越秀交通基建有限公司

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

(Stock Code: 01052)

CREATING EXCELLENT VALUES

ANNUAL REPORT 2016

GNSR Expressway - Beijing-Zhuhai Expressway


GNSR – Taihe Flyover

CONTENTS

FIVE YEARS FINANCIAL SUMMARY

INCOME STATEMENT

Year ended 31 December

(RMB'000)	2016	2015	2014	2013	2012
Income from operations	**2,519,003**	2,226,023	1,858,706	1,753,084	1,485,211
Earnings before interests, tax, depreciation and amortisation ("EBITDA")[1]	**2,356,181**	2,037,563	1,670,146	1,687,068	1,406,065
Profit before income tax	**1,520,564**	869,932	1,014,240	953,645	806,245
Profit for the year	**1,166,477**	653,022	777,730	692,991	557,728
Profit attributable to:					
Shareholders of the Company	**918,817**	532,086	609,370	554,419	426,915
Non-controlling interests	**247,660**	120,936	168,360	138,572	130,813
Basic earnings per share for profit attributable to the shareholders of the Company	**RMB0.5491**	RMB0.3180	RMB0.3642	RMB0.3314	RMB0.2552
Dividend per share	**RMB0.2885**	RMB0.2296	RMB0.222	RMB0.206	RMB0.163

BALANCE SHEET

As at 31 December

(RMB'000)	2016	2015	2014	2013	2012
Total Assets	**22,568,556**	23,419,273	17,509,960	18,225,968	18,710,701
Total Liabilities	**11,264,254**	12,590,180	7,065,391	7,947,642	8,626,339
Total Equity	**11,304,302**	10,829,093	10,444,569	10,278,326	10,084,362
Equity attributable to:					
Shareholders of the Company	**9,081,958**	8,571,746	8,527,595	8,275,767	8,094,466
Non-controlling interests	**2,222,344**	2,257,347	1,916,974	2,002,559	1,989,896
Net assets per share to shareholders of the Company	**RMB5.43**	RMB5.12	RMB5.10	RMB4.95	RMB4.84

FINANCIAL RATIOS

Year ended 31 December

	2016	2015	2014	2013	2012
Return on equity attributable to shareholders of the Company	**10.12%**	6.21%	7.15%	6.70%	5.27%
EBITDA Interest Coverage	**5.8 times**	5.8 times	5.6 times	4.5 times	4.1 times
Gearing ratio[2]	**40.0%**	43.9%	27.6%	29.4%	35.1%
Total liabilities/Total assets ratio[3]	**49.9%**	53.8%	40.4%	43.6%	46.1%

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

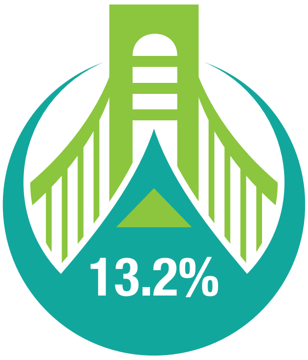
2: net debts÷total capitalization

3: total liabilities÷total assets

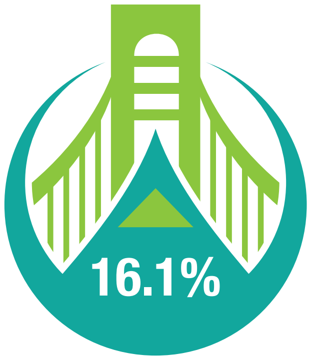
FINANCIAL HIGHLIGHTS

RESULTS HIGHLIGHTS FOR 2016

Income from operations
RMB 2,519 million

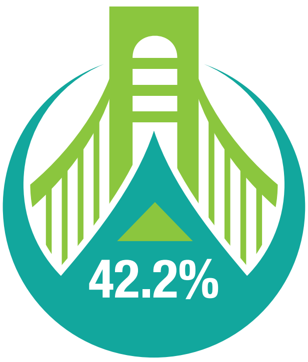


Gross Profit
RMB 1,684 million

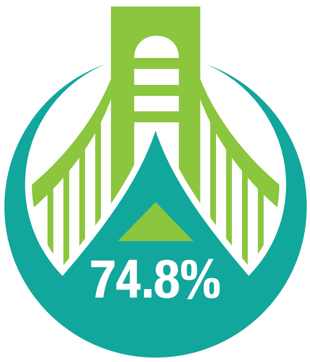


Gross Margin*
66.9%

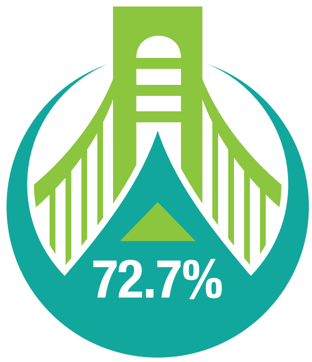
Operating Profit
RMB 1,594 million



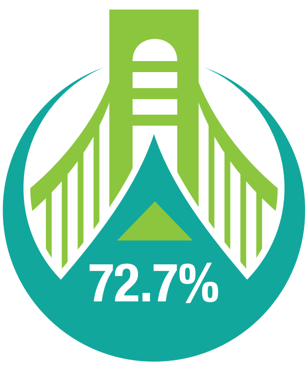
Profit before income tax
RMB 1,521 million



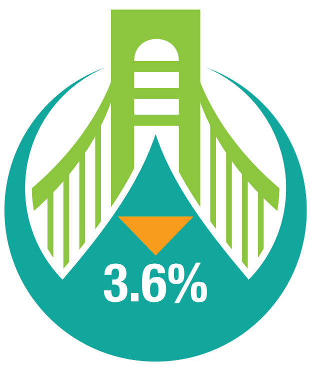
Profit attributable to shareholders of the company
RMB 919 million



Earnings per share
RMB 0.5491



Total Assets
RMB 22.6 billion



Net assets per share
RMB 5.43

* Gross Margin = Gross profit/Income from operations

CORPORATE PROFILE

廣州越秀集團有限公司
GUANGZHOU YUE XIU HOLDINGS LIMITED

100%

YUE XIU ENTERPRISES (HOLDINGS) LIMITED 60.65%

PUBLIC 39.35%

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

EXPRESSWAY / BRIDGE

- ■ GNSR EXPRESSWAY / 60%
- ■ CANGYU EXPRESSWAY / 100%
- ■ JINBAO EXPRESSWAY / 60%[(1)]
- ■ HAN-XIAO EXPRESSWAY / 100%
- ■ CHANGZHU EXPRESSWAY / 100%
- ■ WEIXU EXPRESSWAY / 100%
- ■ SUIYUENAN EXPRESSWAY / 70%

- ● NORTHERN RING ROAD / 24.3%
- ● HUMEN BRIDGE / 27.78%[(1)]
- ● SHANTOU BAY BRIDGE / 30%
- ● GWSR EXPRESSWAY / 35%
- ● QINGLIAN EXPRESSWAY / 23.63%

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

■ subsidiaries
● associates and joint venture

Suiyuenan Expressway

Yuexiu Transport Infrastructure Limited ("Company") and its subsidiaries (collectively, "Group") are principally engaged in investment, operation and management of toll expressways and bridges in Guangdong Province and other highgrowth 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 2016, the Group had a total of 12 investments in its operating expressways and bridge projects which included Guangzhou Northern Second Ring Expressway ("GNSR Expressway"), Guangzhou Western Second Ring Expressway ("GWSR Expressway"), Guangzhou Northern Ring Road ("Northern Ring Road"), Guangdong Humen Bridge ("Humen Bridge"), Shantou Bay Bridge and Qinglian Expressway, all of which are located within Guangdong Province; Cangyu Expressway in Guangxi Zhuang Autonomous Region ("Cangyu Expressway"); Jinbao Expressway in Tianjin Municipality; Han-Xiao Expressway in Hubei Province; Changzhu Expressway in Hunan Province; Weixiu Expressway in Henan Province and Suiyuenan Expressway in Hubei Province.

As at 31 December 2016, the attributable toll length of the Group's subsidiaries is approximately 281.1 km (total toll length is approximately 337.1 km), attributable toll length of the Group's associates and joint venture is approximately 77.3 km, the total attributable toll length of expressways and bridges is approximately 358.4 km.

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 Bridge
GUANGXI	
Wuzhou City	Cangyu Expressway
TIANJIN	
Tianjin City	Jinbao Expressway
HUBEI	
Wuhan City	Han-Xiao Expressway
Wuhan City	Suiyuenan Expressway
HUNAN	
Changsha City	Changzhu Expressway
HENAN	
Xuchang City	Weixu Expressway


TIANJIN
HENAN
HUBEI
HUNAN
GUANGXI
GUANGDONG

LOCATION MAPS OF PROJECTS

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

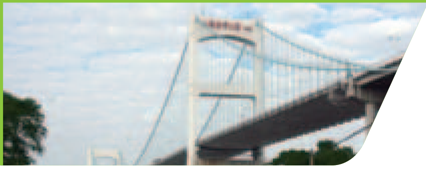
It is located in the northwestern part of Guangdong as a significant linkage between Guangdong and Hunan. The toll length is approximately 215.2 km with four lanes.

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

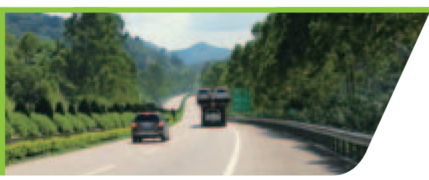
It is located in the eastern entrance of Shantou Harbour which connects Shenshan Expressway in the south and stretches over Shantou Harbour Huangsha Bay Sea Route and Links Shanfen Expressway. The project's toll length is approximately 6.5 km with six lanes.

GUANGDONG


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

LOCATION MAPS OF PROJECTS

GUANGXI

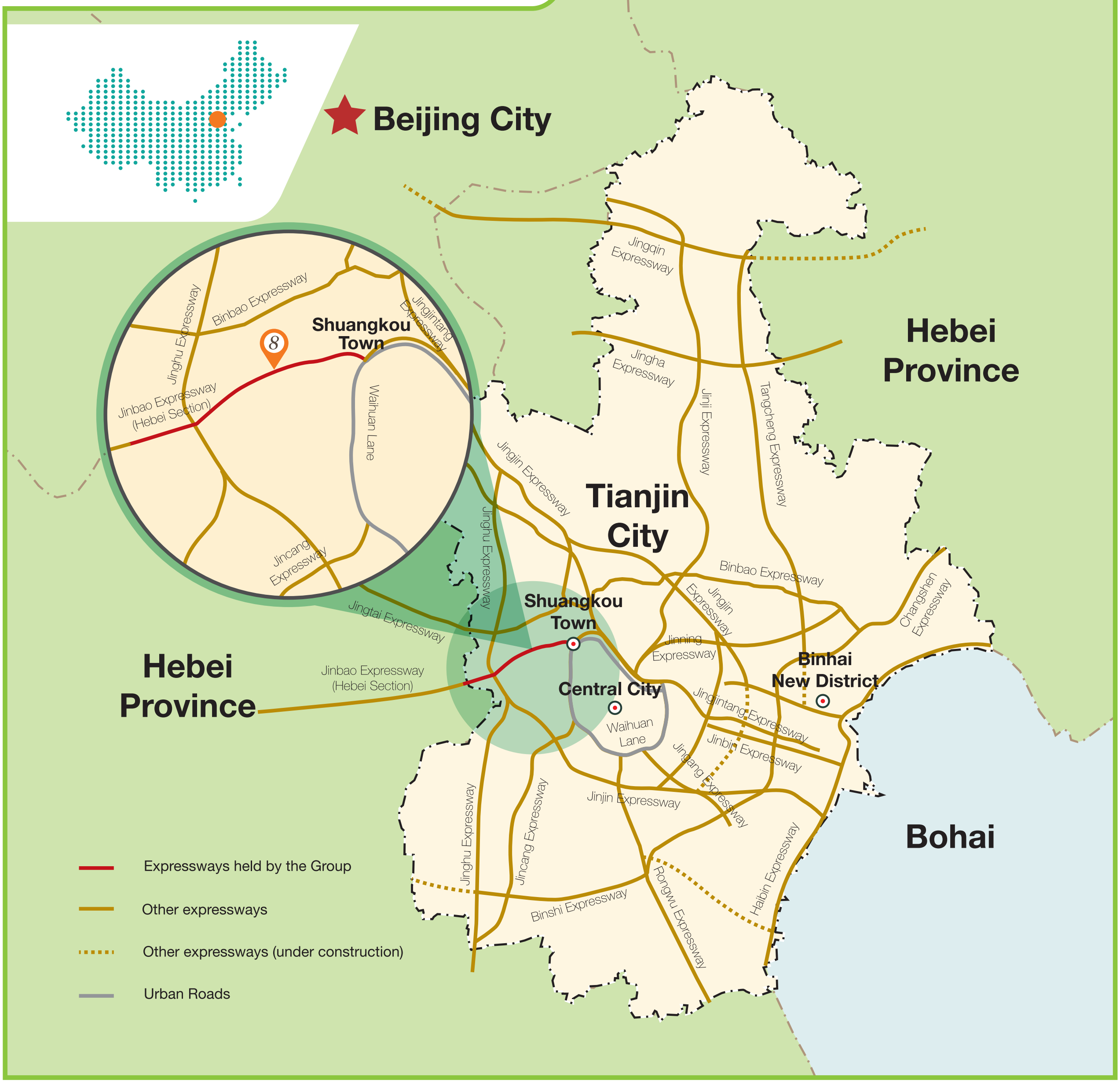


7

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).

TIANJIN



8

JINBAO EXPRESSWAY

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

LOCATION MAPS OF PROJECTS

HUBEI

9

HAN-XIAO EXPRESSWAY

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

10

SUIYUENAN EXPRESSWAY

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

HUNAN

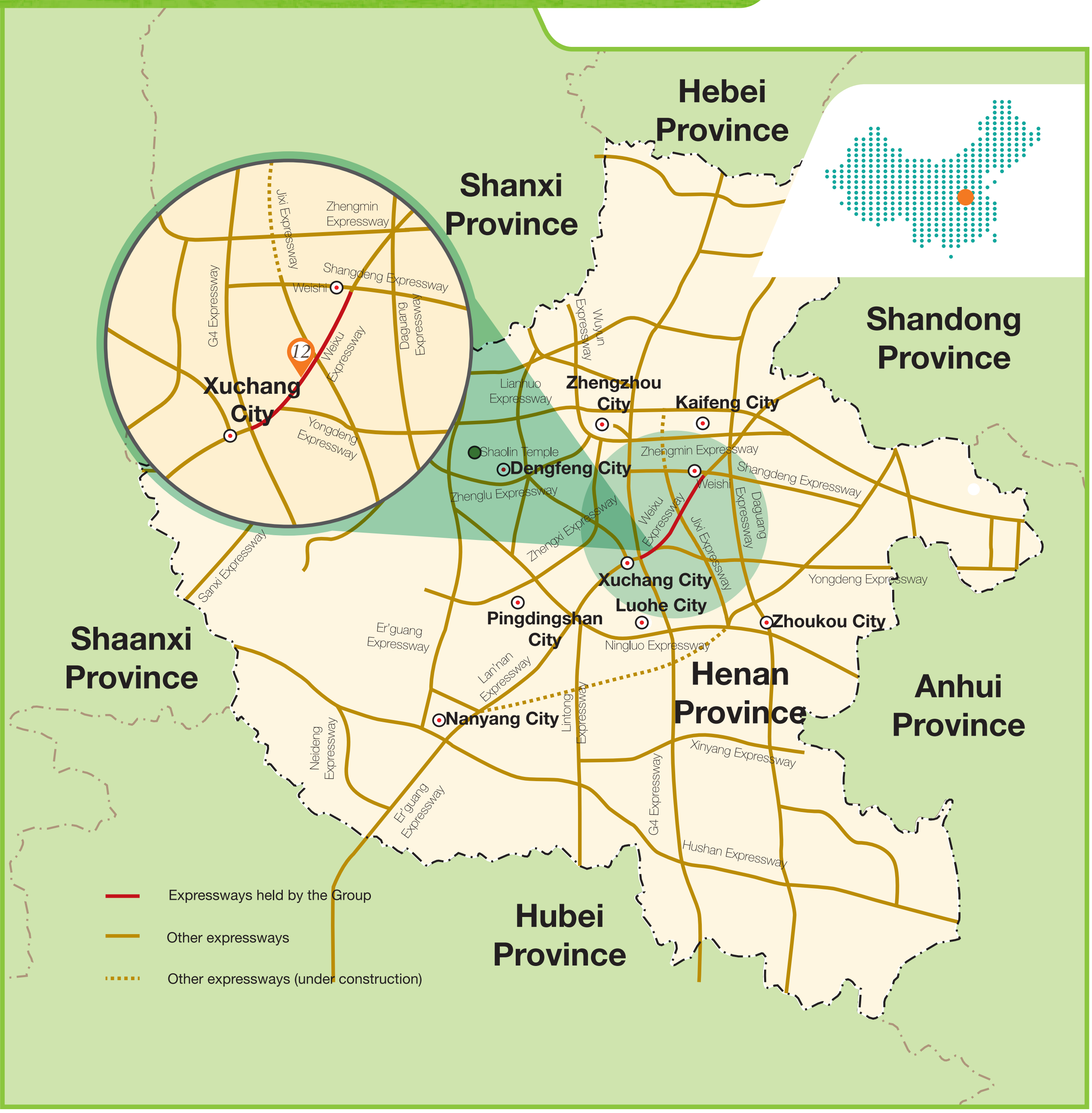
11

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.

LOCATION MAPS OF PROJECTS

HENAN



12

WEIXU EXPRESSWAY

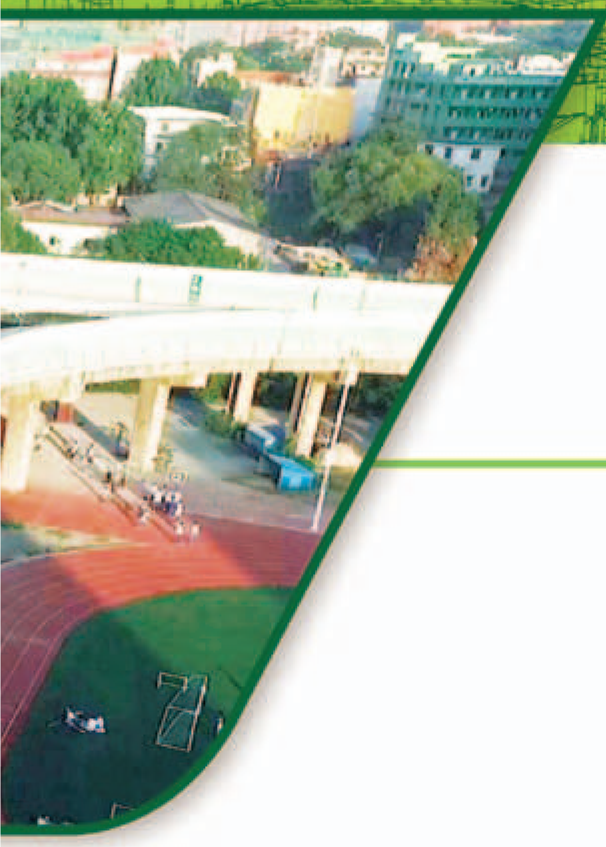
Located in Henan Province, Weixu Expressway is an important part of Lan-nan Expressway as well as the significant linkage between G4 Expressway, Daguang Expressway (G45), Ningluo Expressway (G36) and Lianhuo Expressway (G30). The toll length is approximately 64.3 km with six lanes.

Northern Ring Road

Cangyu Expressway

Weixu Expressway

Northern Ring Road



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 2016.

OPERATING RESULTS AND DIVIDEND

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

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

ANNUAL REVIEW

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

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

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

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

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

During the Reporting Year, the regulatory environment of the toll road sector remained steady, providing a good foundation for the Group's business operations. Although the toll free policy for small passenger vehicles during major holidays and the "Green Passage" toll free policy continued, there was no trend of further deepening the relevant rules and enforcement effort. In addition, the relevant government authorities still hasten to amend the Regulations on the Administration of Toll Roads (《收費公路管理條例》) and "insisted on improving and adjusting the toll road policy, determined the vehicle toll standard in a scientific and reasonable way and completed the task by the end of 2017" in accordance with the requirements of the central government.

- **Business development**

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

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

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

FUTURE PROSPECT AND OUTLOOK

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

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

Qinglian Expressway

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

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

- **Outlook of development strategies**

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

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

APPRECIATION

During the Reporting Year, our directors, senior management officers and all our staff continued to adhere to their pragmatic, diligent and resolute working attitude, in pursuit of excellence in performance and quality of work. On behalf of all members of our Group, I would like to express my gratitude and appreciation to all our shareholders, banks, business community and partners for their dedicated support over the years.

Zhu Chunxiu
Chairman

Hong Kong, 13 February 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Humen Bridge

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

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

(1) The operation period of Xian Expressway ended on 30 September, 2016 and the expressway has been handed over to the government according to the agreement.

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

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

Cangyu Expressway

Changzhu Expressway

Toll Summary of Toll Roads and Bridges

For the twelve months ended 31 December 2016

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

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

(1) Pursuant to the "Circular of the MOF and the SAT regarding the Pilot Program on Comprehensive Implementation of Value Added Taxes from Business Taxes Reform (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知)", effective from 1 May 2016, taxpayers across the country will be required to pay value added taxes instead of business taxes (abbreviated as the "Replacement of Business Tax with Value-added Tax"). Revenue since May 2016 was net revenue excluding value added taxes and revenue for the full year of 2015 and revenue for January to April 2016 was revenue including business taxes.

(2) The operation period of Xian Expressway ended on 30 September, 2016 and the expressway has been handed over to the government according to the agreement. All figures for 2016 are figures for the first to third quarter. Meanwhile, Xian Expressway was under the "four lanes to eight lanes" expansion between August 2014 and November 2015, which resulted in the traffic restriction policy during the period. As such, the year-on-year changes in the average daily toll traffic volume and the weighted average toll revenue per vehicle were not applicable.

(3) Pursuant to the agreement of the "four lanes-to-eight lanes" expansion, the toll revenue for 2016 will record a growth of 3.5% as calculated based on the actual revenue in 2015. The replacement of business tax with value-added tax is the primary reason for the growth rate below 3.5%. Toll revenue in 2016 represents the revenue net of value-added tax. For this reason, the year-on-year growth rate has slightly decreased.

MANAGEMENT DISCUSSION AND ANALYSIS

Toll Roads and Bridges

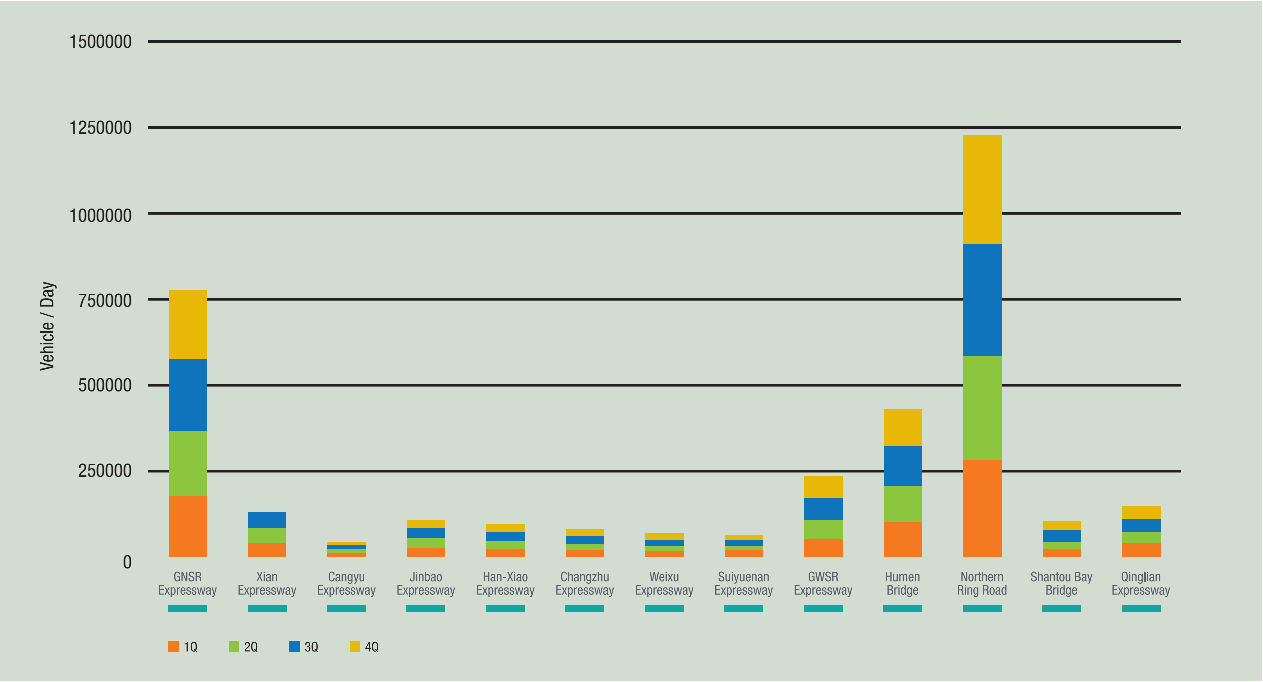
Quarterly analysis of average daily toll traffic volume for 2016

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

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

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

Quarterly analysis of average daily toll traffic volume for 2016

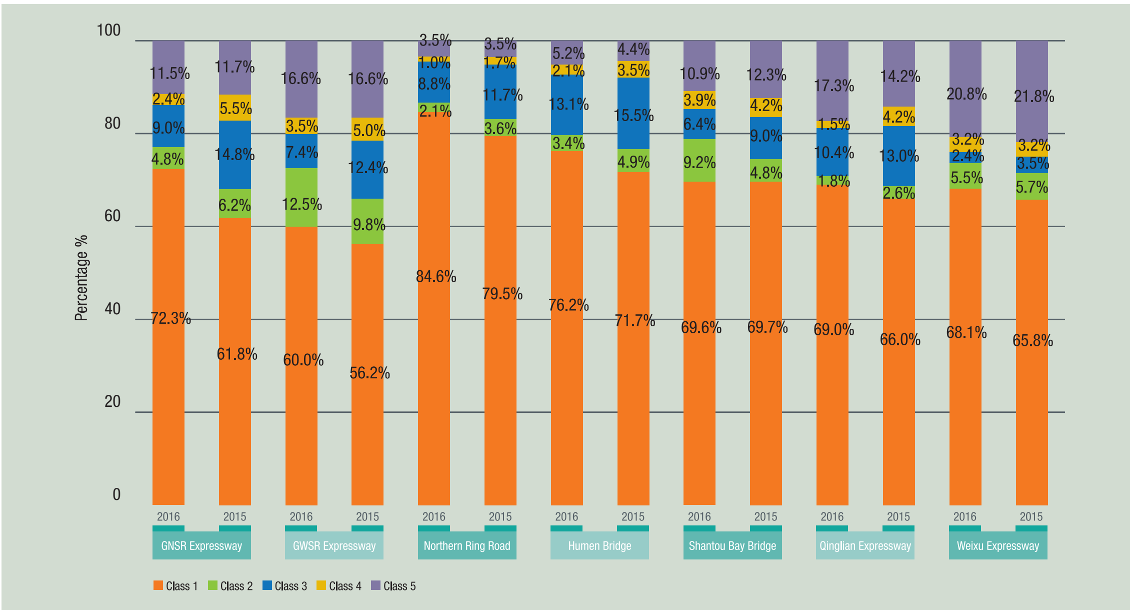


Vehicle type analysis (by traffic volume)

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

MANAGEMENT DISCUSSION AND ANALYSIS

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



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

SUMMARY OF OPERATING PERFORMANCE

Macroeconomic environment

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

Faced with the deep adjustment of the world economy and increasing downward economic pressure, the overall domestic economy for the full year recorded stable growth. According to the releases from the National Bureau of Statistics, the GDP of China in 2016 was RMB74.4127 trillion, increasing by 6.7% year-on-year, and was leading among the major global economies with a trend of stabilization amidst a slowdown and improving while maintaining stability.

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

(RMB100 million)

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

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

Regulatory Environment of the Sector

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

Policies on Environmental Protection

During the Reporting Year, the Group actively promoted the use of new technologies, new processes, new materials and new products to maximize material savings, environmental protection and pollution reduction while saving costs and improving highway performance, so as to make contributions to green travel.

Notes:

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

(2) The estimation result is based on the simulated calculation based on data available to subsidiaries of the Group and historical data and is for reference purpose only.

The Group continued to focus on the greening of highway, our subordinate project companies regularly trimmed the flowers and trees along the highways, around the interchanges and toll station areas, strengthened the daily management of green conservation and enhanced the quality of the overall landscape of the Group's highway to create a good traffic environment for drivers and passengers. Meanwhile, the Group ensured the quality of the living environment of the residents along the periphery by providing noise control facilities, drainage facilities, etc. to achieve effective control of the unfavorable factors such as noise, siltation, etc.

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

Business Improvements and Innovations

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

Progress of investment

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

POSSIBLE RISK EXPOSURE

During the Reporting Year, the Group further improved the comprehensive risk management system which covered all aspects of corporate strategies, operation and finance. In future developments, the Group will be highly aware of the following risks and will adopt effective tackling measures proactively.

Risk of Changes in the Planning of Road Networks

Risk analysis: As the road network of expressways continuously improve, parallel roads or alternative routes may increase continuously, which may have uncertain impact on the growth of toll revenue in individual projects.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Risk of Sectoral and Economic Policies

Risk analysis: Changes in sectoral and economic policies in China will have impact on toll road enterprises. Currently, Regulations on Administration of Tolling Roads is under amendment, and there will be a systematic reform on toll collection; macroeconomic growth in China declined further and entered into the transformation and upgrading stage, which may affect the transportation demand, particularly the freight demand.

Tackling measures: Pay immediate attention to the conditions of the province where the project companies operate, including transportation industry policies, regional economic policies and macroeconomic changes, collect and arrange the relevant information regularly to establish a database for carrying out analysis and research to formulate tackling measures; strengthen interaction between peer entities and superior authorities to understand the changing direction of the industry, exchange management experience and enable good cooperation.

Risk of Investment Decisions

Risk analysis: According to the Group's development strategies, we will continue to acquire new projects in future, whether high quality projects will be selected and investment decisions to be made scientifically will have far-reaching effects on the Group's development.

Tackling measures: Subject to corporate strategies, further improve the indicator system of investment decision and establish the comparison system for project analysis; conduct in-depth research on the industrial structure, economic structure and the future planning of road networks of the project areas before making investment decision; select the right timing of entry for the project and formulate the corresponding investment strategies, and make timely adjustments to achieve the best result.

Risk of Strategic Guidance

Risk analysis: With progress in the "In and Out" strategies of assets, a systematic analysis system is required to be established for asset disposal to ensure the process of implementing the strategic targets is consistent with the corporate vision and operational practice.

Tackling measures: Carry out timely updating on policy environment and operating environment, establish a systematic analyzing system and enhance the professional ability of asset disposal.

Risk of Comprehensive Understanding of Fund Status

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

Tackling measures: Strengthen the tracking analysis on trends of interest rate and exchange rate and timely adjust financing strategy; enhance joint collaborations with domestic and foreign investment banks to obtain information on exchange rate and interest rate hedging to further improve supervision and control capabilities.

Risk of Stakeholder Relations

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

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

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

Subsidiaries

GNSR Expressway

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

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

Xian Expressway

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

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

Cangyu Expressway

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Jinbao Expressway

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

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

Han-Xiao Expressway

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

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

Changzhu Expressway

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

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

Weixu Expressway

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

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

Suiyuenan Expressway

During the Reporting Year, the average daily toll traffic volume was 16,302 vehicles and the average daily toll revenue was RMB1,151,000, representing an increase of 4.0% and a decrease of 8.9% respectively, when compared with 2015.

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

Associates and Joint Venture

GWSR Expressway

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

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

Humen Bridge

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

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

Northern Ring Road

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

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

Shantou Bay Bridge

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Qinglian Expressway

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

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

FINANCIAL REVIEW

Key operating results figures

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

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

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

I. OVERVIEW OF OPERATING RESULTS

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

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

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

At the corporate level, apart from the gain from disposal of Yuexin Chishui Port of RMB112.1 million (before tax) and the impact of net exchange loss has been substantially offset by the fair value gain of the hedge instrument, there were no material corporate level transactions which have significant impacts to the overall profit attributable to the shareholders of the Company during the Reporting Year.

II. ANALYSIS OF OPERATING RESULTS

Income from operations, net of tax

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

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

Cost of services (exclude VAT and business tax)

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

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

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

Analysis of cost of services by nature

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

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

Gross profit

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

Analysis of gross profit by each controlled project

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

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

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

General and administrative expenses

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

Other income, gains and losses – net

The Group's other income, gains and losses – net was a gain of RMB136.0 million in the Reporting Year (2015: net loss of RMB128.2 million). The fluctuation was mainly due to (1) gain from disposal of Yuexin Chishui Port of RMB112.1 million in the Reporting Year; (2) the decrease in exchange loss, net (other than notes payable and bank borrowings which was reflected under finance costs) of RMB13.0 million as compared to 2015; and (3) certain one off losses and gains in 2015 which included provision for impairment losses of intangible operating rights of RMB266.4 million, exchange gain from release of currency translation differences upon disposal of subsidiaries of RMB72.6 million, gain on disposal of subsidiaries of RMB30.1 million and compensation from a contractor relating to termination of construction contracts of RMB3.3 million. Apart from the aforementioned, there were no material other income, gains and losses – net in the Reporting Year.

Finance income/Finance costs

The Group's finance income in the Reporting Year amounted to RMB47.5 million which was 70.9 percent higher than 2015 mainly due to the fair value gain on derivative financial instruments. These derivative financial instruments were the cross currency swaps entered into in the fourth quarter of 2016 to hedge the exchange fluctuation of Euro175.0 million of the Company's notes payable.

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

Share of results of associates and a joint venture

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

Income tax expense

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

Profit attributable to shareholders of the Company

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

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

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

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

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

Net profit from controlled projects of RMB794.4 million represented growth of 34.3 percent or RMB202.9 million higher than 2015; of which net profit from toll operation increased 30.9 percent to RMB802.1 million (which would be an increase of 26.0 percent if taking no account of the consolidation of Suiyuenan Expressway for comparative purpose). The Port operation has recorded loss of RMB7.7 million in the Reporting Year.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2015 RMB'000	Percentage of total %	Change %
GNSR Expressway	337,764	29.8	303,233	35.8	11.4
Weixu Expressway	104,816	9.2	88,459	10.4	18.5
Xian Expressway	94,112	8.3	133,285	15.7	-29.4
Changzhu Expressway	73,704	6.5	67,263	7.9	9.6
Suiyuenan Expressway	66,673	6.0	29,137	3.4	128.8
Han-Xiao Expressway	68,271	6.0	79,954	9.4	-14.6
Cangyu Expressway	40,379	3.6	22,459	2.6	79.8
Jinbao Expressway					
– operation	16,372	1.4	8,723	1.0	87.7
– impairment loss	—	—	(119,895)	-14.1	-100.0
Total from toll operation	802,091	70.8	612,618	72.1	30.9
Port operation	(7,658)	-0.7	(21,129)	-2.5	-63.8
Total	794,433	70.1	591,489	69.6	34.3

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

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

Net profit from non-controlled projects (which were all toll projects with analysis shown in the aforementioned table "analysis of share of results of associates and a joint venture and respective income from operations, net of tax") has increased 31.5 percent in the Reporting Year to RMB339.1 million as compared with 2015. Among the non-controlled toll projects, profits attributable to the shareholders of the Company from Humen Bridge, Northern Ring Road, Shantou Bay Bridge, Qinglian Expressway and GWSR Expressway accounted for 14.9 percent (2015: 18.5 percent), 7.1 percent (2015: 8.7 percent), 4.3 percent (2015: 3.9 percent), 0.01 percent (2015: -3.9 percent) and 3.6 percent (2015: 3.2 percent) of the net profit from projects respectively.

At the corporate level, apart from the gain from disposal of Yuexin Chishui Port of RMB112.1 million (before tax) and that impact of net exchange loss has been substantially offset by the fair value gain of the hedge instrument, there were no material corporate level transactions which have significant impacts to the overall profit attributable to the shareholders of the Company during the Reporting Year.

Final dividend

The Directors have recommended the payment of final dividend for 2016 of HK$0.20 which is equivalent to approximately RMB0.177146 (2015: HK$0.16 which was equivalent to approximately RMB0.133917) per share payable to shareholders whose names appear on the register of members of the Company on 26 May 2017. Subject to the approval of shareholders at the Annual General Meeting to be held on 18 May 2017, the final dividend will be paid on or about 28 June 2017. Together with the interim dividend of HK$0.13 which was equivalent to approximately RMB0.111311 (2015: HK$0.12 which was equivalent to approximately RMB0.095683) per share, total dividends for the year ended 31 December 2016 will amount to HK$0.33 which is equivalent to approximately RMB0.288457 (2015: HK$0.28 which was equivalent to approximately RMB0.2296) per share, representing a dividend payout ratio of 52.5 percent (2015: 72.2 percent).

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

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF FINANCIAL POSITION

Key financial position figures

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

Assets, Liabilities and Equity

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

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

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

Analysis of major assets, liabilities and equity items

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

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

Cash flows

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

Analysis of cash flow movement

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

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

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

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

Current ratio

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

EBITDA interest coverage and other financial ratios

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

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

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

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

Capital expenditures and investments

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

MANAGEMENT DISCUSSION AND ANALYSIS

Going forward, management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

Capital structures

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

Analysis of capital structures

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

Financial ratios

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

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

2 Basic summary information of corporate bonds:

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

Financing structures

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Loans from non-controlling interests of certain subsidiaries are unsecured, interest-free and long term. The carrying amounts of these loans approximate their fair values which are calculated based on cash flows discounted at a rate of 4.35 percent (2015: 4.35 percent) per annum.

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

Foreign-currency denominated assets and liabilities

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

IV. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

V. EMPLOYEES

As at 31 December 2016, the Group had approximately 1,493 employees of whom about 1,271 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

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

A loan agreement of the Company includes a condition that imposes one or more of the following specific performance obligations on Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the controlling shareholder of the Company:

(i) Yue Xiu remains as the single largest shareholder of the Company;

(ii) Yue Xiu maintains shareholding interest of not less than 35% in the issued voting share capital of the Company;

(iii) Yue Xiu maintains an effective management control over the Company.

As at 31 December 2016, the balance of the loan agreement subject to the above conditions was RMB1,000,000,000. Such loan agreement will expire on 6 May 2019.

Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

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

These obligations have been duly complied with for the year ended 31 December 2016.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS AND COMMUNICATIONS

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

The core of investor relations is effective communication, so the Group's investor relations team, including executive directors and senior management officers, initiated proactive communication continuously by meeting and communicating with shareholders, industry analysts, domestic and foreign investors who are concerned about the Group regularly through various platforms and channels, delivering proactive signals to consolidate market confidence. The investor relations team also organizes face-to-face interflows and communication with investors around the world through launching various marketing activities, such as organizing press conferences, participating in results roadshow and participating in various investor conferences. In addition, the investor relations team organizes reverse roadshow on regular basis to invite investors and industry analysts to attend site visits to expressway projects, enhancing the market's understanding on our management model, project operations and development strategies.

During the Reporting Year, investment banks such as HSBC, Essence International and China Securities International released research coverage reports on the Group successively, and institutions such as JP Morgan Chase, Macquarie Equities and Deutsche Bank also organized market briefings on the Group successively and arranged for meetings with international institutional investors, which was a sufficient reflection of the Group's ability to allure interest of investors from various sectors.

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

- We gave timely response to enquiries of investors through the investor hotline, company website and emails, and released monthly operational statistics to investors on regular basis.

- We organized receptions for visiting investors, on-site research visits for industry analysts, or convened telephone conferences. We received a total of more than 100 persons through our receptions for domestic and foreign investors and visiting industry analysts in the ordinary course of our business.

- We launched activities such as news conferences for results announcements, post results non-deal roadshows (NDRs) and investor forums to facilitate face-to-face interflows with more than 500 domestic and foreign institutional investors, including:

INVESTOR RELATIONS REPORT

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

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

- **Capital Weekly:**

1. The 11th Outstanding China Enterprise Awards
2. The Excellence of Listed Enterprise Awards 2016

- **LACP Vision Awards of USA:**

Transportation and Logistics Industry:
Awards winning:

1. Gold
2. #48 of Top 80 Annual reports in the Asia-Pacific Region
3. Top 50 Chinese annual reports of 2015

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

INVESTOR RETURN MECHANISM

While leveraging on the capital market for rapid development, the Group also clearly understands that investors are the source for corporate development, and a positive return to shareholders should be regarded as an important mission and the operation philosophy for an enterprise, such that investors are able to share the results of corporate development in a better way, leading investors to establish the concepts of long-term investment and rational investment for the formation of a virtuous cycle of capital.

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

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

In 2016, the Group distributed cash dividend of HK$0.33 per share, equivalent to RMB0.2885 per share, the dividend payout ratio is 52.50%.

Creating long-term, reasonable and stable return for shareholders is the first and foremost responsibility of our Group over the years. From the perspective of receiving both long-term benefits and current benefits by investors, the Group will continue to maintain a stable dividend payout ratio in future years.

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Zhu Chunxiu, aged 54, was appointed an executive director and Chairman of the Company on 19 March 2014. He is also vice chairman and general manager of Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu"), the ultimate holding company of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"). He is also a non-executive director of Yuexiu Financial Holdings Limited, and vice chairman and an executive director of Yuexiu Property Company Limited ("Yuexiu Property")(Stock Code: 123) and a non-executive director of Chong Hing Bank Limited (Stock Code: 1111), both being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Prior to joining Yue Xiu in 2013, Mr Zhu was vice chairman and general manager of Guangzhou Finance Holdings Group Co., Ltd. He was also a director of Guangzhou Rural Commercial Bank. Mr Zhu was awarded the Degree in Executive Master of Business Administration by Sun Yat-Sen University. Mr Zhu holds the economist qualification in China and has extensive experience in the operation and management of large financial institutions and banks. He is a deputy of the 14th session of the Guangzhou City People's Congress.

Mr Liu Yongjie, aged 59, was appointed an executive director and a Deputy Chairman of the Company on 1 April 2016. He is also a deputy general manager of Guangzhou Yue Xiu and Yue Xiu. He was previously an executive director of the Company from August 2009 to June 2011. Just prior to his appointment as an executive director and a Deputy Chairman of the Company, Mr Liu was also an executive director, chairman and responsible officer of Yuexiu REIT Asset Management Limited, being the manager of Yuexiu Real Estate Investment Trust which is a collective investment scheme listed on the Stock Exchange (Stock Code: 405). Mr Liu was also a director and deputy general manager of Guangzhou City Construction & Development Co. Ltd., where he was responsible for strategic planning in property development, property management, promotional campaigns, asset acquisition and asset enhancement. Mr Liu has more than 20 years of experience in property investment, project planning and management. Prior to joining the property department of Guangzhou City Construction & Development Co. Ltd., Mr Liu was an assistant to the director of, and a research fellow in economic studies in, the Economic Research Centre in Guangzhou. Mr Liu graduated from the University of Hubei (formerly known as Wuhan Teachers' College) in China with a major in science and obtained an Executive Master degree of Business Administration from Honolulu University.

Mr He Baiqing, aged 52, was appointed an executive director of the Company on 19 March 2014 and a Deputy Chairman on 31 July 2014. He has been General Manager of the Company since January 2013. Before being appointed as General Manager of the Company, Mr He was appointed deputy general manager in 2009 and senior deputy general manager in 2011. Mr He graduated from Changsha Transport Institute in China with a Bachelor's Degree majoring in Highway and City Roads. Mr He had held position of the head of Guangzhou Highway Prospecting and Design Institute. He is a senior engineer of Highway and Bridge, and a chartered civil engineer in China. Mr He was in charge of the thirty-year plan of Guangzhou highway network between 1997 and 1998. He has participated in surveying and designing of Guangzhou Northern Second Ring Expressway, Guangzhou Western Second Ring Expressway and has extensive experience in the industry. He previously served as a director of the Company from April 2005 to April 2007.

Mr Qian Shangning, aged 54, was appointed an executive director of the Company on 12 April 2007. Mr Qian graduated from Chongqing Transport Institute in Highway and Urban Transportation, and later from Sun Yat-Sen University in Guangzhou in Legal Studies. Mr Qian also holds an Executive Master of Business Administration degree awarded by South China University of Technology. Between 1998 to 2001, Mr Qian had been a senior management member of GNSR Expressway Co. Mr Qian has more than 30 years of experience in highway construction and is a senior engineer in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Fung Ka Pun, aged 71, 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 69, 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 China Jinmao Holdings Group Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property, Joy City Property Limited (Stock Code: 207), Brightoil Petroleum (Holdings) Limited (Stock Code: 933), and The People's Insurance Company (Group) of China Limited (Stock Code: 1339). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, OCBC Wing Hang Bank Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Investment Limited, Helicoin Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Mr Cheung Doi Shu, aged 55, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his bachelor's and master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors.

CORPORATE GOVERNANCE REPORT

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

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

The Company has complied throughout the year ended 31 December 2016 with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term under Code Provision A.4.1 and the attendance at general meetings by the independent non-executive directors of the Company under Code Provision A.6.7, details of which will be explained below.

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

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

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

THE BOARD

Responsibilities

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

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

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

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. As at 31 December 2016, the Board comprised four executive directors and three independent non-executive directors.

For a list of directors during the year ended 31 December 2016 and up to the date of this annual report, please refer to page 76 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

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

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

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

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

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

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

Code Provision A.6.7 stipulates that independent non-executive directors should attend general meetings of the Company. Mr Fung Ka Pun, the independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 19 May 2016 because he had other urgent business engagement.

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

Training for Directors

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

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

During the year, the Company had arranged tailor-made training programmes conducted by reputable legal counsel for the Directors with an emphasis on national regulatory development trend under new normal phase, enhancing enterprises innovative development, resources optimisation and allocation etc. According to the records maintained by the Company, the Directors received trainings in the following areas:

	Corporate Governance/ Updates on Laws, Rules & Regulations	
Directors	Read Materials	Attended Seminars/ Briefings
Executive Directors		
Zhu Chunxiu	√	√
Liu Yongjie (appointed on 1 April 2016)	√	√
He Baiqing	√	√
Qian Shangning	√	√
Independent Non-Executive Directors		
Fung Ka Pun	√	√
Lau Hon Chuen Ambrose	√	√
Cheung Doi Shu	√	√

Board Meetings

Number of Meetings and Directors' Attendance

In year 2016, the Board held 15 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below:

Directors	Attendance/ Number of Board meetings	Written Resolutions	Annual General Meeting
Executive Directors			
Zhu Chunxiu	4/4	11/11	√
Liu Yongjie (appointed on 1 April 2016)	3/3	8/8	√
Liang Youpan (resigned on 1 April 2016)	0/1	3/3	N/A
He Baiqing	4/4	11/11	√
Qian Shangning	4/4	11/11	√
Independent Non-Executive directors			
Fung Ka Pun	2/4	11/11	×
Lau Hon Chuen Ambrose	4/4	11/11	√
Cheung Doi Shu	4/4	11/11	√

Practices and Conduct of Meetings

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

The main duties of the Audit Committee include the following:

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

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

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

The Audit Committee held two meetings during the year ended 31 December 2016 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditor. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

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

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

Remuneration Committee

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Remuneration Committee met once during the year ended 31 December 2016 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. In 2016, one written resolution was passed.

Nomination Committee

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

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

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

Members	Meetings Attended
Executive Directors	
Zhu Chunxiu	1/1
Liu Yongjie (appointed on 1 April 2016)	N/A
Liang Youpan (resigned on 1 April 2016)	0/1
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 2016 to review the structure, size and composition of the Board. In 2016, one written resolution was passed.

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 2016.

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

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is the Group General Counsel of Yue Xiu, and also the company secretary of Yue Xiu, Yuexiu Property and Yue Xiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2016, 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 2016.

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 2016, the remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit related services amounted to approximately RMB2,658,000 and non-audit services fees amounted to RMB209,000 have been incurred.

RISK MANAGEMENT AND INTERNAL CONTROLS

Role of the Board

The Board has overall responsibility for evaluating and determining the nature and extent of the risks taken by the Group to achieve its strategic business objectives. The Board, through its Audit Committee, regularly reviews the effectiveness of the risk management and internal control systems and monitors the corporate governance practices and compliance procedures on an ongoing basis. To assist the Audit Committee to fulfill its responsibilities, the management has formed a task force, comprising representatives from major departments of the Company, to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board quarterly. The possible risk exposure of the Group is set out on pages 33 to 35 of this Annual Report.

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

Risk management structural framework

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

Audit Committee of the Board

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

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

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

Management

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

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

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

Audit and risk management department

– Prepare and amend the risk appetite measures

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

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

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

Internal control system

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

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

Internal audit

The Group's audit and risk management department plays an important role in reviewing and monitoring the overall internal compliance and governance system of the Group. The department directly reports to the Audit Committee and performs specific internal audit projects. The department has unrestricted access to review all the Group's business activities, departments and subsidiaries and identify the areas of concern. During the Year, the department has completed 22 internal audit projects covering performance, human resources and internal control areas.

Handling and dissemination of inside information

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

The Company's Bye-Laws are available on the websites of the Company and the Stock Exchange. During 2016, 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 2016.

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 89.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2016:

	RMB'000
Interim dividend of HK$0.13 equivalent to approximately RMB0.11 per share paid on 18 November 2016	186,241
Proposed final dividend of HK$0.20 equivalent to approximately RMB0.18 per share	296,394
	482,635

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 May 2017 to Thursday, 18 May 2017, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on Thursday, 18 May 2017, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 12 May 2017.

In addition, the register of members of the Company will be closed from Wednesday, 24 May 2017 to Friday, 26 May 2017, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Tuesday, 23 May 2017.

REPORT OF THE DIRECTORS

DONATIONS

During the year, charitable donations made by the Group amounted to approximately RMB1,922,300.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the section headed "Management Discussion And Analysis" on pages 24 to 58 of this Annual Report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 29 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 2016 are set out in note 45 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the distributable reserves of the Company available for distribution amounted to RMB2,825,498,000 (2015: RMB2,796,905,000).

DIRECTORS

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

Executive directors
Mr Zhu Chunxiu
Mr Liu Yongjie (appointed on 1 April 2016)
Mr Liang Youpan (resigned on 1 April 2016)
Mr He Baiqing
Mr Qian Shangning

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

The Directors' Profiles are set out on pages 62 to 63.

ROTATION AND RE-ELECTION OF DIRECTORS

Mr Qian Shangning, Mr Fung Ka Pun and Mr Lau Hon Chuen, Ambrose retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONTINUING CONNECTED TRANSACTIONS

Framework Lease Agreement

On 6 January 2015, the Company announced that various wholly-owned subsidiaries of the Company have entered into the framework lease agreement with Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("YX IFC"), which is a connected person of the Company by virtue of its being an indirect associate of Guangzhou Yue Xiu Holdings Limited, ultimate holding company of the Company, in respect of the lease of certain lettable premises of The Guangzhou International Finance Center, Guangzhou, PRC. The rent payable under the framework lease agreement are subject to the annual caps of RMB13,200,000, RMB15,000,000 and RMB15,100,000 for the years ending 31 December 2015, 2016 and 2017 respectively. During the year, approximately RMB10,492,000 has been paid by the Group to YX IFC pursuant to the specified lease agreements. This transaction had also been disclosed as a related party transaction in note 42(b)(iii) to the consolidated financial statements.

REPORT OF THE DIRECTORS

Bank Deposits Agreement

In the ordinary and usual course of business, the Company and its subsidiaries place and maintain bank deposits with Chong Hing Bank Limited ("Chong Hing Bank") on normal commercial terms. On 29 October 2014, the Company entered into a bank deposits agreement with Chong Hing Bank setting out that the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HK$200 million on any given day for the period ended 31 December 2014 and the two years ended 31 December 2015 and 31 December 2016, respectively. Chong Hing Bank is a subsidiary of Yue Xiu Enterprises (Holdings) Limited, which is a controlling shareholder of the Company, and therefore is a connected person of the Company. As at 31 December 2016, the aggregate bank balances deposited by the Group with Chong Hing Bank amounted to approximately RMB165,535,000. This transaction had also been disclosed as a related party transaction in note 42(c)(i) to the consolidated financial statements.

On 28 December 2016, the Company entered into another bank deposits agreement with Chong Hing Bank to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB260 million on any given day during the period from 1 January 2017 to 31 December 2019. An announcement in respect of the above continuing connected transaction was published on 28 December 2016 in accordance with the Listing Rules.

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

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

CONNECTED TRANSACTIONS

On 25 December 2016, a wholly-owned subsidiary of the Company ("Subscriber") entered into a subscription agreement with Guangzhou Yuexiu Financial Holdings Group Co., Ltd. ("Yuexiu Financial"), pursuant to which Yuexiu Financial conditionally agreed to issue and the Subscriber conditionally agreed to subscribe new A shares of Yuexiu Financial in a total consideration of RMB340 million. As at the aforesaid date, Guangzhou Yue Xiu Holdings Limited ("GZYX") held approximately 12.56% equity interest in Yuexiu Financial. GZYX was a controlling shareholder of the Company and was therefore regarded as a controller of the Company under Rule 14A.28(1). As such, the subscription by the Company as contemplated under the subscription agreement would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. An announcement in respect of the above connected transaction was published on 27 December 2016 in accordance with the Listing Rules.

Other related party transactions disclosed in note 42(b)(i), (ii), (iv), (v), (xi) and (xii) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as "exempted transaction" or "de minimis transaction", pursuant to the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2016 is set out in note 31 to the consolidated financial statements.

CORPORATE BONDS (PANDA BONDS) ISSUED

During the year, the Company has issued corporate bonds as follows:

1. On 22 March 2016, the Company completed the public issue of RMB1,000,000,000 corporate bonds to qualified investors in the PRC, comprising (i) five-year corporate bonds of RMB300,000,000 with coupon rate of 2.85%; and (ii) seven-year corporate bonds of RMB700,000,000 with coupon rate of 3.38%. The proceeds from this issue of the corporate bonds in the sum of not more than RMB500,000,000 were used for repayment of loans from financial institutions and the remaining proceeds were used for replenishment of working capital.

2. On 28 October 2016, the Company completed the public issue of another RMB1,000,000,000 corporate bonds to qualified investors in the PRC, comprising (i) five-year corporate bonds of RMB200,000,000 with coupon rate of 2.90%; and (ii) seven-year corporate bonds of RMB800,000,000 with coupon rate of 3.18%. The proceeds from this issue of the corporate bonds were mainly be used for repayment of loans from financial institutions and replenishment of working capital.

The net proceeds from the above corporate bonds amounted to RMB1,989.8 million.

REPORT OF THE DIRECTORS

INTERESTS OF DIRECTORS

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

The Company

Long positions in shares of the Company:

Name	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liu Yongjie	Personal	11,650	0.001
Mr He Baiqing	Personal	52,000	0.003
Mr Qian Shangning	Personal	250,000	0.015
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012

Yuexiu Property Company Limited

Long positions in shares of Yuexiu Property Company Limited:

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

Save as disclosed herein, as at 31 December 2016, 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 2016, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity in holding interest	Long/Short position/ Lending pool	Approximate % of shareholding in shares	Number of shares held
廣州越秀集團有限公司(Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interest of controlled corporations	Long position	60.65	1,014,796,050
	Interest of controlled corporations	Short position	16.45	275,269,886
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") (Notes 1 & 2)	Beneficial owner and interest of controlled corporations	Long position	60.65	1,014,796,050
	Interest of controlled corporations	Short position	16.45	275,269,886
Grace Lord Group Limited (Note 2)	Beneficial owner	Long position	34.57	578,428,937
First Dynamic Limited (Note 3)	Interest of controlled corporation	Long position	21.96	367,500,000
Housemaster Holdings Limited (Notes 2 & 3)	Beneficial owner	Long position	21.96	367,500,000
Matthews International Capital Management, LLC	Investment manager	Long position	7.95	133,044,000
JP Morgan Chase & Co.	Beneficial owner	Long position	1.46	24,369,864
	Beneficial owner	Short position	0.32	5,466,000
	Investment manager	Long position	6.60	110,444,281
	Custodian corporation/ approved lending agent	Long position	0.99	16,614,600

REPORT OF THE DIRECTORS

Notes:

(1) The entire issued shares of Yue Xiu is owned by 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited). By virtue of the SFO, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in the interest of Yue Xiu in the shares of the Company as described in note(2) below. 275,269,886 shares out of its interest in the shares of the Company were listed derivative interests (physically settled).

(2) Yue Xiu was interested in an aggregate of 1,014,796,050 shares of the Company (long position) of which 8,653 shares were held by it as beneficial owner. By virtue of the SFO, Yue Xiu is also deemed to be interested in the balance of 1,014,787,397 shares (long position) through its wholly-owned subsidiaries, namely, Housemaster Holdings Limited, Grace Lord Group Limited, Greenwood Pacific Limited, Yue Xiu Finance Company Limited and Dragon Year Industries Limited. 275,269,886 shares out of its interest in the shares of the Company were listed derivative interests (physically settled). Yue Xiu's interest in short position was held through its wholly-owned subsidiary, namely Asia View Limited.

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

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

AUDITOR

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

On behalf of the Board

Zhu Chunxiu
Chairman

Hong Kong, 13 February 2017

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Yuexiu Transport Infrastructure Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 179, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

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

Key Audit Matter

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

Refer to note 14 and 15 in the Group financial statements.

The Group has intangible operating rights of RMB18,486 million, goodwill of RMB633 million and deferred tax liabilities of RMB1,556 million relating to business acquisitions in obtaining those intangible operating rights in previous years.

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

This projected total traffic volume estimation takes into account the historical operating information, the expected development of the toll road and its adjacent traffic network and where applicable, independent professional traffic studies prepared by traffic consultants which require significant management judgement and estimates.

Management has assessed the recoverable amounts of the goodwill and intangible operating rights by preparing impairment assessments based on value in use or fair value less cost of disposal calculations. The calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units to which the goodwill and intangible operating rights belong and the use of a suitable discount rate in order to calculate the present value.

This require significant management judgement with respect to the use of discount rates and the underlying cash flows, in particular future revenue growth and capital expenditure.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's estimation of projected total traffic volume and impairment assessments included:

— Understanding the procedures taken by management in estimating the projected total traffic volume of the intangible operating rights and assessing the reasonableness of such estimation;

— Where traffic studies prepared by traffic consultants have been used and referenced by management, perform evaluation of the independent external traffic consultants' qualifications, competence, capabilities and objectivity;

— Evaluating the process by which the management's future cash flow forecasts and impairment assessments were prepared;

— Considering the results of sensitivity analysis on reasonably possible downside changes in key assumptions adopted including discount rate and the growth in revenue generated from future traffic;

— Assessing the methodologies used, the appropriateness of the key assumptions based on our knowledge of the industry and using our in-house valuation experts;

— Reconciling input data to supporting evidence, such as historical financial information, approved budgets and considering the reasonableness of these budgets; and

— Checking the mathematical accuracy of the value in use or fair value less cost of disposal calculations in the management's impairment assessments.

We found the assumptions made by management in relation to the value in use or fair value less cost of disposal calculations to be supportable based on available evidence. The significant inputs have been appropriately disclosed in note 15.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Sheung Yuen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 February 2017

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue		**2,497,848**	2,066,848
Other toll operating income		**21,155**	159,175
Income from operations	6	**2,519,003**	2,226,023
Cost of services	8,9	**(834,900)**	(775,247)
Construction income under service concession upgrade services	38	**43,627**	213,504
Construction costs under service concession upgrade services	38	**(43,627)**	(213,504)
Other income, gains and losses – net	7	**135,950**	(128,240)
General and administrative expenses	8,9	**(226,238)**	(202,091)
Operating profit		**1,593,815**	1,120,445
Finance income	10	**47,473**	27,783
Finance costs	10	**(459,800)**	(536,222)
Share of result of a joint venture	19	**40,566**	26,849
Share of results of associates	20	**298,510**	231,077
Profit before income tax		**1,520,564**	869,932
Income tax expense	11	**(354,087)**	(216,910)
Profit for the year		**1,166,477**	653,022
Attributable to:			
Shareholders of the Company		**918,817**	532,086
Non-controlling interests		**247,660**	120,936
		1,166,477	653,022
Earnings per share for profit attributable to the shareholders of the Company			
		RMB	RMB
Basic and diluted earnings per share	12	**0.5491**	0.3180

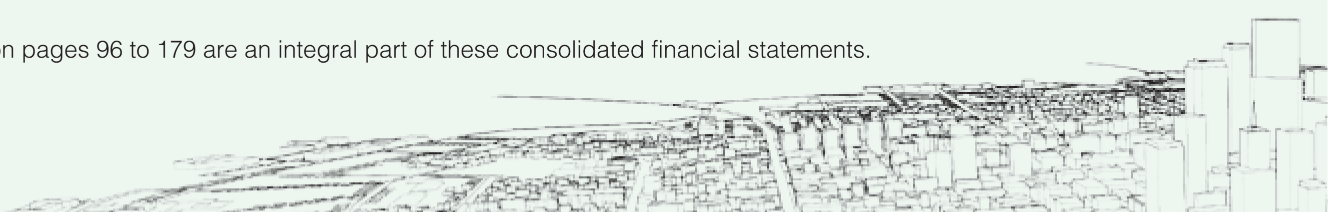
The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

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

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.



CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights	14	**18,485,580**	18,952,996
Goodwill	15	**632,619**	632,619
Property, plant and equipment	16	**86,255**	93,923
Investment properties	17	**35,271**	33,363
Investment in a joint venture	19	**428,570**	388,004
Investments in associates	20	**1,495,331**	1,457,435
Available-for-sale financial assets	21	**812**	812
Derivative financial instruments	22	**26,597**	—
Other non-current receivables	23	**82,003**	95,945
		21,273,038	21,655,097
Current assets			
Trade receivables	24	**71,611**	102,589
Other receivables, deposits and prepayments	24	**105,478**	118,042
Amount due from a non-controlling interest of a subsidiary	25	**72,507**	67,688
Short term bank deposits	26	**—**	10,000
Cash and cash equivalents	27	**1,045,922**	866,665
		1,295,518	1,164,984
Assets of disposal group classified as held for sale	28	**—**	599,192
		1,295,518	1,764,176
Total assets		**22,568,556**	23,419,273
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	29	**147,322**	147,322
Reserves	30	**8,934,636**	8,424,424
		9,081,958	8,571,746
Non-controlling interests		**2,222,344**	2,257,347
Total equity		**11,304,302**	10,829,093

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	31	**4,808,348**	7,216,847
Deferred income	32	**79,105**	82,960
Deferred income tax liabilities	33	**1,975,343**	1,932,015
Notes payable	34	**1,452,359**	1,403,973
Corporate bonds	35	**1,990,978**	—
		10,306,133	10,635,795
Current liabilities			
Borrowings	31	**235,193**	675,268
Amounts due to non-controlling interests of subsidiaries		**—**	175,729
Amounts due to holding companies	42	**837**	158
Amount due to a joint venture	42	**92,050**	57,050
Trade and other payables and accrued charges	36	**562,212**	572,031
Deferred income	32	**3,660**	3,660
Current income tax liabilities		**64,169**	52,740
		958,121	1,536,636
Liabilities of disposal group classified as held for sale	28	**—**	417,749
		958,121	1,954,385
Total liabilities		**11,264,254**	12,590,180
Total equity and liabilities		**22,568,556**	23,419,273

The financial statements on pages 89 to 179 were approved by the Board of Directors on 13 February 2017 and were signed on its behalf

Zhu Chunxiu
Director

He Baiqing
Director

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	37	**2,012,501**	1,720,397
China enterprise income tax and withholding tax paid		**(290,654)**	(280,565)
Net cash generated from operating activities		**1,721,847**	1,439,832
Cash flows from investing activities			
Payments of construction costs under service concession upgrade services		**(43,627)**	(220,758)
Government grant received in connection with the construction of expressway		**—**	67,686
Acquisition of subsidiaries in 2012 and 2015		**(179,200)**	(1,593,358)
Disposal of a subsidiary in 2016		**231,374**	—
Refund of deposit for acquisition of interest in a subsidiary in 2015		**—**	50,000
Proceeds from compensation arrangements		**20,320**	28,690
Proceeds from disposal of property, plant and equipment		**247**	—
Purchase of property, plant and equipment		**(11,157)**	(11,182)
Dividends received from associates	20	**251,938**	307,103
Dividend received from a joint venture		**—**	6,010
Withdrawal of short term bank deposits		**10,000**	17,396
Interest received		**9,903**	20,510
Net cash generated from/(used in) investing activities		**289,798**	(1,327,903)
Cash flows from financing activities			
Proceeds from bank borrowings		**4,082,200**	1,330,439
Repayment of bank borrowings		**(6,941,494)**	(1,808,890)
Payment of bank facility fees		**(10,779)**	(1,444)
Proceed from notes payable, net with transaction fee incurred		**—**	1,369,809
Proceed from corporate bonds, net with transaction fee incurred		**1,989,849**	—
Repayment of loans from non-controlling interests of subsidiaries		**(5,052)**	(3,119)
Repayment of other loan		**—**	(100,000)
Increase in amount due to a joint venture		**35,000**	4,550
Dividends paid to the shareholders of Company		**(410,306)**	(385,777)
Dividends paid to non-controlling interests		**(236,694)**	(306,473)
Acquisition of additional interest in a subsidiary	40	**—**	(112,195)
Interest paid		**(356,000)**	(341,781)
Net cash used in financing activities		**(1,853,276)**	(354,881)
Net increase/(decrease) in cash and cash equivalents		**158,369**	(242,952)
Cash and cash equivalents in the consolidated balance sheet at 1 January		**866,665**	1,123,517
Cash and cash equivalents of disposal group classified as held for sale at 1 January	28	**15,050**	—
Effect of exchange rate changes		**5,838**	1,150
Less: Cash and cash equivalents of disposal group classified as held for sale at 31 December	28	**—**	(15,050)
Cash and cash equivalents at 31 December	27	**1,045,922**	866,665
Analysis of cash and cash equivalents			
Bank balances and cash		**1,045,922**	866,665

The notes on pages 96 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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 2015	147,322	8,380,273	1,916,974	10,444,569
Comprehensive income				
Profit for the year	—	532,086	120,936	653,022
Other comprehensive income				
Currency translation differences	—	1,397	—	1,397
Release of currency translation differences upon disposal of subsidiaries	—	(72,583)	—	(72,583)
Total other comprehensive income	—	(71,186)	—	(71,186)
Total comprehensive income	—	460,900	120,936	581,836
Transactions with owners				
Acquisition of a subsidiary (note 41)	—	—	722,625	722,625
Disposal of subsidiaries	—	—	(130,747)	(130,747)
Changes in ownership interests in a subsidiary (note 40)	—	(30,972)	(81,223)	(112,195)
Dividends to the shareholders of the Company	—	(385,777)	—	(385,777)
Dividends to non-controlling interests	—	—	(291,218)	(291,218)
Total transactions with owners	—	(416,749)	219,437	(197,312)
Balance at 31 December 2015	147,322	8,424,424	2,257,347	10,829,093

The notes on pages 96 to 179 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"). During the year, the Group disposed to a third party of its entire equity interest in a subsidiary engaging 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 13 February 2017.

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 all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, derivative financial instruments and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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 standard, amendments to standards and improvements relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2016 for the Group.

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

The adoption of these new standard, amendments to standards and improvements do not have significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and the presentation of the consolidated financial statements.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

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.

(i) Business combinations

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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Business combinations (Continued)

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 consolidated income statement.

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

(ii) Changes in ownership interests in subsidiaries without change of control

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.

(iii) Disposal of subsidiaries

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.

(iv) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(v) Joint ventures

Under HKFRS 11 investment in a joint arrangement is classified as either joint operation or joint venture depending on the contractual rights and obligations of 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.

(vi) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(vi) Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated 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 consolidated 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 consolidated 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 Executive 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 consolidated income statement.

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

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

Amortisation of intangible operating rights is calculated to write off their costs on a 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 and represents 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 acquire over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value 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 consolidated income statement.

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 consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

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
Port structures	40 - 50 years
Buildings	25 - 50 years
Furniture, fixtures and equipment	3 - 20 years
Motor vehicles	3 - 10 years

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income, gains and losses – net" in the consolidated income statement.

(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 consolidated income statement as part of a valuation gain or loss in "Other income, gains and losses - net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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) Disposal groups held-for-sale

Disposal groups are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal groups, are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets and financial assets (other than investments in subsidiaries and associates), which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

(k) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, 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.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

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", "amounts due from associates", "amount due from a non-controlling interest of a subsidiary", "short term bank deposit" and "cash and cash equivalents" in the consolidated 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.

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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. 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 and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "Finance income/costs" in the period in which they arise.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Derivative financial instruments

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

(n) 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.

(o) 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.

(p) Share capital

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

(q) Trade and other payables

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

(r) 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 consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Borrowings (Continued)

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

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

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

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

(s) Notes payable

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

(t) Corporate bonds

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

(u) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Current and deferred income tax (Continued)

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.

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 when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Provisions

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

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

Provisions are measured at the present value of 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.

(w) 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 consolidated income statement on a straight-line basis over the period of the lease.

(x) Retirement benefit costs

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition

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

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

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

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

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

(vi) Revenue from cargo loading and unloading is recognised when the services are rendered.

(z) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and entered cross currency swap to mitigate the foreign exchange rate risk arising from notes payable as mentioned in 3.1(a)(i) during the year ended 31 December 2016.

(a) Market risk

(i) Foreign exchange risk

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

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

As at 31 December 2015	Denominated in Hong Kong dollars ("HKD") RMB'000	Denominated in United States dollar ("USD") RMB'000	Denominated in Euro ("EUR") RMB'000	Total RMB'000
Cash and cash equivalents	43,500	66	70,951	114,517
Bank borrowings	2,438,418	—	—	2,438,418
Other payable	12,097	—	—	12,097
Notes payable	—	—	1,403,973	1,403,973

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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

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

As at 31 December 2016, if HKD, USD and EUR had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB2,229,000 higher/lower (2015: RMB186,999,000 higher/lower), mainly as a result of net foreign exchange gain/loss on translation of foreign currency denominated balances.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank balances, interest bearing other receivable, borrowings and notes payable. 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, notes payable, corporate bonds and derivative financial instruments 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, notes payable, corporate bonds and derivative financial instruments at fixed rates. During 2016, the Group's borrowings at variable rate were mainly denominated in the RMB (2015: RMB and HKD).

At 31 December 2016, 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 RMB27,904,000 (2015: RMB31,610,000).

(iii) Price risk

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

The Group has no significant concentration of credit risk arising from its customers, except for the consideration receivable of RMB103.9 million (2015: RMB116.3 million) which is due from government authorities in the PRC in relation to compensation for surrendering the toll stations to the Xiangtan Municipal People's Government (note 23), and other receivable of RMB72.5 million (2015: RMB67.7 million) due from non-controlling interest of Hubei Suiyuenan Expressway Company Limited, which is of minimal risk taken into account the relationship and financial performance of the non-controlling interest.

(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).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2016						
Derivative financial instruments (net settled)	—	26,806	14,092	—	—	40,898
Borrowings	—	469,837	772,387	1,976,712	2,951,060	6,169,996
Notes payable	—	23,747	1,485,107	—	—	1,508,854
Corporate bonds	—	63,450	63,450	2,161,650	—	2,288,550
Amounts due to holding companies	837	—	—	—	—	837
Amount due to a joint venture	92,050	—	—	—	—	92,050
Trade and other payables and accrued charges	—	413,847	—	—	—	413,847
	92,887	997,687	2,335,036	4,138,362	2,951,060	10,515,032
As at 31 December 2015						
Borrowings	—	1,052,058	2,174,024	2,907,553	3,645,241	9,778,876
Notes payable	—	23,059	23,059	1,442,099	—	1,488,217
Amounts due to non-controlling interests of subsidiaries	—	175,729	—	—	—	175,729
Amounts due to holding companies	158	—	—	—	—	158
Amount due to a joint venture	57,050	—	—	—	—	57,050
Trade and other payables and accrued charges	—	413,919	—	—	—	413,919
	57,208	1,664,765	2,197,083	4,349,652	3,645,241	11,913,949

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 the total of notes payable, corporate bonds, borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), amount due to a joint venture less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratio is calculated as follows:

	2016 RMB'000	2015 RMB'000
Borrowings	**5,043,541**	7,892,115
Notes payable	**1,452,359**	1,403,973
Corporate bonds	**1,990,978**	—
Amount due to a joint venture	**92,050**	57,050
Total debt	**8,578,928**	9,353,138
Less: cash and cash equivalents	**(1,045,922)**	(866,665)
Net debt	**7,533,006**	8,486,473
Total equity	**11,304,302**	10,829,093
Total capital	**18,837,308**	19,315,566
Gearing ratio	**40.0%**	43.9%

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

The decrease in the gearing ratio during 2016 primarily resulted from repayment of bank borrowings and increase in cash and cash equivalent due to increase in cash generated from operating and investing activities.

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 2016				
Derivative financial instruments	—	26,597	—	26,597
Available-for-sale financial assets	—	—	812	812
As at 31 December 2015				
Derivative financial instruments	—	—	—	—
Available-for-sale financial assets	—	—	812	812

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

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

There were no changes in level 3 instruments for the year ended 31 December 2016 (2015: Same).

3 FINANCIAL RISK MANAGEMENT (Continued)

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

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

	Carrying amount		Fair value	
	31 December 2016 RMB'000	31 December 2015 RMB'000	**31 December 2016 RMB'000**	31 December 2015 RMB'000
Other non-current receivables	**82,003**	95,945	**89,276**	105,285
Non-current borrowings	**4,808,348**	7,216,847	**4,637,608**	7,086,459
Notes payable	**1,452,359**	1,403,973	**1,446,162**	1,364,549
Corporate bonds	**1,990,978**	—	**1,943,215**	—

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

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

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 0% to 21% (exclude the growth rates in the year of performing significant repair and maintenance).

(b) Current income tax and deferred income tax

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Impairment of goodwill and intangible operating rights

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

For the current financial year, the Group performed an impairment assessment on the intangible operating rights of Hubei Suiyuenan. The recoverable amount was determined by measuring the fair value less costs of disposal. It was derived from a discounted cash flow model with key assumptions including the revenue growth rates and the discount rates and was categorised as a level 3 measurement. Based on the impairment assessment, the recoverable amount of Hubei Suiyuenan approximated to its carrying value and no impairment is therefore required. The estimated revenue growth rates over the remaining operating period of Hubei Suiyuenan ranges from 0.3% to 17.7% and the discount rate adopted was 8.5%. With all other variables held constant, if the revenue growth rate is decreased by 3%, the profit before taxation would have been decreased by RMB31,849,000. Similarly, with all other variables held constant, if the discount rate is higher than the management estimates by 0.5%, the profit before taxation would have been decreased by RMB138,666,000.

(d) Fair value of investment properties

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

(e) Fair value of derivative financial instruments

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

5 SEGMENT INFORMATION

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

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

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

5 SEGMENT INFORMATION (Continued)

Business segment	Toll roads operations RMB'000	Port and all other segments RMB'000	Total RMB'000
31 December 2015			
Revenue (from external customers)	2,056,079	10,769	2,066,848
Other toll operation income	159,175	—	159,175
Income from operations	2,215,254	10,769	2,226,023
Amortisation of intangible operating rights	(419,119)	—	(419,119)
Depreciation of property, plant and equipment	(20,288)	(17,970)	(38,258)
Exchange gain from release of currency translation differences upon disposal	72,583	—	72,583
Gain on disposal of subsidiaries	30,087	—	30,087
Provision for impairment losses			
– Intangible operating rights	(266,435)	—	(266,435)
Operating profit/(loss)	1,143,027	(22,582)	1,120,445
Finance income	27,773	10	27,783
Finance costs	(512,829)	(23,393)	(536,222)
Share of result of a joint venture	26,849	—	26,849
Share of results of associates	231,077	—	231,077
Profit/(loss) before income tax	915,897	(45,965)	869,932
Income tax expense	(216,910)	—	(216,910)
Profit/(loss) for the year	698,987	(45,965)	653,022

5 SEGMENT INFORMATION (Continued)

Business segment	Toll roads operations RMB'000	Port and all other segments RMB'000	Total RMB'000
Assets and liabilities			
As at 31 December 2016			
Total segment assets	**22,540,943**	**27,613**	**22,568,556**
Addition to non-current assets	**48,873**	**624**	**49,497**
Total segment assets include:			
Investment in a joint venture	**428,570**	**—**	**428,570**
Investments in associates	**1,495,331**	**—**	**1,495,331**
Total segment liabilities	**(11,228,916)**	**(35,338)**	**(11,264,254)**
Total segment liabilities include:			
Amount due to a joint venture	**(92,050)**	**—**	**(92,050)**
As at 31 December 2015			
Total segment assets	22,794,528	624,745	23,419,273
Addition to non-current assets	6,680,112	690	6,680,802
Total segment assets include:			
Investment in a joint venture	388,004	—	388,004
Investments in associates	1,457,435	—	1,457,435
Assets of disposal group classified as held for sale	—	599,192	599,192
Total segment liabilities	(12,062,043)	(528,137)	(12,590,180)
Total segment liabilities include:			
Amount due to a joint venture	(57,050)	—	(57,050)
Liabilities of disposal group classified as held for sale	—	(417,749)	(417,749)

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

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

6 INCOME FROM OPERATIONS

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

Note:

Other toll operating income primarily represents the income for the decline of toll traffic volumes of Xian to Lintong Expressway in Shaanxi Province ("Xian Expressway") due to the traffic control measures implemented in connection with the renovation and expansion project of Xian Expressway and the income was received from the parties involved in such project.

7 OTHER INCOME, GAINS AND LOSSES – NET

	2016 RMB'000	2015 RMB'000
Fair value gain on investment properties (note 17)	**605**	1,074
Exchange gain/(loss) — net		
— Release of currency translation differences upon disposal of subsidiaries	**—**	72,583
— Unrealised and realised exchange loss	**(2,142)**	(15,156)
Loss on disposal of property, plant and equipment	**(304)**	(3,457)
Gain on disposal of subsidiaries	**112,076**	30,087
Compensation for expressways and bridges damages	**4,901**	11,976
Compensation from a contractor relating to termination of construction contracts	**—**	3,250
Handling income from toll fee collection	**5,162**	5,885
Management service income	**3,225**	3,803
Income from service area and gas station	**13,368**	13,278
Provision for impairment losses		
— Intangible operating rights (note 14)	**—**	(266,435)
Others	**(941)**	14,872
	135,950	(128,240)

8 EXPENSES BY NATURE

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

	2016 RMB'000	2015 RMB'000
Business taxes (note a)	**34,060**	75,221
Amortisation of intangible operating rights (note 14)	**505,763**	419,119
Depreciation of property, plant and equipment (note 16)	**17,860**	38,258
Toll highways and bridges maintenance expenses	**110,877**	82,525
Toll highways and bridges operating expenses	**69,762**	56,803
Auditor's remuneration		
– Audit services	**2,658**	2,662
– Non-audit services	**209**	300
Rental expenses	**13,844**	11,939
Legal and professional fee	**5,732**	8,651

Note:

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

9 EMPLOYEE BENEFIT EXPENSE

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

9 EMPLOYEE BENEFIT EXPENSE (Continued)

Note:

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

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's MPF Scheme contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HKD1,500 (equivalent to RMB1,299) per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HKD7,100 per month (equivalent to RMB6,150). The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

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

(b) Pensions – defined contribution plans

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2015: four) directors whose emoluments are reflected in the analysis presented in note 44. The emoluments payable to the remaining two (2015: one) individuals during the year amounted to RMB2,388,000 (2015: RMB1,484,000), which include salaries of RMB1,159,000 (2015: RMB842,000) and discretionary bonuses of RMB1,229,000 (2015: RMB642,000).

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in HK dollar)		
HK$1,000,001 - HK$1,500,000	**2**	—
HK$1,500,001 - HK$2,000,000	**1**	3
HK$2,000,001 - HK$2,500,000	**—**	—
HK$2,500,001 - HK$3,000,000	**2**	2
HK$3,000,001 - HK$3,500,000	**—**	—
HK$3,500,001 - HK$4,000,000	**—**	—

10 FINANCE INCOME/COSTS

	2016 RMB'000	2015 RMB'000
Bank interest income	9,903	20,510
Interest income on other non-current receivables	6,589	7,273
Interest income on amount due from a non-controlling interest of a subsidiary	4,384	—
Fair value gain on derivative financial instruments	26,597	—
Finance income	47,473	27,783
Interest expenses:		
– Bank borrowings	(322,682)	(320,691)
– Bank facility fees	(14,605)	(9,647)
– Loans from non-controlling interests of certain subsidiaries	(156)	(1,358)
– Loan from an ultimate holding company	(7,824)	—
– Other loans	(468)	(960)
– Notes payable (note 34)	(30,337)	(18,709)
– Corporate bonds (note 35)	(31,903)	—
Exchange loss on bank borrowings	(9,971)	(154,673)
Exchange loss on notes payable	(41,854)	(30,184)
Finance costs incurred	(459,800)	(536,222)

11 INCOME TAX EXPENSE

(a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no income assessable to Hong Kong profits tax during the year (2015: Nil).

(b) During the year ended 31 December 2016, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and a joint venture in the PRC in accordance with the Corporate Income Tax Law of China.

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

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2015: 5% or 10%).

As at 31 December 2016, deferred tax liabilities of RMB23,580,000 (2015: RMB13,593,000) was not recognised in respect of withholding tax on the unremitted earnings of a subsidiary in the PRC, as these earnings are expected to be reinvested in the PRC.

11 INCOME TAX EXPENSE (Continued)

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

	2016 RMB'000	2015 RMB'000
Current income tax		
PRC enterprise income tax		
– current year	309,533	288,802
– Under-provision in prior year	1,226	2,669
Deferred income tax (note 33)	43,328	(74,561)
	354,087	216,910

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

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

Note:

(a) Certain subsidiaries of the Group enjoy six years' preferential tax treatment of income tax, at a preferential income tax rate of 15%.

(b) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB154,253,000 (2015: RMB255,826,000) in respect of unused losses amounting to approximately RMB617,012,000 (2015: RMB1,023,305,000). Unused tax losses will expire in 2017 to 2021.

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.

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

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

13 DIVIDENDS

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

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

14 INTANGIBLE OPERATING RIGHTS

	RMB'000
Year ended 31 December 2016	
Opening net book amount	**18,952,996**
Additions	**38,347**
Amortisation	**(505,763)**
Closing net book amount	**18,485,580**
At 31 December 2016	
Cost	**21,512,668**
Accumulated amortisation and impairment loss	**(3,027,088)**
Net book amount	**18,485,580**
Year ended 31 December 2015	
Opening net book amount	12,991,487
Additions	199,870
Acquisition of subsidiaries (note 41)	6,447,193
Amortisation	(419,119)
Impairment loss (note 7)	(266,435)
Closing net book amount	18,952,996
At 31 December 2015	
Cost	21,474,321
Accumulated amortisation and impairment loss	(2,521,325)
Net book amount	18,952,996

At 31 December 2016, toll highway operating rights with net book amount of RMB11,995,738,000 (2015: RMB16,504,486,000) were pledged to secure the Group's bank borrowings.

15 GOODWILL

	2016 RMB'000	2015 RMB'000
At 1 January	632,619	368,806
Acquisition of a subsidiary (note 41)	—	263,813
At 31 December	632,619	632,619

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

The recoverable amounts of the above cash-generating units are determined based on value-in-use or fair value less costs of disposal calculations. These calculations use cash flow projections based on financial budgets approved by management covering the operating period of the expressways and the growth rates ranged from 0% to 21% (exclude the growth rates in the year of performing significant repair and maintenance), which is similar to industry practice.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RMB'000	Buildings RMB'000	Port structures RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2016						
Opening net book amount	454	22,365	—	61,562	9,542	93,923
Exchange differences	30	350	—	18	—	398
Additions	—	616	—	9,461	1,073	11,150
Disposals	—	—	—	(1,165)	(191)	(1,356)
Depreciation	(16)	(663)	—	(14,295)	(2,886)	(17,860)
Closing net book amount	468	22,668	—	55,581	7,538	86,255
At 31 December 2016						
Cost	510	40,143	—	156,462	18,863	215,978
Accumulated depreciation	(42)	(17,475)	—	(100,881)	(11,325)	(129,723)
Net book amount	468	22,668	—	55,581	7,538	86,255
Year ended 31 December 2015						
Opening net book amount	441	68,911	473,773	140,176	12,029	695,330
Exchange differences	27	317	—	19	—	363
Additions	—	543	—	10,440	199	11,182
Disposals	—	—	(512)	(2,664)	(281)	(3,457)
Acquisition of a subsidiary (note 41)	—	7,576	—	5,954	2,593	16,123
Transferred to disposal group classified as held for sale (note 28)	—	(45,823)	(461,339)	(70,878)	(1,744)	(579,784)
Transfer to investment properties due to change of use (note 17)	—	(7,576)	—	—	—	(7,576)
Depreciation	(14)	(1,583)	(11,922)	(21,485)	(3,254)	(38,258)
Closing net book amount	454	22,365	—	61,562	9,542	93,923
At 31 December 2015						
Cost	480	38,399	—	149,200	21,045	209,124
Accumulated depreciation	(26)	(16,034)	—	(87,638)	(11,503)	(115,201)
Net book amount	454	22,365	—	61,562	9,542	93,923

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

At 31 December 2016, no (2015: RMB289,464,000) property, plant and equipment (2015: property, plant equipment of disposal group classified as held for sale) were pledged to secure the Group's bank borrowings.

17 INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
At 1 January	**33,363**	17,197
Exchange differences	**1,303**	1,082
Acquisition of a subsidiary (note 41)	—	6,434
Transfer from property, plant and equipment, at net book value (note 16)	—	7,576
Fair value gain	**605**	1,074
At 31 December	**35,271**	33,363

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

Independent valuations of the group's investment properties were performed by the valuers, C S Surveyors Limited and Greater China Appraisal Limited, to determine the fair value of the investment properties as at 31 December 2016 and 2015. The fair value of each investment property is individually determined at the end of each reporting period by the independent valuers. The revaluation gains or losses is included in 'Other income, gains and losses – net' in consolidated income statement (note 7). The following table analyses the investment properties carried at fair value, by valuation method.

17 INVESTMENT PROPERTIES (Continued)

Description	Fair value measurements at 31 December 2016 using significant unobservable inputs (Level 3)	
	2016 RMB'000	2015 RMB'000
Recurring fair value measurements		
Investment properties:		
– Office units - PRC	**14,250**	14,010
– Office units - Hong Kong	**15,206**	14,242
– Residential units - Hong Kong	**5,815**	5,111
	35,271	33,363

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

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

Fair value measurements using significant unobservable inputs (Level 3)

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

17 INVESTMENT PROPERTIES (Continued)

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

	31 December 2015		
	Office units – PRC RMB'000	Office units – Hong Kong RMB'000	Residential units – Hong Kong RMB'000
Opening balance	—	12,622	4,575
Acquisition of a subsidiary	6,434	—	—
Transfer from property, plant and equipment and land use right, at net book value	7,576	—	—
Net gains from fair value adjustment	—	826	248
Exchange difference	—	794	288
Closing balance	14,010	14,242	5,111
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other income, gains and losses – net"	—	826	248
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	—	826	248

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 and 2015 by independent professionally qualified valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

Valuation techniques

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

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

17 INVESTMENT PROPERTIES (Continued)

Valuation techniques (Continued)

There were no changes in valuation techniques during the year and all investment properties are included in level 3 fair value hierarchy as at 31 December 2016.

Description	Fair value at 31 December 2016 (RMB'000)	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office units – PRC	14,250	Income capitalisation approach	Adjustment on term yield	6.0% – 6.5%	The higher the term yield, the lower the fair value
Office units – Hong Kong	15,206	Sale comparison approach	Adjusted average price per square foot	RMB9,919 per square foot	The higher the adjusted average price per square foot, the higher the fair value
Residential units – Hong Kong	5,815	Sale comparison approach	Adjusted average price per square foot	RMB5,394 per square foot	The higher the adjusted average price per square foot, the higher the fair value

18 SUBSIDIARIES

(a) Subsidiaries

Details of the principal subsidiaries of the Company are set out in note 45.

(b) Material non-controlling interests

As at 31 December 2016, the total non-controlling interests were RMB2,222,344,000 (2015: RMB2,257,347,000).

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

Summarised balance sheet

	Percentage of equity interests held by non-controlling interests		Non-controlling interests	
Name of subsidiary with material non-controlling interests	**31 December 2016**	31 December 2015	**31 December 2016 RMB'000**	31 December 2015 RMB'000
Guangzhou Northern Second Ring Expressway Company Limited	**40%**	40%	**1,228,473**	1,229,548
Hubei Suiyuenan Expressway Company Limited	**30%**	30%	**753,852**	732,471
Tianjin Jinfu Expressway Company Limited	**40%**	40%	**236,680**	238,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES (Continued)

(b) Material non-controlling interests (Continued)

Summarised balance sheet (Continued)

	Guangzhou Northern Second Ring Expressway Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Current						
Assets	248,977	320,311	275,080	334,000	20,992	27,141
Liabilities	(230,706)	(248,495)	(890,913)	(438,025)	(8,306)	(9,108)
Total net current assets/(liabilities)	18,271	71,816	(615,833)	(104,025)	12,686	18,033
Non-current						
Assets	3,647,620	3,807,898	6,349,193	6,440,827	642,038	659,998
Liabilities	(596,815)	(807,950)	(3,220,521)	(3,895,234)	(188,649)	(217,259)
Total net non-current assets	3,050,805	2,999,948	3,128,672	2,545,593	453,389	442,739
Net assets	3,069,076	3,071,764	2,512,839	2,441,568	466,075	460,772

18 SUBSIDIARIES (Continued)

(b) Material non-controlling interests (Continued)

Summarised income statement

	Guangzhou Northern Second Ring Expressway Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Revenue	**1,041,032**	949,780	**421,212**	205,412	**98,605**	94,003
Profit/(loss) before income tax	**747,687**	663,442	**103,032**	43,308	**33,788**	(241,752)
Income tax (expense)/credit	**(188,212)**	(161,209)	**(31,762)**	(10,490)	**(8,768)**	60,317
Profit/(loss) and total comprehensive income	**559,475**	502,233	**71,270**	32,818	**25,020**	(181,435)
Total comprehensive income attributable to non-controlling interests	**223,790**	200,893	**21,381**	9,845	**10,008**	(68,896)
Dividends declared to non-controlling interests	**224,865**	274,493	**—**	—	**11,829**	16,725

18 SUBSIDIARIES (Continued)

(b) Material non-controlling interests (Continued)

Summarised cash flows

	Guangzhou Northern Second Ring Expressway Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Cash flows from operating activities						
Cash generated from operations	753,486	812,155	363,859	478,975	64,623	57,470
Income tax paid	(187,713)	(169,918)	—	—	(8,107)	(3,464)
Net cash generated from operating activities	565,773	642,237	363,859	478,975	56,516	54,006
Net cash (used in)/generated from investing activities	(16,322)	5,362	(12,560)	(308)	(1,067)	(5,799)
Net cash used in financing activities	(604,625)	(689,852)	(270,689)	(473,036)	(50,116)	(58,423)
Net (decrease)/increase in cash and cash equivalents	(55,174)	(42,253)	80,610	5,631	5,333	(10,216)
Cash and cash equivalents at 1 January/21 July	296,614	338,867	34,980	29,349	11,874	22,090
Cash and cash equivalents at 31 December	241,440	296,614	115,590	34,980	17,207	11,874

The information above is stated before inter-company eliminations.

19 INVESTMENT IN A JOINT VENTURE

	Guangzhou Western Second Ring Expressway Co., Ltd. Share of net assets	
	2016	2015
	RMB'000	RMB'000
At 1 January	**388,004**	367,165
Share of results for the year		
– profit before income tax	**55,150**	37,791
– income tax expense	**(14,584)**	(10,942)
	40,566	26,849
Dividends	**—**	(6,010)
At 31 December	**428,570**	388,004

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

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

	Guangzhou Western Second Ring Expressway Co., Ltd.	
	2016	2015
	RMB'000	RMB'000
Revenue	**393,006**	361,450
Depreciation and amortisation	**(105,674)**	(98,881)
Interest income	**519**	155
Interest expense	**(55,662)**	(74,969)
Other expense – net	**(74,619)**	(79,781)
Profit before income tax	**157,570**	107,974
Income tax expense	**(41,668)**	(31,262)
Profit and total comprehensive income	**115,902**	76,712

19 INVESTMENT IN A JOINT VENTURE (Continued)

	Guangzhou Western Second Ring Expressway Co., Ltd.	
	2016	2015
	RMB'000	RMB'000
Current		
Cash and cash equivalents	**71,435**	67,786
Other current assets	**353,016**	204,098
Total current assets	**424,451**	271,884
Financial liabilities	**(80,000)**	(80,000)
Trade payables and other current liabilities	**(191,488)**	(135,979)
Total current liabilities	**(271,488)**	(215,979)
Non-current		
Assets	**2,140,890**	2,244,467
Financial liabilities	**(1,062,000)**	(1,182,000)
Other liabilities	**(7,367)**	(9,788)
Total non-current liabilities	**(1,069,367)**	(1,191,788)
Net assets	**1,224,486**	1,108,584

Comparative figures of depreciation and amortisation have been reclassified and there is no impact on net profit, net assets or net cash flows as a result of the reclassification.

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

19 INVESTMENT IN A JOINT VENTURE (Continued)

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

	Guangzhou Western Second Ring Expressway Co., Ltd	
	2016 RMB'000	2015 RMB'000
Opening net assets at 1 January	1,108,584	1,049,044
Profit for the year	115,902	76,712
Dividends paid	—	(17,172)
Closing net assets at 31 December	1,224,486	1,108,584
Group's share of net assets	428,570	388,004
Carrying amount of investment in the joint venture	428,570	388,004

Details of the Group's joint venture are set out in note 45.

20 INVESTMENTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
At 1 January	1,457,435	1,488,759
Share of results for the year		
– profit before income tax	398,818	332,671
– income tax expense	(100,308)	(95,892)
– Provision for impairment losses	—	(5,702)
	298,510	231,077
Dividends	(260,614)	(262,401)
At 31 December	1,495,331	1,457,435

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

20 INVESTMENT 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.	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Revenue	**1,489,645**	1,401,234	**671,568**	637,172	**741,926**	690,396	**292,921**	248,974
Profit/(loss) and total comprehensive income	**917,143**	853,636	**641**	(116,603)	**328,953**	304,426	**164,157**	128,000
Dividends received from the associates	**(173,860)**	(158,280)	**—**	—	**(86,754)**	(101,712)	**—**	(47,111)
Assets:								
Non-current assets	**1,558,590**	1,698,717	**7,383,202**	7,646,068	**768,618**	890,994	**383,823**	401,286
Current assets	**190,886**	404,467	**95,570**	133,389	**186,352**	116,165	**213,861**	32,171
	1,749,476	2,103,184	**7,478,772**	7,779,457	**954,970**	1,007,159	**597,684**	433,457
Liabilities:								
Non-current liabilities	**(173,118)**	(472,181)	**(4,861,709)**	(5,170,139)	**(272,332)**	(294,435)	**(74,418)**	(68,531)
Trade payables and other current liabilities	**(446,240)**	(475,490)	**(165,268)**	(158,164)	**(80,586)**	(82,599)	**(40,126)**	(45,943)
	(619,358)	(947,671)	**(5,026,977)**	(5,328,303)	**(352,918)**	(377,034)	**(114,544)**	(114,474)
Net assets	**1,130,118**	1,155,513	**2,451,795**	2,451,154	**602,052**	630,125	**483,140**	318,983

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

20 INVESTMENT 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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Opening net assets at 1 January	1,155,513	1,160,449	2,451,154	2,567,757	630,125	634,588	318,983	287,865	4,555,775	4,650,659
Profit/(loss) for the year	917,143	853,136	641	(116,603)	328,953	304,426	164,157	128,000	1,410,894	1,168,959
Dividends	(942,538)	(858,072)	—	—	(357,026)	(308,889)	—	(96,882)	(1,299,564)	(1,263,843)
Closing net assets at 31 December	1,130,118	1,155,513	2,451,795	2,451,154	602,052	630,125	483,140	318,983	4,667,105	4,555,775
Group's share of net assets	441,224	445,908	579,359	579,207	146,304	153,123	134,389	85,142	1,301,276	1,263,380
Goodwill	93,684	93,684	—	—	—	—	106,073	106,073	199,757	199,757
Provision for impairment losses	—	—	(5,702)	(5,702)	—	—	—	—	(5,702)	(5,702)
Carrying amount of investments in the associates	534,908	539,592	573,657	573,505	146,304	153,123	240,462	191,215	1,495,331	1,457,435

Details of the Group's associates are set out in note 45.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
At 1 January and 31 December	**812**	812

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

On 25 December 2016, Guangzhou Yuezhuo Investment Management Company Limited (廣州市越卓投資管理有限公司) ("the Subscriber"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司) ("Yuexiu Financial"), pursuant to which Yuexiu Financial has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the new A shares of Yuexiu Financial with a nominal value of RMB1.00 per share in a total consideration of RMB340 million ("Subscription").

Yuexiu Financial group is primarily engaged in financial business and department store business.

Completion of the Subscription is subject to the fulfilment of certain conditions under the subscription agreement. As at date of this report, the Subscription was still under process and not yet completed.

22 DERIVATIVE FINANCIAL INSTRUMENTS

	2016 RMB'000	2015 RMB'000
Cross currency swaps	**26,597**	—

The notional principal amounts of the outstanding cross currency swaps at 31 December 2016 were EUR175,000,000 (2015: Nil).

Cross currency swaps are classified as non-current as the remaining maturities are more than one year.

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

23 OTHER NON-CURRENT RECEIVABLES

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

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

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

24 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

24 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Note:

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

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

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

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

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

25 AMOUNT DUE FROM A NON-CONTROLLING INTEREST OF A SUBSIDIARY

The amount due from a non-controlling interest of a subsidiary was unsecured, interest bearing at 4.85% per annum, repayable on demand and denominated in RMB.

26 SHORT-TERM BANK DEPOSITS

	2016 **RMB'000**	2015 RMB'000
Bank deposits with original maturity of more than 3 months but less than a year	—	10,000

As at 31 December 2015, the deposits were primarily denominated in RMB and the effective interest rates was 2.52% per annum.

27 CASH AND CASH EQUIVALENTS

	2016 **RMB'000**	2015 RMB'000
Cash at bank and in hand	**936,922**	675,337
Term deposits with original maturities of less than 3 months	**109,000**	191,328
	1,045,922	866,665
Maximum exposure to credit risk	**1,019,758**	852,148

27 CASH AND CASH EQUIVALENTS (Continued)

Bank balances and cash are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
EUR dollars	**122,375**	70,951
HK dollars	**25,906**	43,500
US dollars	**743**	66
Renminbi	**896,898**	752,148
	1,045,922	866,665

28 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The assets and liabilities related to Wuzhou Yue Xin Chishui Terminal Company Limited ("Wuzhou Company") (part of the Port and other segments), a 51% owned subsidiary of the Group, had been presented as held for sale following the approval of the Group's shareholders on 24 September 2015 to sell Wuzhou Company to a third party through an open bidding process in the PRC at total consideration of RMB231,874,000, whereby the sale equity (being 51% of the equity interest in the Wuzhou Company) would be sold to the purchaser at the consideration of RMB153,635,000 and the purchaser would take up shareholder's loan obligation from the Group obtained from Wuzhou Company together with the interest accrued thereon as the date of the signing of the share transfer agreement at their aggregate face amounts, being RMB78,239,000. The transaction was completed on 1 August 2016.

(a) Assets of disposal group classified as held for sale

	2016 RMB'000	2015 RMB'000
Property, plant and equipment	—	579,784
Trade receivables	—	3,804
Other receivables, deposits and prepayments	—	554
Cash and cash equivalents	—	15,050
Total	—	599,192

28 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

(b) Liabilities of disposal group classified as held for sale

	2016 RMB'000	2015 RMB'000
Borrowings	—	362,380
Trade and other payables and accrued charges	—	8,658
Other current liabilities	—	46,711
Total	—	417,749

(c) There was no cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale for the year ended 31 December 2016 (2015: Same).

29 SHARE CAPITAL

	2016		2015	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Issued and fully paid:				
Ordinary shares of RMB0.08805 each	**1,673,162,295**	**147,322**	1,673,162,295	147,322

30 RESERVES

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

30 RESERVES (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 RMB'000	Asset revaluation reserve (note (c)) RMB'000	Transaction with non-controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2015	2,375,743	1,501,716	491,730	60,859	(135)	3,426,873	558,250	(34,763)	8,380,273
Profit for the year	—	—	—	—	—	532,086	—	—	532,086
Currency translation differences	—	—	1,397	—	—	—	—	—	1,397
Release of currency translation differences upon disposal of subsidiaries	—	—	(72,583)	—	—	—	—	—	(72,583)
Transfers	—	—	—	1,268	—	(1,268)	—	—	—
Acquisition of additional interests in a subsidiary (note 40)	—	—	—	—	—	—	—	(30,972)	(30,972)
Dividends									
– 2014 Final dividend	—	—	—	—	—	(225,683)	—	—	(225,683)
– 2015 Interim dividend (note 13)	—	—	—	—	—	(160,094)	—	—	(160,094)
Balance at 31 December 2015	2,375,743	1,501,716	420,544	62,127	(135)	3,571,914	558,250	(65,735)	8,424,424
Representing:									
Retained profits						3,347,849			
2015 Final dividend proposed (note 13)						224,065			
						3,571,914			

30 RESERVES (Continued)

Note:

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

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

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

31 BORROWINGS

	2016 RMB'000	2015 RMB'000
Long-term bank borrowings	4,939,891	7,784,888
Loans from non-controlling interests of certain subsidiaries	103,650	107,227
Total borrowings	5,043,541	7,892,115
Less: Amounts due within one year as shown under current liabilities	(235,193)	(675,268)
Total non-current borrowings	4,808,348	7,216,847

(a) As at 31 December 2016, the Group's borrowings were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within one year	235,193	675,268
Between one and two years	548,914	1,829,918
Between two and five years	1,473,439	2,274,469
Later than five years	2,785,995	3,112,460
	5,043,541	7,892,115

31 BORROWINGS (Continued)

(b) The bank borrowings of RMB3,941,450,000 (2015: RMB5,304,470,000) were secured by intangible operating rights (note 14) of the Group, and no bank borrowings (2015: RMB347,300,000) were secured by property, plant and equipment (2015: property, plant and equipment of disposal group classified as held for sale) (note 16) of the Group. All bank borrowings were interest bearing at rates ranging from 3.60% to 4.90% (2015: 2.42% to 6.15%). The effective interest rate of these borrowings at 31 December 2016 was 4.37% (2015: 4.44%).

(c) Loans from non-controlling interests of certain subsidiaries were unsecured and interest-free. The carrying amounts of these interest-free loans approximated their fair values which are calculated based on cash flows discounted at a rate of 4.35% (2015: 4.35%) per annum.

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

(d) The borrowings were denominated in RMB (2015: except for bank borrowings of RMB2,438,418,000 which were 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 (2015: within one year).

32 DEFERRED INCOME

Deferred income of the Group primarily represents the fees received in advance from a contractor relating to operation of service areas and petrol stations along a toll highway for the remaining 24 years.

	2016 RMB'000	2015 RMB'000
At 1 January	86,620	—
Acquisition of a subsidiary (note 41)	—	88,353
Credited to other income, gains and losses - net	(3,855)	(1,733)
At 31 December	82,765	86,620
Less: non-current portion	(79,105)	(82,960)
Current portion	3,660	3,660

33 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:

	2016 RMB'000	2015 RMB'000
Deferred tax assets:		
Deferred income tax assets to be recovered after 12 months	**(59,590)**	(72,198)
Deferred income tax assets to be recovered within 12 months	**(6,591)**	(8,866)
	(66,181)	(81,064)
Deferred tax liabilities:		
Deferred income tax liabilities to be recovered after 12 months	**2,022,442**	2,007,603
Deferred income tax liabilities to be recovered within 12 months	**19,082**	5,476
	2,041,524	2,013,079
Deferred tax liabilities (net)	**1,975,343**	1,932,015

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

	2016 RMB'000	2015 RMB'000
At 1 January	**1,932,015**	1,529,613
Acquisition of a subsidiary (note 41)	**—**	476,963
Charged to/(credit from) consolidated income statement (note 11)	**43,328**	(74,561)
At 31 December	**1,975,343**	1,932,015

33 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	Fair value gain on investment properties RMB'000	Total RMB'000
At 1 January 2016	40,212	1,603,756	369,156	(45)	—	2,013,079
Charged/(credited) to consolidated income statement	38,570	(47,437)	77,765	—	60	68,958
Transferred to current income tax expenses for dividends declared	(40,513)	—	—	—	—	(40,513)
At 31 December 2016	38,269	1,556,319	446,921	(45)	60	2,041,524
At 1 January 2015	55,516	1,160,146	313,996	(45)	—	1,529,613
Acquisition of a subsidiary (note 41)	—	549,161	—	—	—	549,161
Charged/(credited) to consolidated income statement	33,378	(105,551)	55,160	—	—	(17,013)
Transferred to current income tax expenses for dividends declared	(48,682)	—	—	—	—	(48,682)
At 31 December 2015	40,212	1,603,756	369,156	(45)	—	2,013,079

33 DEFERRED INCOME TAX (Continued)

Deferred tax assets

	Tax losses RMB'000
At 1 January 2016	**(81,064)**
Charged to consolidated income statement	**14,883**
At 31 December 2016	**(66,181)**
At 1 January 2015	—
Acquisition of a subsidiary (note 41)	(72,198)
Credited to consolidated income statement	(8,866)
At 31 December 2015	(81,064)

34 NOTES PAYABLE

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

The effective interest rate for the Notes is 2.11% per annum, which includes the interest charged on the Notes as well as amortisation of the debt discount. The Group recognised RMB30,337,000 (2015: RMB18,709,000) of interest expense on the Notes for the year ended 31 December 2016.

35 CORPORATE BONDS

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

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

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

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

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

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

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

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

The effective interest rate for the Corporate Bonds is 3.36% per annum, which includes the interest charged on the Corporate Bonds as well as amortisation of the debt issuance cost.The Group recognised RMB31,903,000 (2015: Nil) of finance cost on the Corporate Bonds for the year ended 31 December 2016.

36 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

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

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

Trade and other payables and accrued charges are mainly denominated in RMB except for other payables of approximately RMB12.1 million (2015: RMB12.1 million) which were denominated in HKD and the carrying amounts approximated their fair values.

37 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to cash generated from operations:

	Note	2016 RMB'000	2015 RMB'000
Operating profit		**1,593,815**	1,120,445
Amortisation of intangible operating rights	14	**505,763**	419,119
Depreciation of property, plant and equipment	16	**17,860**	38,258
Fair value gains on investment properties	17	**(605)**	(1,074)
Provision for impairment losses	7	**—**	266,435
Exchange (gain)/loss - net		**(3,994)**	(4,884)
Loss on disposal of property, plant and equipment	7	**304**	3,457
Deferred income	32	**(3,855)**	(1,733)
Release of currency translation difference upon disposal of subsidiaries	7	**—**	(72,583)
Gain on disposal of subsidiaries	7	**(112,076)**	(30,087)
Operating profit before working capital changes		**1,997,212**	1,737,353
Changes in working capital:			
– decrease/(increase) in trade and other receivables, deposits and prepayments		**43,918**	(69,041)
– (decrease)/increase in trade and other payables and accrued charges		**(28,873)**	57,306
– increase in amount due from a non-controlling interest of a subsidiary		**(435)**	—
– decrease in amounts due to non-controlling interests of subsidiaries		**—**	(5,230)
– increase in amounts due to holding companies		**679**	9
Cash generated from operations		**2,012,501**	1,720,397

38 CONSTRUCTION INCOME/COSTS UNDER SERVICE CONCESSION UPGRADE SERVICES

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

	2016 **RMB'000**	2015 RMB'000
Construction income under service concession upgrade services	**43,627**	213,504
Construction costs under service concession upgrade services	**(43,627)**	(213,504)

39 COMMITMENTS

(a) Lease commitments

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

	2016 **RMB'000**	2015 RMB'000
Lease payments		
Within one year	**11,752**	8,325
One year to five years	**2,766**	7,608
	14,518	15,933
Lease receipts		
Within one year	**4,266**	5,452
One year to five years	**5,495**	9,755
	9,761	15,207

39 COMMITMENTS (Continued)

(b) Capital commitments

	2016 RMB'000	2015 RMB'000
Contracted but not provided for		
Upgrade and construction of toll expressways under concession arrangements and construction of port	**24,987**	99,290
Property, plant and equipment	**2,701**	410
	27,688	99,700

On 25 December 2016, the Group has conditionally agreed to subscribe for the new A shares of Yuexiu Financial with a nominal value of RMB1.00 per share in a total consideration of RMB340 million. Completion of the Subscription is subject to the fulfilment of certain conditions under the Subscription. As at date of this report, the Subscription was still under process and not yet completed. Details of the Subscription have been disclosed in Note 21.

40 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 18 December 2015 (the "acquisition date"), the Group acquired an additional 10% equity interest in Hunan Changzhu Expressway Development Company Limited ("Changzhu Company") for a consideration of RMB112,000,000. Changzhu Company became an indirectly wholly owned subsidiary of the Group upon completion of this acquisition.

These are regarded as transactions with non-controlling interests and were accounted for as an equity transaction under HKFRS 10 – Consolidated Financial Statements. The carrying amounts of the non-controlling interest in Changzhu Company on the acquisition dates were RMB81,223,000. The excess of approximately RMB30,972,000, represented the differences between the fair value of the consideration paid for the acquisition and the carrying value of non-controlling interest acquired at the acquisition dates, were charged to the transaction with non-controlling interests reserve for 2015. The effect of changes in the ownership interest in Changzhu Company on the equity attributable to the shareholders of the Company is summarised as follows:

	Changzhu Company 2015 RMB'000
Carrying amount of non-controlling interests acquired as at acquisition dates	81,223
Consideration paid to non-controlling interests	(112,195)
Excess of consideration paid recognised in equity (note 30)	(30,972)

41 BUSINESS COMBINATIONS

On 21 December 2014, the Group entered into an agreement with 百榮投資控股集團有限公司 (Bairong Investment Holdings Company Limited)[1] and 百榮世貿商城管理有限公司 (Bairong World Trade Center Management Co., Ltd.)[1], each an independent third party to the Group, whereby the Group has conditionally agreed to acquire 70% of the equity interest in 湖北隨岳南高速公路有限公司 (Hubei Suiyuenan Expressway Company Limited, the "Acquiree") at total consideration of approximately RMB1,950 million. This transaction was completed on 21 July 2015 (the "completion date"). This business combination has been accounted for provisionally as of completion date as the value of the purchase consideration can only be determined provisionally. There were no adjustments to the provisional value within twelve months from the completion date.

As a result of the acquisition, the Group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale.

Details of the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
Cash paid and payable	1,792,000
Indebtedness assumed	157,939
	1,949,939
Fair value of net identifiable assets acquired (see below)	(1,686,126)
Goodwill (note 15)	263,813

1 For identification purpose only

The goodwill of RMB263,813,000 is mainly attributable to the recognition of deferred tax liabilities arising from fair value gain on acquisition of 70% equity interest of the Acquiree. None of the goodwill recognised is expected to be deductible for income tax purposes.

41 BUSINESS COMBINATIONS (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed were as follows:

	RMB'000
Cash and cash equivalents	29,349
Intangible operating rights (note 14)	6,447,193
Property, plant and equipment (note 16)	8,547
Land and building (note 16)	7,576
Investment properties (note 17)	6,434
Trade receivables	14,797
Other receivables, deposits and prepayments	81,945
Amount due from non-controlling interest	200,282
Deferred tax assets (note 33)	72,198
Deferred income (note 32)	(88,353)
Other payables and accrued charges	(151,136)
Borrowings	(3,670,920)
Deferred tax liabilities (note 33)	(549,161)
Total net identifiable assets acquired	2,408,751
Non-controlling interests	(722,625)
Net identifiable assets attributable to 70% equity interest acquired by the Group	1,686,126

Acquisition-related costs of RMB2,275,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 December 2015.

The amount of the non-controlling interest recognised was approximately RMB722,625,000 and it represented the share of proportionate net identifiable assets of the Acquiree at the completion date.

42 RELATED PARTY TRANSACTIONS

(a) Related parties

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

The table set forth below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2016:

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

42 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

		2016 RMB'000	2015 RMB'000
(i)	Administrative service fees to Yuexiu Property	**1,108**	1,041
(ii)	Rental expenses to Blow Light	**807**	688
(iii)	Rental expenses to Yue Xiu IFC	**10,492**	9,016
(iv)	Building management fee to YX Jones Lang LaSalle	**1,474**	1,187
(v)	Interest income from Chong Hing Bank	**893**	1,593
(vi)	Management service income from Humen Bridge, Qinglian Highway, Shantou Bay Bridge, Northring and GWSR	**3,225**	3,803
(vii)	Dividend income from Humen Bridge	**173,860**	158,280
(viii)	Dividend income from Shantou Bay Bridge	**—**	29,064
(ix)	Dividend income from Northring	**86,754**	75,057
(x)	Dividend income from GWSR	**—**	6,010
(xi)	Interest expense to GZYX	**7,824**	—
(xii)	Underwriting commission to GZ Securities	**2,100**	—

(c) Balances with related parties

		2016 RMB'000	2015 RMB'000
(i)	Bank balance deposited in Chong Hing Bank	**165,535**	79,118
(ii)	Amounts due to holding companies	**837**	158
(iii)	Amount due to a joint venture	**92,050**	57,050

The amounts due from or to related parties were unsecured, interest free, repayable on demand and denominated in RMB.

During the year, loans from GZYX of RMB1,170 million have been drawn down and repaid (2015: Nil). The loans from GZYX were unsecured, interest bearing at rates ranging from 3.60% to 4.35% per annum, and denominated in RMB (2015: Nil).

(d) Key management compensation

	2016 RMB'000	2015 RMB'000
Salaries and other short-term benefits	**8,717**	8,261

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		31 December 2016 RMB'000	31 December 2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**467**	382
Investments in subsidiaries		**3,528,601**	3,528,601
Derivative financial instruments		**26,597**	—
		3,555,665	3,528,983
Current assets			
Amounts due from subsidiaries		**6,284,746**	5,831,677
Deposits and prepayments		**241**	85
Cash and cash equivalents		**265,137**	112,496
		6,550,124	5,944,258
Total assets		**10,105,789**	9,473,241
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		**147,322**	147,322
Reserves	note (a)	**5,201,241**	5,172,648
Total equity		**5,348,563**	5,319,970

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Balance sheet of the Company (Continued)

	31 December 2016 RMB'000	31 December 2015 RMB'000
LIABILITIES		
Non-current liability		
Borrowings	998,441	2,152,200
Corporate bonds	1,990,978	—
	2,989,419	2,152,200
Current liabilities		
Borrowings	—	286,218
Amounts due to subsidiaries	1,678,190	1,660,429
Other payables and accrued charges	89,617	54,424
	1,767,807	2,001,071
Total liabilities	4,757,226	4,153,271
Total equity and liabilities	10,105,789	9,473,241

The balance sheet of the Company was approved by the Board of Directors on 13 February 2017 and was signed on its behalf

Zhu Chunxiu
Director

He Baiqing
Director

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus (note) RMB'000	Retained Profits RMB'000	Total RMB'000
At 1 January 2016	**2,375,743**	**1,561,564**	**1,235,341**	**5,172,648**
Profit for the year	—	—	438,899	438,899
Dividends:				
2015 Final dividend (note 13)	—	—	(224,065)	(224,065)
2016 Interim dividend (note 13)	—	—	(186,241)	(186,241)
At 31 December 2016	**2,375,743**	**1,561,564**	**1,263,934**	**5,201,241**
Representing:				
Retained profits			967,540	
2016 Final dividend proposed (note 13)			296,394	
			1,263,934	
At 1 January 2015	2,375,743	1,561,564	1,202,012	5,139,319
Profit for the year	—	—	419,106	419,106
Dividends:				
2014 Final dividend	—	—	(225,683)	(225,683)
2015 Interim dividend (note 13)	—	—	(160,094)	(160,094)
At 31 December 2015	2,375,743	1,561,564	1,235,341	5,172,648
Representing:				
Retained profits			1,011,276	
2015 Final dividend proposed (note 13)			224,065	
			1,235,341	

Note:

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

44 BENEFITS AND INTERESTS OF DIRECTORS

(A) Directors' and chief executive's emoluments

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

For the year ended 31 December 2016

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

44 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

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

For the year ended 31 December 2015

	Emoluments paid or receivable in respect of person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
Name of directors	Fees	Salaries	Discretionary bonuses (note d)	Housing allowance	Estimated money value of other benefits (note c)	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director		Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors									
ZHU Chunxiu	—	618	1,770	—	—	—	—	—	2,388
LIANG Youpan	—	618	783	—	—	—	—	—	1,401
QIAN Shangning	—	508	824	—	267	68	—	—	1,667
	—	1,744	3,377	—	267	68	—	—	5,456
Executive director and the Chief executive									
HE Baiqing	—	554	783	—	379	63	—	749	2,528
Independent non-executive directors									
FUNG Ka Pun	180	—	—	—	—	—	—	—	180
LAU Hon Chuen Ambrose	245	—	—	—	—	—	—	—	245
CHEUNG Doi Shu	180	—	—	—	—	—	—	—	180
	605	—	—	—	—	—	—	—	605
	605	2,298	4,160	—	646	131	—	749	8,589

44 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

Notes:

(a) Resigned with effect from 1 April 2016

(b) Appointed on 1 April 2016

(c) Other benefits mainly include provision of accommodation.

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

(B) Directors' retirement benefits

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2015: Same).

(C) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2015: Nil).

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

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2015: Nil).

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

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

45 GROUP STRUCTURE

As at 31 December 2016, the Company held shares/interest in the following principal subsidiaries, a joint venture and associates.

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

45 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/ registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Guangzhou Suiqiao Development Company Limited	PRC, limited liability Company	RMB1,000,000	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Yue Peng Information Limited	PRC, limited liability Company	RMB260,000,000	—	100	Investment holding
Guangxi Yuexiu Cangyu Expressway Company Limited	PRC, limited liability Company	RMB190,925,000	—	100	Development and management of Cangyu Expressway in Guangxi
Henan Ruibeika Industrial Company Limited	PRC, limited liability Company	RMB660,754,500	—	100	Development and management of Henan Weixu Expressway
Hubei Suiyuenan Expressway Company Limited	PRC, limited liability Company	RMB1,770,000,000	—	70	Development and management of Suiyuenan Expressway in Hubei Province
Hunan Changzhu Expressway Development Company Limited	PRC, limited liability Company	RMB929,328,460	—	100	Development and management of Changzhu Expressway in Hunan Province
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Kinleader Co., Ltd.	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

45 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/ registered capital	Percentage of ownership interest held by the Company Direct	Indirect	Principal activities
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1.00 each	—	100	Investment holding in Guangdong Qinglian Highway Development Company Limited
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
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	—	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 Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding in Guangdong Shantou Bay Bridge Company Limited
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Swift Full Limited	Hong Kong	1 Ordinary share	—	100	Investment holding in Hubei Han Xiao Highway Construction and Operations Company Limited

45 GROUP STRUCTURE (Continued)

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

45 GROUP STRUCTURE (Continued)

Joint venture	Place of incorporation/ establishment and operation and type of legal entity	Registered capital	Percentage of ownership interest/voting power/ profit sharing indirectly held by the Company			Principal activities
			Ownership	Voting power	Profit sharing	
Guangzhou Western Second Ring Expressway Company Limited	PRC, limited liability Company	RMB 1,000,000,000	35	33	35	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

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

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

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

CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Zhu Chunxiu *(Chairman)*
Mr Liu Yongjie
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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

HONG KONG BRANCH SHARE REGISTRAR

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

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited

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

Notes and bonds

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

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

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

INVESTOR RELATIONS

For further information about
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Facsimile : (852) 2865 2126
Email : contact@gzitransport.com.hk

WEBSITES TO ACCESS COMPANY INFORMATION

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