanxin Highways Development Company Limited
Swift Full Limited	Hong Kong	1 Ordinary share of HKD1.00 each	—	100	Investment holding in Hubei Han Xiao Highway Construction and Operations Company Limited
Teckstar Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Weian Highways Development Company Limited
Top Global Holdings Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangzhou Xinguang Highways Development Company Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/ registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Unionwin Investment Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Unique Wealth Investment Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US$1.00 each	—	83.3	Investment holding in Hunan Yue Tung Highway and Bridge Development Company Limited
Tianjin Jinfu Expressway Company Limited	PRC, limited liability Company	RMB265,200,000	—	60 (note b)	Development and management of Jinbao Expressway in Tianjin
Wuzhou Yue Xin Chishui Terminal Company Limited	PRC, limited liability Company	RMB171,000,000	—	51	Development and management of Wuzhou Port in Guangxi
Hubei Han Xiao Highway Construction and Operations Company Limited	PRC, limited liability Company	RMB495,089,000	—	90	Development and management of Hubei Han-Xiao Expressway
Guangzhou Yue Tong Expressway Operations and Management Company Limited	PRC, limited liability Company	RMB1,000,000	100	—	Investment holding
Yuexiu (China) Transport Infrastructure Investment Company Limited	PRC, limited liability Company	RMB1,900,000,000	100	—	Investment holding

36 GROUP STRUCTURE (Continued)

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

Associates	Place of incorporation/ establishment and operation and kind of legal entity	Registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Guangdong Humen Bridge Company Limited	PRC, limited liability Company	RMB273,900,000	—	27.78 (note c)	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Company Limited	PRC, limited liability Company	RMB3,105,959,997	—	23.63	Development and management of Qinglian Expressway and National Highway 107 linking Qingyuan and Lianzhou
Guangdong Shantou Bay Bridge Company Limited	PRC, limited liability Company	RMB75,000,000	—	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Freeway Company Limited	PRC, limited liability Company	US$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road

Note:

(a) Operation ceased on 31 October 2010.

(b) The profit sharing ratio is 90% up to 2012, 40% from 2013 to 2015 and 60% from 2016 onwards.

(c) The profit sharing ratio is 27.78% up to 2009 and 18.446% from 2010 onwards.

37 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. There is no impact on net profit, net assets or net cash flows as a result of the reclassification.

CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS

Executive directors

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

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Ms Chan Kam Ting Sharon

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISER

Minter Ellison

REGISTERED OFFICE

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Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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HONG KONG BRANCH SHARE REGISTRAR

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Level 22, Hopewell Centre
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Hong Kong

SHARE LISTING

The Company's shares are listed on
The Stock Exchange of Hong Kong Limited

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

INVESTOR RELATIONS

For further information about
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WEBSITES TO ACCESS COMPANY INFORMATION

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