CREATING

EXCELLENT VALUES

Annual Report 2019

越秀交通基建有限公司
YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

Stock Code: 01052

GUANGDONG

GUANGXI

TIANJIN

HUBEI

HUNAN

HENAN

CONTENTS

FIVE YEARS FINANCIAL SUMMARY

INCOME STATEMENT

Year ended 31 December

(RMB'000)	**2019**	2018	2017	2016	2015
Income from operations	**3,023,221**	2,847,073	2,702,844	2,519,003	2,226,023
Earnings before interests, tax, depreciation and amortisation ("EBITDA")[1]	**2,956,565**	2,855,785	2,722,179	2,356,181	2,037,563
Profit before income tax	**1,900,445**	1,891,655	1,638,417	1,520,564	869,932
Profit for the year	**1,595,043**	1,411,681	1,267,222	1,166,477	653,022
Profit attributable to:					
Shareholders of the Company	**1,137,590**	1,054,135	947,942	918,817	532,086
Non-controlling interests	**457,453**	357,546	319,280	247,660	120,936
Basic earnings per share for profit attributable to the shareholders of the Company	**RMB0.6799**	RMB0.6300	RMB0.5666	RMB0.5491	RMB0.3180
Dividend per share	**RMB0.3500**	RMB0.3375	RMB0.2970	RMB0.2885	RMB0.2296

BALANCE SHEET

As at 31 December

(RMB'000)	**2019**	2018	2017	2016	2015
Total Assets	**36,797,875**	22,739,750	23,918,489	22,568,556	23,419,273
Total Liabilities	**23,169,125**	10,332,171	12,101,085	11,264,254	12,590,180
Total Equity	**13,628,750**	12,407,579	11,817,404	11,304,302	10,829,093
Equity attributable to:					
Shareholders of the Company	**10,571,655**	10,071,871	9,544,848	9,081,958	8,571,746
Non-controlling interests	**3,057,095**	2,335,708	2,272,556	2,222,344	2,257,347
Net assets per share to shareholders of the Company	**RMB6.32**	RMB6.02	RMB5.70	RMB5.43	RMB5.12

FINANCIAL RATIOS

Year ended 31 December

	2019	2018	2017	2016	2015
Return on equity attributable to shareholders of the Company	**10.76%**	10.47%	9.93%	10.12%	6.21%
EBITDA Interest Coverage	**7.6 times**	8.2 times	8.4 times	5.8 times	5.8 times
Gearing ratio[2]	**55.4%**	29.6%	36.0%	40.0%	43.9%
Total liabilities/Total assets ratio[3]	**63.0%**	45.4%	50.6%	49.9%	53.8%

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 2019

Revenue	RMB3,023 million	6.2%
Gross Profit	RMB2,012 million	0.0%
*Gross Margin**	66.6%	4.1% percentage point
Operating Profit	RMB1,920 million	5.0%
Profit before income tax	RMB1,900 million	0.5%
Profit attributable to shareholders of the company	RMB1,138 million	7.9%
Earnings per share	RMB0.6799	7.9%
Total Assets	RMB36.8 billion	61.8%
Net assets per share	RMB6.32	5.0%

* Gross Margin = Gross profit/Revenue

CORPORATE PROFILE

廣州越秀集團股份有限公司
GUANGZHOU YUE XIU HOLDINGS LIMITED
100%

YUE XIU ENTERPRISES (HOLDINGS) LIMITED
44.2%

PUBLIC
55.8%

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

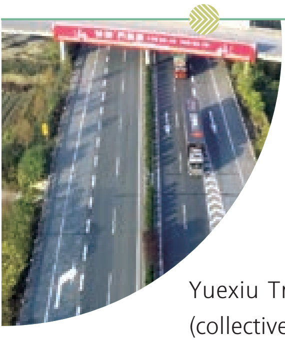
EXPRESSWAY / BRIDGE

- ■ GNSR Expressway / 60%
- ■ Cangyu Expressway / 100%
- ■ Jinxiong Expressway / 60%
- ■ Han-Xiao Expressway / 100%
- ■ Changzhu Expressway / 100%
- ■ Weixu Expressway / 100%
- ■ Suiyuenan Expressway / 70%
- ■ Hancai Expressway / 67%
- ■ Han'e Expressway / 100%
- ■ Daguangnan Expressway / 90%

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

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

■ subsidiaries
● associates and joint venture



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

As at 31 December 2019, the Group had a total of 15 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 Guangdong Qinglian Expressway, all of which are located within Guangdong Province; Han-Xiao Expressway, Suiyuenan Expressway, Hancai Expressway, Han'e Expressway and Daguangnan Expressway in Hubei Province; Cangyu Expressway in Guangxi Zhuang Autonomous Region ("Cangyu Expressway"); Jinxiong Expressway in Tianjin Municipality; Changzhu Expressway in Hunan Province; and Weixu Expressway in Henan Province. As at 31 December 2019, the attributable toll length of the Group's subsidiaries is approximately 456.3 km (total toll length is approximately 534.9 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 533.6 km.

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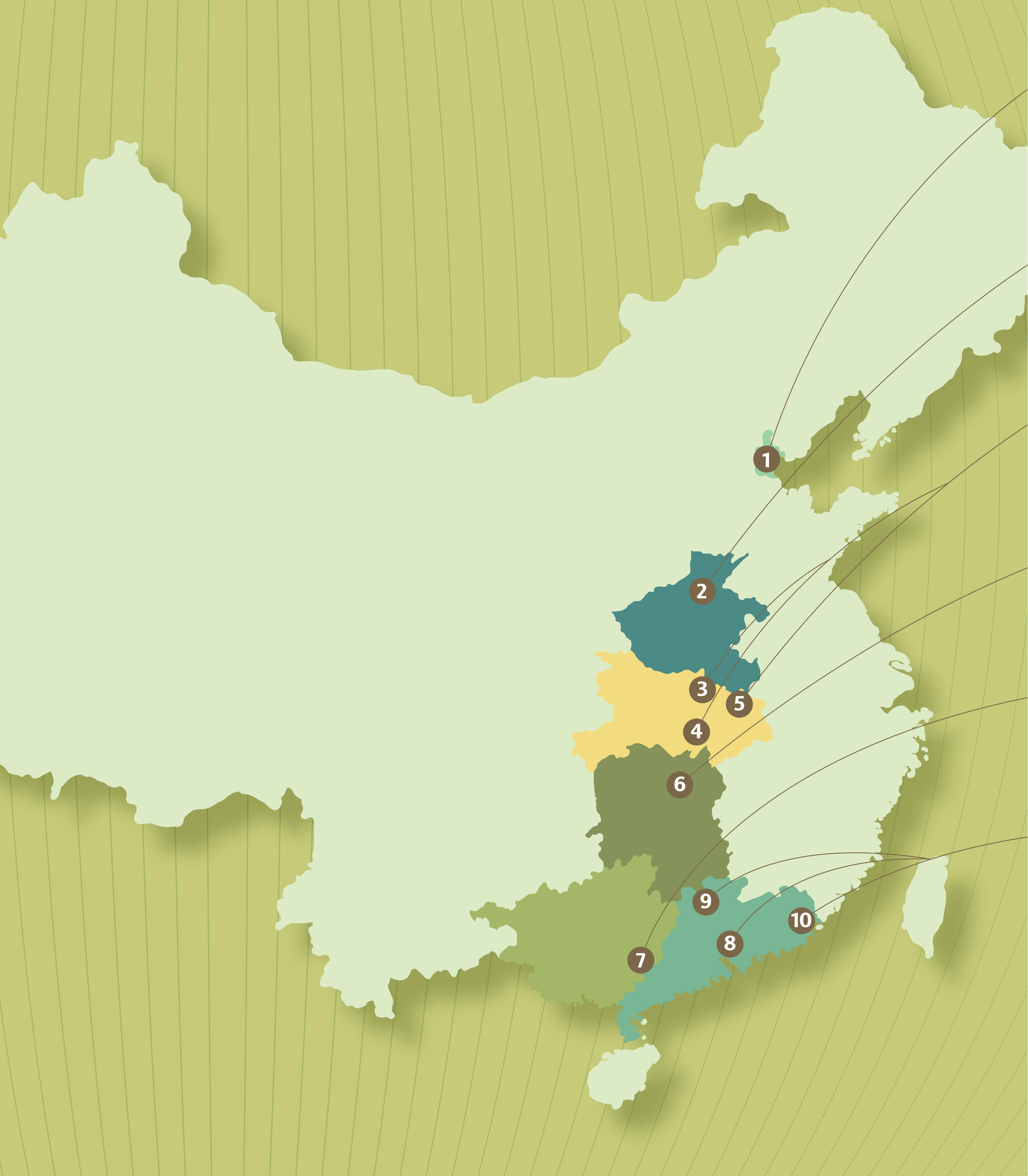
INVESTMENTS IN ITS OPERATING EXPRESSWAYS AND BRIDGES IN TOTAL

LOCATION MAPS OF PROJECTS



TIANJIN

1	Tianjin City	Jinxiong Expressway

HENAN

2	Xuchang City	Weixu Expressway

HUBEI

3	Wuhan City	Han-Xiao Expressway
		Hancai Expressway
		Han'e Expressway
4	Jingzhou City	Suiyuenan Expressway
5	Huanggang City	Daguangnan Expressway

HUNAN

6	Changsha City	Changzhu Expressway

GUANGXI

7	Wuzhou City	Cangyu Expressway

GUANGDONG

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

LOCATION MAPS OF PROJECTS

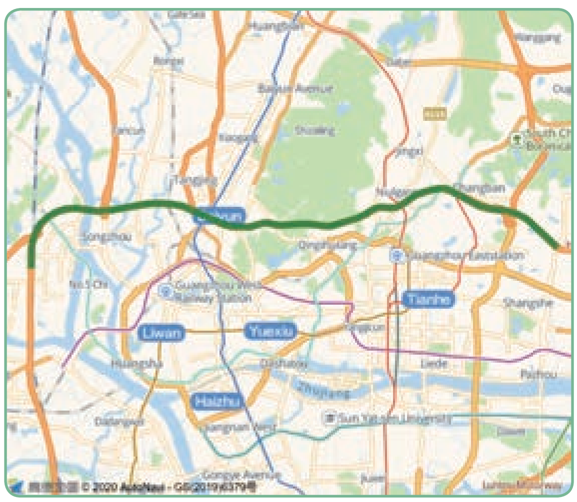
GUANGDONG

HUMEN BRIDGE

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

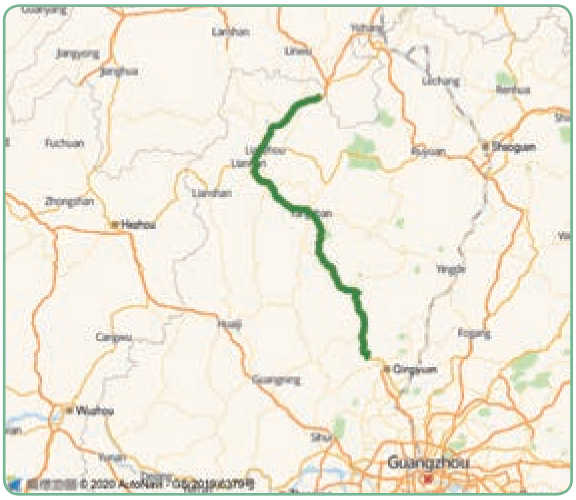
GNSR EXPRESSWAY

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



NORTHERN RING ROAD

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



QINGLIAN EXPRESSWAY

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

GWSR EXPRESSWAY

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

SHANTOU BAY BRIDGE

It is located at the eastern entrance of the Port of Shantou and connects Shenshan Expressway to the south. The bridge stretches over the main waterway at Huangsha Bay and is connected to Shanfen Expressway. The project's toll length is approximately 6.5 km with six lanes.

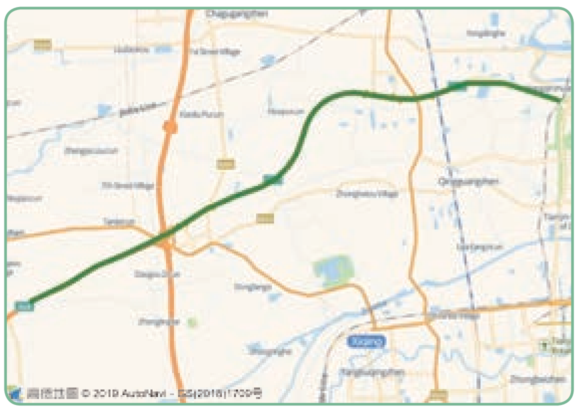
LOCATION MAPS OF PROJECTS

GUANGXI

CANGYU EXPRESSWAY

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

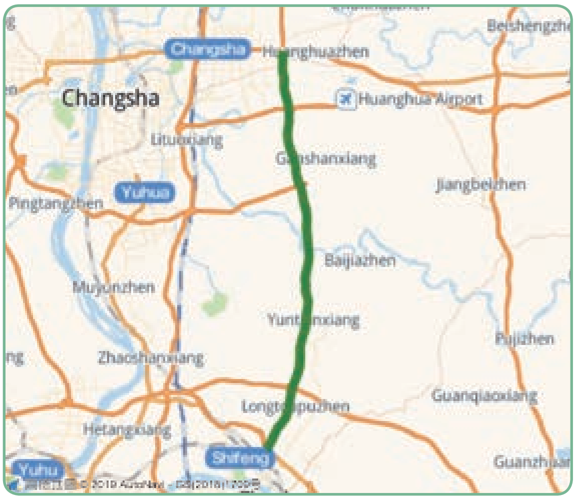
TIANJIN



JINXIONG EXPRESSWAY

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

HUNAN



CHANGZHU EXPRESSWAY

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

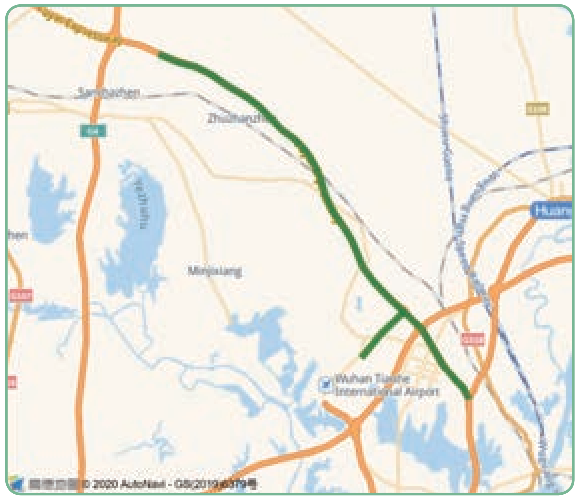
HENAN

WEIXU EXPRESSWAY

Located in Henan Province, Weixu Expressway is an important part of Lan-nan Expressway as well as the significant linkage between G4 Expressway, Daguang Expressway (G45), Xuguang Expressway (G0421), Er'guang Expressway (G55), Ningluo Expressway (G36) and Lianhuo Expressway (G30). The toll length is approximately 64.3 km with four lanes.

LOCATION MAPS OF PROJECTS

HUBEI

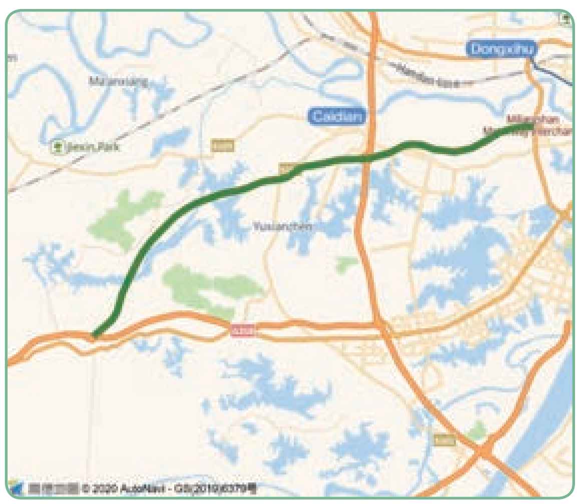


HAN-XIAO EXPRESSWAY

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.

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.



HANCAI EXPRESSWAY

It has a toll length of approximately 36.0 km, 13 km of which is six-lane while 23 km is four-lane. Located in the urban area of Wuhan, it connects the Wuhan Third Ring Line and the Beijing-Hong Kong-Macau Expressway (route number G4) and extends to Huyu Expressway (route number G50), being an important west bound corridor for Wuhan.

HAN'E EXPRESSWAY

It is a four-lane expressway with approximately 54.8 km of toll length, starts from Xinqiao Village of Zuoling Town in Wuhan and ends at the Huahu interchange which is the southern route of the E'Dong Changjiang Bridge of the Daguang Expressway. This expressway is one of the seven fast urban exit roads in Wuhan's town planning.

DAGUANGNAN EXPRESSWAY

It is a four-lane expressway with approximately 107.1 km of toll length. Located in the southern part of Hubei Province, it is an important passageway connecting Hubei and Jiangxi province.

CHAIRMAN'S STATEMENT

Changsha City


Tianjin City
Wuhan City

CHAIRMAN'S STATEMENT

LI FENG
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 2019

OPERATING RESULTS AND DIVIDEND

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

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

ANNUAL REVIEW

Macro-Economy and Regulatory Environment of the Sector

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

CHAIRMAN'S STATEMENT

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

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

Business Development

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

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

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

FUTURE PROSPECT AND OUTLOOK

Macroeconomic Prospects

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

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

CHAIRMAN'S STATEMENT

Outlook of the transportation industry

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

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

Prospect of Business and Development Strategies

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

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

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

APPRECIATION

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

LI FENG
Chairman

Hong Kong, 6 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Qingyuan City

Wuhan City

Dongguan City

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

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

Notes:

(1) The operation of Xiangxue toll station of GNSR Expressway commenced in July 2019.

(2) According to the overall development plan (2018-2035) approved by the State Council for Hebei Xiong'an New Area (Letter No. 159 2018 of the State Council)《國務院關於河北雄安新區總體規劃(2018-2035年)的批覆》(國函[2018] 159號) and Notice of Tianjin Expressway Management Office on Adjusting the Name and Number of Route of Jinxiong Expressway (Jin Gao Su Chu Gui Hua 2019 No. 7) (《天津市高速公路管理處關於調整津雄高速公路路線命名和編號的通知》(津高速處規劃[2019]7號)), Jinbao Expressway was renamed as Jinxiong Expressway while its number remained as S7.

(3) The percentage of equity interest attributable to the Group was 60%; profit sharing ratio: 90% in 2012 and before, 40% from 2013 to 2015, 60% in 2016 and thereafter.

(4) There are 6 lanes at the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes on the remaining expressway.

(5) The Group acquired 67% equity interests of Hancai Expressway on 8 November 2019.

(6) The Group acquired 100% equity interests of Han'e Expressway on 8 November 2019.

(7) The Group acquired 90% equity interests of Daguangnan Expressway on 8 November 2019.

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

Toll Summary of Toll Roads and Bridges

For the year ended 31 December 2019

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

MANAGEMENT DISCUSSION AND ANALYSIS

Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for 2019

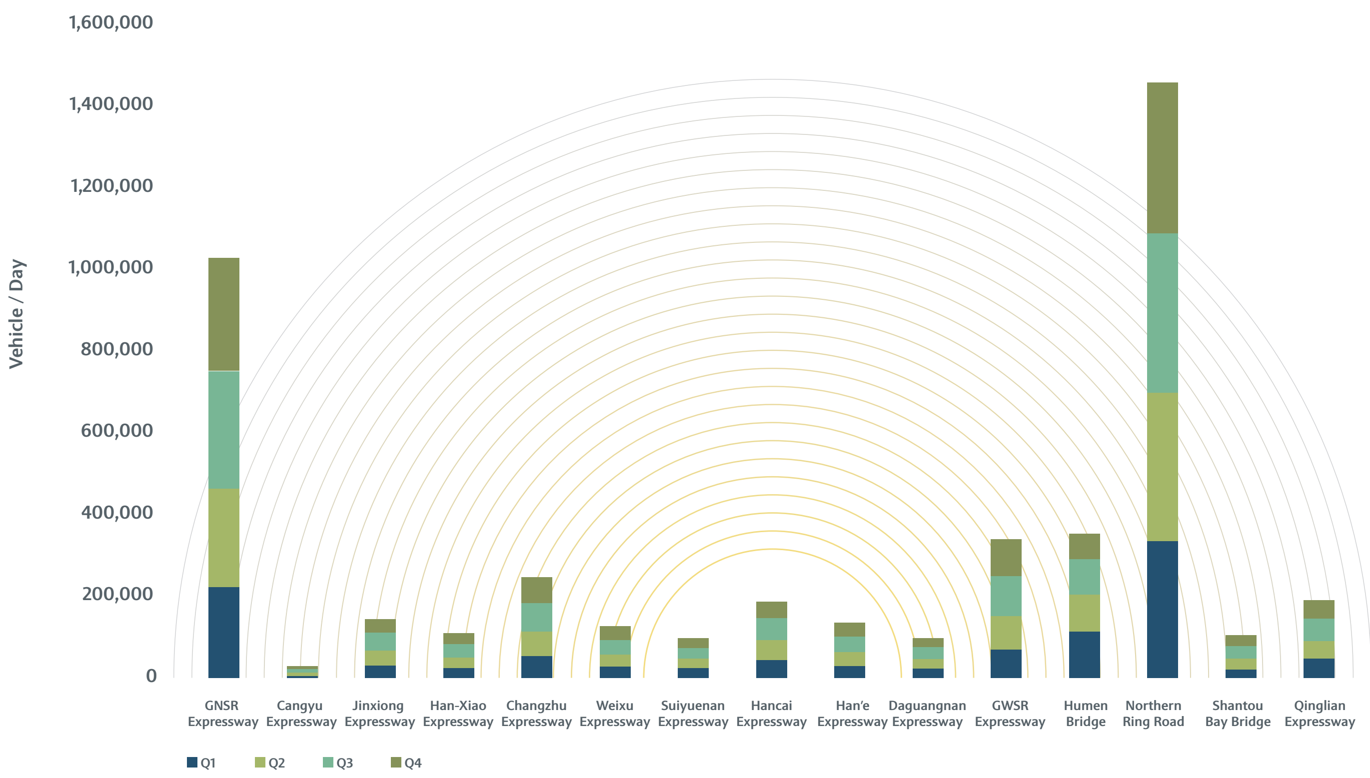
	Average daily toll traffic volume of the First quarter (vehicle/day)	Average daily toll traffic volume of the Second quarter (vehicle/day)	Average daily toll traffic volume of the Third quarter (vehicle/day)	Average daily toll traffic volume of the Fourth quarter (vehicle/day)
Subsidiaries				
GNSR Expressway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

Notes:

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

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

Quarterly analysis of average daily toll traffic volume for 2019

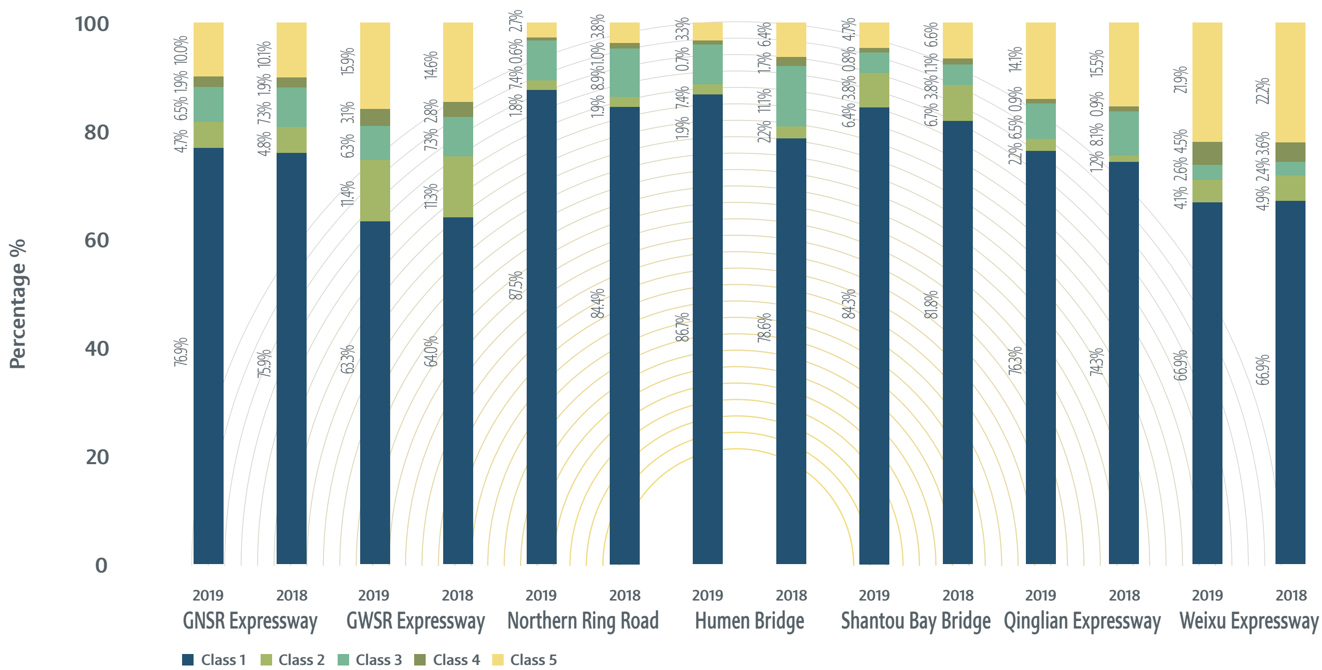


MANAGEMENT DISCUSSION AND ANALYSIS

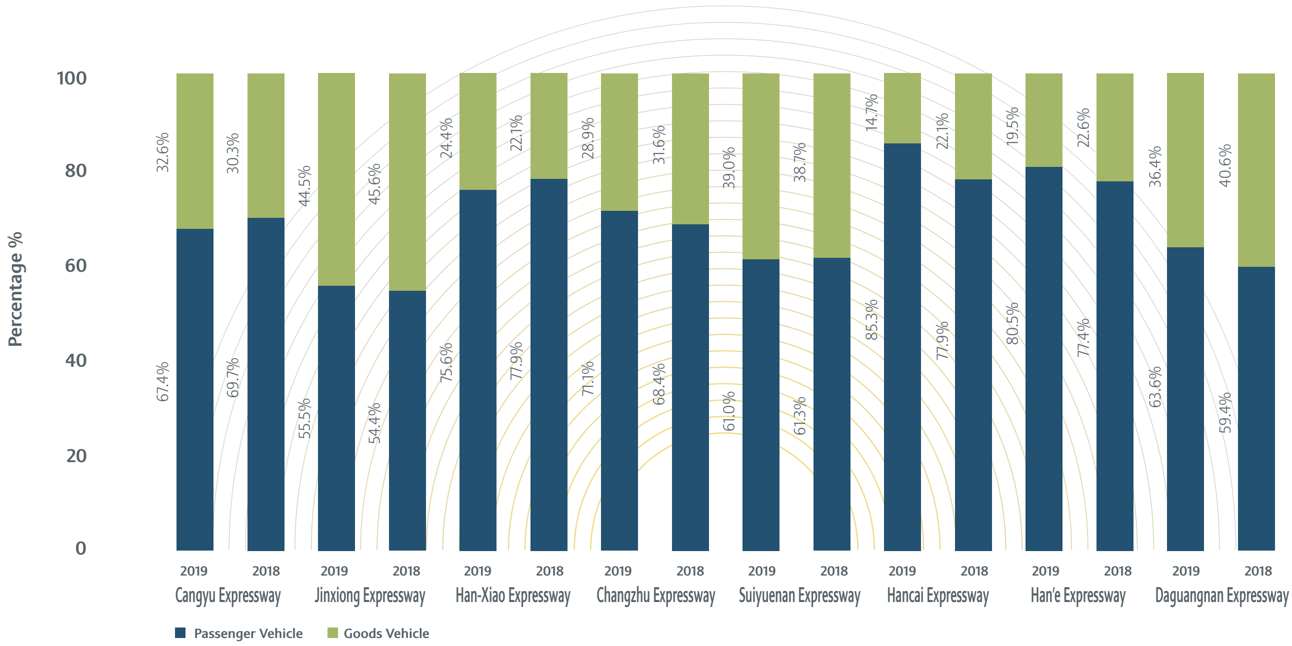
Vehicle type analysis (by traffic volume)

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

Vehicle type analysis on projects operated in the provinces of Guangdong and Henan for 2019 (based on statistics of traffic volume)



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



SUMMARY OF OPERATING PERFORMANCE

Macroeconomic environment

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

(Unit: RMB100 million)

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

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

Regulatory Environment of the Sector

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

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

During the Reporting Year, the new "Green Passage Toll Free Policy" was implemented on the expressways and bridges of the Group in accordance with the relevant national requirements. The implementation of this policy caused the toll income of the Group to decrease by approximately RMB316.48 million (2018: approximately RMB329.39 million [(1)]).

During the Reporting Year, the "Toll Free Policy for Passenger Cars with Seven Seats or Less during Major Holidays" was implemented on the expressways and bridges of the Group in compliance with the relevant national requirements. There were a total of 21 days of major holidays during the year that fell under the requirements. Based on preliminary estimation, the implementation of this policy resulted in a decrease in the toll income of the Group by approximately RMB137.89 million [(2)] (2018: approximately RMB90.33 million [(1)(2)]).

Notes:

(1) The data of Hancai Expressway, Han'e Expressway and Daguangnan Expressway was not included in 2018.

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

Policies on Environmental Protection

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

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

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

Business Improvements and Innovations

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

MANAGEMENT DISCUSSION AND ANALYSIS

Progress of investment

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

POSSIBLE RISK EXPOSURE

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

Risks of Sectoral and Economic Policies

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

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

Risk of Investment Decisions

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

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

Risks of Changes in the Planning of Road Networks

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

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

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

Subsidiaries

GNSR Expressway

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

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

Cangyu Expressway

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Jinxiong Expressway

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

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

Han-Xiao Expressway

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

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

Changzhu Expressway

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

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

Weixu Expressway

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

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

Suiyuenan Expressway

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

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

Hancai Expressway

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

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

Han'e Expressway

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

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

Daguangnan Expressway

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

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

Associates and Joint Venture

GWSR Expressway

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Humen Bridge

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

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

Northern Ring Road

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

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

Shantou Bay Bridge

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

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

Qinglian Expressway

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

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

FINANCIAL REVIEW

Key operating results figures

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

Note:

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

I. OVERVIEW OF OPERATING RESULTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS OF OPERATING RESULTS

Revenue

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

Analysis of revenue by each controlled project

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

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

Analysis of cost of services by each controlled project

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

Analysis of cost of services by nature

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

Gross profit

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

Analysis of gross profit by each controlled project

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

[1] Gross margin = Gross profit/revenue

General and administrative expenses

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

Other income, gains and losses – net

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

MANAGEMENT DISCUSSION AND ANALYSIS

Finance income/Finance costs

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

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

Share of results of associates and a joint venture

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

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

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

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

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

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

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

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

Income tax expense

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

Profit attributable to shareholders of the Company

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Final dividend

The Directors have recommended the payment of final dividend for 2019 of HK$0.21 which is equivalent to approximately RMB0.187958 (2018: HK$0.24 which was equivalent to approximately RMB0.206928) per share payable to shareholders whose names appear on the register of members of the Company on 5 June 2020. Subject to the approval of shareholders at the Annual General Meeting to be held on 26 May 2020, the final dividend will be paid on or about 29 June 2020. Together with the interim dividend of HK$0.18 which was equivalent to approximately RMB0.161994 (2018: HK$0.15 which was equivalent to approximately RMB0.1305345) per share, total dividends for the year ended 31 December 2019 amounts to HK$0.39 which is equivalent to approximately RMB0.349952 (2018: HK$0.39 which was equivalent to approximately RMB0.337463) per share, representing a dividend payout ratio of 51.5 percent (2018: 53.6 percent).

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

III. ANALYSIS OF FINANCIAL POSITION

Key financial position figures

	Reporting Year RMB'000	2018 RMB'000	Change %
Total assets	**36,797,875**	22,739,750	61.8
Total liabilities	**23,169,125**	10,332,171	124.2
Cash and cash equivalents	**1,435,062**	2,393,222	-40.0
Total debts	**18,356,703**	7,613,062	141.1
Of which: bank borrowings	**14,520,385**	5,399,276	168.9
Other borrowing	**700,000**	—	N/A
Corporate bonds	**1,907,554**	1,995,622	-4.4
Notes payable	**996,522**	—	N/A
Current ratio	**0.7 times**	1.6 times	
EBITDA interest coverage	**7.6 times**	8.2 times	
Equity attributable to the shareholders of the Company	**10,571,655**	10,071,871	5.0

Assets, Liabilities and Equity

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Analysis of major assets, liabilities and equity items

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

Cash flows

It has been the primary objective of the Group to focus on preventing risk and improving liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to RMB1,435.1 million which was 40.0 percent lower than the level at 31 December 2018. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

Analysis of cash flow movement

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Current ratio

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

EBITDA interest coverage and other financial ratios

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

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

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

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

Capital expenditures and investments

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

Capital structures

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

Analysis of capital structures

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

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Basic summary information of corporate bonds:

	RMB300 million five-year corporate bonds (Phase 1)	RMB700 million seven-year corporate bonds (Phase 1)	RMB200 million five-year corporate bonds (Phase 2)	RMB800 million seven-year corporate bonds (Phase 2)
Drawdown date:	22 March 2016	22 March 2016	28 October 2016	28 October 2016
Principal:	RMB290 million	RMB700 million	RMB120 million	RMB800 million
Principal repayment date:	21 March 2021	21 March 2023	26 October 2021	26 October 2023
Coupon rate (per annum):	4.10%	3.38%	3.60%	3.18%
Upcoming interest payment date:	21 March 2020	21 March 2020	26 October 2020	26 October 2020
Stock Exchange:	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange

(2) Basic summary information of notes payable:

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

Financing structures

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

Foreign-currency denominated assets and liabilities

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

IV. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

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

V. EMPLOYEES

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

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

Certain facility agreements of the Company include 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 a direct or indirect shareholding interest of not less than 35% in the issued voting shares of the Company;

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

As at 31 December 2019, the loan balances subject to the above conditions were HK$500,000,000 and RMB420,000,000. Such facility agreements will expire on 29 November 2022 and 29 March 2023 respectively.

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.

These obligations have been duly complied with for the year ended 31 December 2019.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS REPORT

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

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

During the Reporting Year, investment banks such as HSBC, Essence International, HTSC and CICC released research coverage reports on the Group at various times, and institutions such as JP Morgan Chase, Mizuho Securities and DBS also organized market briefings on the Group at various times and arranged for meetings with international institutional investors. Those reports and meetings demonstrated the recognition of the Group in the capital market.

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

- We gave timely response to enquiries of investors through emails and telephone communication, and released monthly operational statistics to investors on a regular basis.
- We organized receptions for visiting investors, on-site research visits for industry analysts, including telephone conferences. We have received a total of more than 150 participants.
- We launched activities such as news conferences for results announcements, post results non-deal roadshows (NDRs) and industry seminars to facilitate face-to-face interflows with domestic and worldwide institutional investors, including:

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

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

Economic Digest:
Hong Kong Outstanding Enterprise 2019

Quamnet.com:
Outstanding Infrastructure Investment and Development Award 2019

Bloomberg Business Weekly:
Listed Enterprises of the Year 2019

International Annual Report Design Awards
Cover Design of Annual Report 2018: Silver Award
Inside Pages Design of Annual Report 2018: Bronze Award

ARA Australian Reporting Awards
Australian Annual Report Awards: Bronze Award

International ARC Awards 2019
Annual Report Design Awards: Bronze Award

BDO ESG Awards
ESG Award 2019

INVESTOR RELATIONS REPORT

CONSISTENT INVESTOR RETURN

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

	2013	2014	2015	2016	2017	2018	2019
Earnings per share (RMB)	0.3314	0.3642	0.318	0.5491	0.5666	0.6300	0.6799
Dividend per share (HKD)	0.26	0.28	0.28	0.33	0.36	0.39	0.39
Dividend payout ratio	62.1%	61.0%	72.2%	52.5%	52.4%	53.6%	51.5%

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Li Feng, aged 51, was appointed an executive director of the Company on 13 April 2018 and Chairman on 22 July 2019. He is the chief capital officer 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 oversees the capital department, customer resource management and synergy department, and the information centre of Guangzhou Yue Xiu and Yue Xiu. He is mainly responsible for formulating and implementing major capital management plans, organizing and coordinating the investor relationship of the listed companies, optimizing and synergizing the customer resources, and enhancing the development of information technology system. Mr Li is an executive director of Yuexiu Property Company Limited ("Yuexiu Property") (Stock Code: 123), a director of Guangzhou City Construction & Development Co. Ltd., chairman and a non-executive director of Yuexiu Financial Holdings Limited ('YFHL'), a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)), a non-executive director of Chong Hing Bank ("Chong Hing Bank") (Stock Code: 1111), a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen Stock Code: 987) and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited.

Mr Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in naval architecture, and obtained a master of business administration degree from Jinan University. He holds the qualification of a Senior Engineer in China and the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government, he is also president of Association of Guangzhou Belt and Road Investment Enterprises, member of Guangzhou Housing Provident Fund Management Committee, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association. Mr Li joined Yue Xiu in December 2001 and has successively held positions in Guangzhou Yue Xiu and Yue Xiu including the assistant to general manager, general manager of capital department, assistant manager of corporate management department, assistant to general manager of supervision and auditing department, and deputy general manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu and Yue Xiu. Before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

DIRECTORS' PROFILES

Mr He Baiqing, aged 55, 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. 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 of engineering degree in Highway and City Roads Engineering. 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.

Ms Chen Jing, aged 48, was appointed an executive director of the Company on 13 April 2018. Ms Chen is the chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu. She is an executive director and chief financial officer of Yuexiu Property, a director of GCCD and Guangzhou Flagship Development Group Co., Ltd.. She is also a non-executive director of YFHL and Chong Hing Bank. Ms Chen graduated from the Xi'an Jiaotong University in audit studies, and holds a master of business administration degree of the School of Management and Economics of the Beijing Institute of Technology and the qualification of auditor and certified internal auditor. Ms Chen joined Guangzhou Yue Xiu in July 2004 and was the deputy general manager of the supervisory (audit) office, the general manager of the audit department and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited. Ms Chen has participated in building systems to monitor the major risks and finance of Guangzhou Yue Xiu. Ms Chen is well versed in risk and internal control management, financial management of listed companies and has extensive experience in establishing a sound system for risk management and internal control, financial management for enterprises. Prior to joining Guangzhou Yue Xiu, Ms Chen worked in school of business of the Hubei University and Hisense Kelon Electrical Holdings Company Limited.

Mr Xie Yanhui, aged 42, was appointed an executive director of the Company on 28 February 2020. He graduated from Henan University majoring in marketing (advertising), Huazhong University of Science and Technology majoring in economic law and Sun Yat-sen University majoring in administration and management, and obtained a bachelor's degree in literature, a master's degree in law and a doctorate degree in management respectively. Mr Xie holds a legal professional qualification granted by the Ministry of Justice of the People's Republic of China. Mr Xie has assumed senior roles in the personnel and organization department of Guangzhou Municipal Government for years, mainly responsible for the work related to cadres management of the state-owned enterprises. He has extensive work experience in administrative management and human resource management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Fung Ka Pun, aged 74, 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 72, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr Lau is currently an independent non-executive director of China Jinmao Holdings Group Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property and Joy City Property Limited (Stock Code: 207). 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, Sun Hon Investment & Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominees & Secretarial Services Limited, Helicoin Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

Mr Cheung Doi Shu, aged 58, 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 2019 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, 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 2019, the Board comprised three executive directors and three independent non-executive directors.

For a list of directors during the year ended 31 December 2019 and up to the date of this annual report, please refer to page 75 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 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

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

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

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

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

CORPORATE GOVERNANCE REPORT

Training for Directors

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

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

During the year, the Company arranged training programme and provided training materials to the Directors with an emphasis on analysis of national economic and financial trend, development of Hong Kong's anti-money laundering regulations, overview of anti-corruption and prevention of bribery in Hong Kong and duties of Directors in corporate acquisitions and disposals. According to the records maintained by the Company, the Directors received trainings in the following areas:

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations	
	Read Materials	Attended Seminars/ Briefings
Executive Directors		
Li Feng	✓	✓
Zhu Chunxiu (resigned on 22 July 2019)	✓	✓
He Baiqing	✓	✓
Chen Jing	✓	✓
Independent Non-Executive Directors		
Fung Ka Pun	✓	✓
Lau Hon Chuen Ambrose	✓	✓
Cheung Doi Shu	✓	✓

Board Meetings

Number of Meetings and Directors' Attendance

In year 2019, the Board held 4 meetings. The attendance record of each member of the Board is set out below:

Directors	Attendance/Number of Meetings Board meetings	Annual General Meeting	Special General Meeting
Executive Directors			
Li Feng	3/4	0/1	1/1
Zhu Chunxiu (resigned on 22 July 2019)	2/4	1/1	N/A
He Baiqing	4/4	1/1	1/1
Chen Jing	3/4	1/1	0/1
Independent Non-Executive directors			
Fung Ka Pun	3/4	0/1	0/1
Lau Hon Chuen Ambrose	4/4	1/1	1/1
Cheung Doi Shu	4/4	1/1	1/1

Practices and Conduct of Meetings

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The position of the Chairman is held by Mr Li Feng 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 2019 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

During the year, 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. On 28 February 2020, Mr Li Feng was appointed as a member of the Remuneration Committee of the Company.

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

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

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

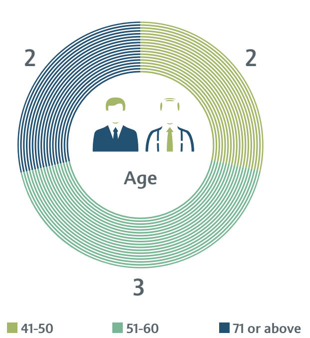
The Remuneration Committee met once during the year ended 31 December 2019 with 100% attendance to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

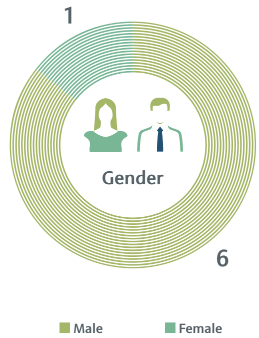
CORPORATE GOVERNANCE REPORT

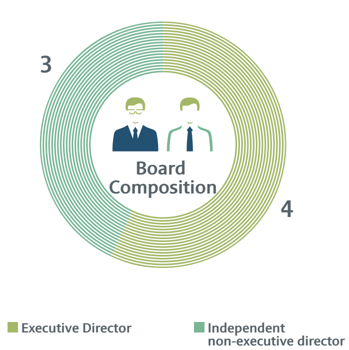
Nomination Committee

The Nomination Committee comprises one executive director, namely Mr Li Feng 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 Li Feng, the Chairman of the Board.

The role and function of the 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, the appointment or re-appointment of directors and succession planning for directors. In assessing the Board composition and the candidate proposed to the Nomination Committee for consideration, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board is currently comprised of diversified members, including 7 directors, one of whom is female (2018: 1). Four directors are experienced in finance, toll road construction/operation, financial and capital operations, and the other three directors, being the independent non-executive directors, contribute extensive experiences in the legal and compliance, acquisition and mergers as well as financial businesses to the Board. In order to ensure that the Board possesses experiences and skills relevant to its strategy and the ability and mindset to manage changes from time to time in new generation, the Nomination Committee formulates the following measurable objectives: gender, age, length of tenure, professional experience and knowledge (e.g. legal, accounting, establishment/ operation of highways, finance and capital management, etc.), reviews the diversity of the Board and makes proposal to the Board if necessary.







Process of appointment of directors

In accordance with the strategic needs of the Board, suitable candidates are identified for consideration by the Nomination Committee. The Nomination Committee would consider such candidates based on various factors such as the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service set out in the Board Diversity Policy. Recommendation will be made to the Board based on meritocracy and objective criteria, having due regard for the benefits of diversity on the Board. The Board will ultimately decide on the merits of the candidate and their potential contributions to the Board. New directors so appointed shall be re-elected at the Company's general meeting as required by the Articles of Association.

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

Members	Meetings Attended
Executive Director	
Li Feng (appointed on 22 July 2019)	N/A
Zhu Chunxiu (resigned on 22 July 2019)	1/1
Independent Non-Executive Directors	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

The Nomination Committee met once during the year ended 31 December 2019 to review the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

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.

CORPORATE GOVERNANCE REPORT

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 2019, 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 2019.

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 2019, the remuneration paid or payable to PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor), the external auditor of the Company in respect of audit related services amounted to approximately RMB2,924,000 and in respect of non-audit services fees amounted to RMB2,818,000.

RISK MANAGEMENT AND INTERNAL CONTROLS

Role of the Board

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

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

Risk management structural framework

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

Audit Committee of the Board

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

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

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

Management

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

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

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

Audit and risk management department

— Prepare and amend the risk appetite measures

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

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

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

Internal control system

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

CORPORATE GOVERNANCE REPORT

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 13 internal audit projects covering performance, off-office auditing, special projects auditing 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.

The Company is committed to maintaining a relatively stable and sustainable dividend policy. The dividend policy is based on the principle of balancing shareholders' expectations and maintaining the Company's sustainable development, with consideration of various factors, such as the current business position, future operations and income, and the financial position of the Company, current and future macroeconomic environment and development, capital needs and capital reserves, future major investment or acquisition plans, adjustments to industry policies and continuity of past dividend policies. Generally speaking, the total dividend of the Company for a year represents approximately 50% to 60% of the profit attributable to shareholder. During the period, the payout ratio was 51.5%. The Board will review and monitor the implementation of said policy from time to time to ensure its effectiveness and application.

CONSTITUTIONAL DOCUMENTS

The Company's Bye-Laws are available on the websites of the Company and the Stock Exchange. During 2019, 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 2019.

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 86.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2019:

	RMB'000
Interim dividend of HK$0.18 equivalent to approximately RMB0.16 per share paid on 29 November 2019	271,042
Proposed final dividend of HK$0.21 equivalent to approximately RMB0.19 per share	314,484
	585,526

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 May 2020 to Tuesday, 26 May 2020, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 26 May 2020, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 20 May 2020.

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

DONATIONS

During the year, charitable donations made by the Group amounted to approximately RMB705,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the section headed "Management Discussion And Analysis" on pages 22 to 55 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 24 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 2019 are set out in note 39 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the distributable reserves of the Company available for distribution amounted to RMB2,480,781,000 (2018: RMB2,832,698,000).

DIRECTORS

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

Executive directors
Mr Li Feng
Mr Zhu Chunxiu (resigned on 22 July 2019)
Mr He Baiqing
Ms Chen Jing
Mr Xie Yanhui (appointed on 28 February 2020)

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 59 to 61.

REPORT OF THE DIRECTORS

ROTATION AND RE-ELECTION OF DIRECTORS

Mr Fung Ka Pun and Mr Cheung Doi Shu retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr Xie Yanhui retires in accordance with Bye-Law 102 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONNECTED TRANSACTIONS

Framework Lease Agreement

On 6 January 2015, the Company entered into the framework lease agreement ("2015 Framework Lease Agreement") with Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("YX IFC"), which is a connected person of the Company by virtue of its being an indirect associate of Guangzhou Yue Xiu Holdings Limited, ultimate holding company of the Company, in respect of the lease of certain lettable premises of The Guangzhou International Finance Center, Guangzhou, PRC. The rent payable under the 2015 Framework Lease Agreement are subject to the annual caps of RMB13,200,000, RMB15,000,000 and RMB15,100,000 for the years ended 31 December 2015, 2016 and 2017 respectively.

On 28 December 2017, the Company entered into another framework lease agreement ("2017 Framework Lease Agreement") with YX IFC to renew the term of the 2015 Framework Lease Agreement, and pursuant to which the rent payable under the 2017 Framework Lease Agreement are subject to the annual caps of RMB17,000,000 for each of the years ending 31 December 2018, 2019 and 2020 respectively. During the year, approximately RMB10,903,000 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 36(b)(iii) to the consolidated financial statements.

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.

The Company entered into another bank deposits agreement with Chong Hing Bank on 28 December 2016 ("2016 Bank Deposits Agreement") 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. The Company entered into a new bank deposits master agreement with Chong Hing Bank on 2 May 2018 ("2018 Bank Deposits Agreement") to increase the annual caps in relation to the bank deposits, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB800 million, RMB1.2 billion and RMB1.5 billion for the years ending 31 December 2018, 2019 and 2020, respectively. The 2018 Bank Deposits Agreement has replaced the 2016 Bank Deposits Agreement with effect from 30 May 2018. As at 31 December 2019, the aggregate Bank balances deposited by the Group with Chong Hing Bank amounted to approximately RMB796,336,000. The maximum daily aggregate amount of outstanding deposits maintained by the Group with Chong Hing Bank for the year ended 31 December 2019 amounted to approximately RMB1,110,585,000. This transaction had also been disclosed as a related party transaction in note 36(c)(i) to the consolidated financial statements.

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

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

Other related party transactions disclosed in note 36(b)(i), (iv), (v), (vi), (xiii) and (xvii) 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.

On 20 June 2019, the Company entered into the two foreign exchange forward contracts with Yue Xiu to purchase HKD in the amount of HK$200 million and HK$300 million, respectively, with RMB on the terms stated therein, with a view to managing the Group's foreign exchange exposure in relation to the two principal repayments of (i) HK$200 million on 29 March 2021 and (ii) HK$300 million on 29 March 2022, respectively. As Yue Xiu is the controlling shareholder of the Company, it is a connected person of the Company.

REPORT OF THE DIRECTORS

On 12 September 2019, the Group entered into an agreement with Guangzhou Yue Xiu Enterprises (Holding) Limited ("GZYXE"), a wholly-owned subsidiary of the ultimate holding company (Guangzhou Yue Xiu Holdings Limited) ("GZYX"). The Group has conditionally agreed to acquire (i) 100% of the equity interest in Yuexiu (Hubei) Expressway Company Limited ("YXHB"), a company which holds the intangible operating rights of the Daguangnan Expressway, Han'e Expressway and 28.5% of equity interest of Hancai Expressway Company Limited ("Hancai"), (ii) 38.5% of the equity interest in Hancai, which holds the intangible operating right in the Hancai Expressway, and (iii) all the rights, benefits and title of and in the entire shareholder's loan owed by YXHB to GZYXE from 20 March 2019 under the unsecured 5-year loan facility up to RMB4,655 million at 6.5% per annum granted by the GZYXE to YXHB with the interest accrued thereon, at total consideration of approximately RMB5,975 million. The equity transfer and loan transfer was completed on 8 November 2019 and 3 December 2019 respectively.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2019 is set out in note 26 to the consolidated financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

The Company

Long positions in shares of the Company:

Name	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr He Baiqing	Personal	52,000	0.003
Mr 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 Li Feng	Personal	172,900	0.001
Mr Lau Hon Chuen Ambrose	Personal	4,841,200	0.031

Save as disclosed herein, as at 31 December 2019, 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 2019, 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:

Long positions in the shares of the Company

Name	Capacity in holding interest	Number of shares held	Approximate % of shareholding in shares
廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interest of controlled corporations	739,526,200	44.2
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") (Notes 1 & 2)	Beneficial owner and interest of controlled corporations	739,526,200	44.2
Grace Lord Group Limited (Note 2)	Beneficial owner	303,159,087	18.12
Housemaster Holdings Limited (Note 2)	Beneficial owner	367,500,000	21.96
Matthews International Capital Management, LLC	Investment manager	116,934,000	6.98

Notes:

(1) The entire issued shares of Yue Xiu is owned by 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited). By virtue of the SFO, 廣州越秀集團股份有限公司 (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.

(2) Yue Xiu was interested in an aggregate of 739,526,200 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 739,517,547 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.

REPORT OF THE DIRECTORS

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 and Registered Public Interest Entity Auditor, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Li Feng
Chairman

Hong Kong, 6 March 2020

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 86 to 181, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Amortisation of intangible operating rights and impairment assessment of intangible operating rights and goodwill *Refer to notes 4(a), 4(b), 13 and 14 in the consolidated financial statements.* The Group has intangible operating rights of RMB32,369 million, goodwill of RMB633 million and deferred tax liabilities of RMB2,658 million relating to business acquisitions in obtaining those intangible operating rights in previous years and current year. Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the operating period of the intangible operating rights (the "IOR amortisation calculations"). This projected total traffic volume estimation takes into account the historical operating information, the expected development of the toll road and its adjacent traffic network and where applicable, independent professional traffic studies prepared by traffic consultants which require significant management judgement and estimates. Management has assessed the recoverable amount of the goodwill and intangible operating rights by preparing impairment assessments based on value in use and fair value less costs of disposal calculation. 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 suitable discount rates in order to calculate the present value. This requires significant management judgement with respect to the use of discount rates and the underlying cash flows, in particular future revenue growth and capital expenditure.	Our procedures in relation to management's estimation of projected total traffic volume and impairment assessments included: — Understanding the procedures taken by management in estimating the projected total traffic volume of the intangible operating rights and assessing the reasonableness of such estimation; — Where traffic studies prepared by traffic consultant has been used and referenced by management, performing evaluation of the independent external traffic consultants' qualifications, competence, capabilities and objectivity; — Evaluating the process by which the management's future cash flow forecasts and impairment assessments were prepared; — Assessing the methodologies used, the appropriateness of the key assumptions based on our knowledge of the industry and using our in-house valuation experts; — Checking input data to supporting evidence, such as historical financial information, approved budgets and considering the reasonableness of these budgets; — Checking the mathematical accuracy of the management's IOR amortisation calculations, the value in use and fair value less costs of disposal calculations in the management's impairment assessments; and — 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. We found the assumptions made by management in relation to the aforesaid IOR amortisation calculations, value in use and fair value less costs of disposal calculations to be supportable based on available evidence.

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.

INDEPENDENT AUDITOR'S REPORT

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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 6 March 2020

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue		**3,023,221**	2,847,073
Cost of services	7,8	**(1,011,137)**	(834,092)
Construction income under service concession upgrade services	33	**298,276**	120,440
Construction costs under service concession upgrade services	33	**(298,276)**	(120,440)
Other income, gains and losses - net	6	**179,374**	40,635
General and administrative expenses	7,8	**(271,819)**	(225,113)
Operating profit		**1,919,639**	1,828,503
Finance income	9	**40,800**	128,911
Finance costs	9	**(411,217)**	(477,235)
Share of result of a joint venture	18	**88,739**	87,023
Share of results of associates	19	**262,484**	324,453
Profit before income tax		**1,900,445**	1,891,655
Income tax expense	10	**(305,402)**	(479,974)
Profit for the year		**1,595,043**	1,411,681
Attributable to:			
Shareholders of the Company		**1,137,590**	1,054,135
Non-controlling interests		**457,453**	357,546
		1,595,043	1,411,681
Earnings per share for profit attributable to the shareholders of the Company			
		RMB	RMB
Basic and diluted earnings per share	11	**0.6799**	0.6300

The notes on pages 93 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

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

The notes on pages 93 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights	13	**32,369,121**	17,419,156
Goodwill	14	**632,619**	632,619
Property, plant and equipment	15(a)	**52,321**	83,297
Investment properties	16	**39,923**	38,538
Right-of-use assets	15(b)	**10,528**	—
Investment in a joint venture	18	**471,055**	454,272
Investments in associates	19	**1,399,621**	1,474,846
Derivative financial instruments	20	**1,697**	—
Other non-current receivables	21	**22,916**	45,883
		34,999,801	20,148,611
Current assets			
Trade receivables	22	**175,028**	122,211
Other receivables, deposits and prepayments	22	**160,255**	70,998
Amount due from an associate	36	**27,729**	4,708
Cash and cash equivalents	23	**1,435,062**	2,393,222
		1,798,074	2,591,139
Total assets		**36,797,875**	22,739,750
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	24	**147,322**	147,322
Reserves	25	**10,424,333**	9,924,549
		10,571,655	10,071,871
Non-controlling interests		**3,057,095**	2,335,708
Total equity		**13,628,750**	12,407,579

As at 31 December 2019

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	**14,134,151**	5,080,996
Notes payable	29	**996,522**	—
Corporate bonds	30	**1,907,554**	1,497,554
Contract liabilities and deferred revenue	27	**351,213**	83,030
Deferred income tax liabilities	28	**3,244,298**	2,086,455
Lease liabilities	15(b)	**350**	—
		20,634,088	8,748,035
Current liabilities			
Borrowings	26	**1,305,148**	511,249
Corporate bonds	30	**—**	498,068
Amount due to a non-controlling interest of a subsidiary	36	**1,611**	1,611
Amounts due to holding companies	36	**331**	679
Amount due to a joint venture	36	**2,490**	25,195
Trade and other payables and accrued charges	31	**1,115,038**	452,331
Contract liabilities and deferred revenue	27	**22,309**	8,886
Lease liabilities	15(b)	**10,488**	—
Current income tax liabilities		**77,622**	86,117
		2,535,037	1,584,136
Total liabilities		**23,169,125**	10,332,171
Total equity and liabilities		**36,797,875**	22,739,750

The financial statements on pages 86 to 181 were approved by the Board of Directors on 6 March 2020 and were signed on its behalf

Li Feng
Director

He Baiqing
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	2,429,237	2,456,605
PRC enterprise income tax and withholding tax paid		(383,092)	(359,735)
Refund of PRC enterprise income tax	10(b)	95,916	—
Net cash generated from operating activities		2,142,061	2,096,870
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	35	(5,841,584)	—
Payments of construction costs under service concession upgrade services		(120,740)	(77,573)
Investment in an associate		—	(2,250)
Proceeds from compensation arrangements		25,420	23,540
Proceeds from disposal of property, plant and equipment		86	293
Purchase of property, plant and equipment		(4,729)	(15,472)
Dividends received from associates		328,616	384,609
Dividend received from a joint venture		71,956	—
Decrease of short-term bank deposits, net		—	115,732
Interest received		28,167	43,565
Net cash (used in)/generated from investing activities		(5,512,808)	472,444
Cash flows from financing activities	32(b)		
Proceeds from bank borrowings		5,453,000	833,490
Proceeds from issuance of notes	29	996,430	—
Proceeds from loan from a joint venture		52,500	94,500
Repayment of bank borrowings		(1,833,061)	(1,255,900)
Payment of bank facility fees		(4,420)	(16,467)
Repayment of corporate bonds		(90,000)	—
Repayment of Euro notes		—	(1,522,980)
Repayment of loan from a fellow subsidiary		(850,000)	—
Repayment of loans from non-controlling interests of subsidiaries		(28,119)	(5,727)
Dividends paid to the shareholders of the Company		(617,265)	(528,427)
Dividends paid to non-controlling interests		(351,586)	(294,394)
Interest paid		(302,019)	(373,991)
Payment for lease liabilities (including interest)		(11,807)	—
Net cash generated from/(used in) financing activities		2,413,653	(3,069,896)
Net decrease in cash and cash equivalents		(957,094)	(500,582)
Cash and cash equivalents at 1 January		2,393,222	2,842,452
Effects of exchange rate changes on cash and cash equivalents		(1,066)	51,352
Cash and cash equivalents at 31 December	23	1,435,062	2,393,222

The notes on pages 93 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2019	147,322	9,924,549	2,335,708	12,407,579
Comprehensive income				
Profit for the year	–	1,137,590	457,453	1,595,043
Other comprehensive income				
Currency translation differences	–	(164)	–	(164)
Release of currency translation differences upon liquidation of a subsidiary	–	(18,000)	–	(18,000)
Cash flow hedges – movement in hedging reserve	–	(2,377)	–	(2,377)
Total other comprehensive income	–	(20,541)	–	(20,541)
Total comprehensive income	–	1,117,049	457,453	1,574,502
Transactions with owners				
Acquisition of subsidiaries (note 35)	–	–	615,520	615,520
Dividends to the shareholders of the Company	–	(617,265)	–	(617,265)
Dividends to non-controlling interests	–	–	(351,586)	(351,586)
Total transactions with owners	–	(617,265)	263,934	(353,331)
Balance at 31 December 2019	147,322	10,424,333	3,057,095	13,628,750

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2018	147,322	9,397,526	2,272,556	11,817,404
Comprehensive income				
Profit for the year	—	1,054,135	357,546	1,411,681
Other comprehensive income				
Currency translation differences	—	1,315	—	1,315
Total other comprehensive income	—	1,315	—	1,315
Total comprehensive income	—	1,055,450	357,546	1,412,996
Transactions with owners				
Dividends to the shareholders of the Company	—	(528,427)	—	(528,427)
Dividends to non-controlling interests	—	—	(294,394)	(294,394)
Total transactions with owners	—	(528,427)	(294,394)	(822,821)
Balance at 31 December 2018	147,322	9,924,549	2,335,708	12,407,579

The notes on pages 93 to 181 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, Hubei and other high-growth provinces in the People's Republic of China (the "PRC").

The Company is an exempted Company incorporated under the laws of Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business in Hong Kong is 17A, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

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

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 6 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

(i) Compliance with HKFRSs and HKCO

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

(ii) Going concern consideration

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

(iii) Historical cost convention

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) *Basis of preparation (Continued)*

(iv) New standards, amendments to standards and interpretation

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

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

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

HKFRS 16 "Leases" – Impact of adoption

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

HKFRS 16 "Leases" – Impact of adoption (Continued)

i) Measurement of lease liabilities

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

(ii) Measurement of right-of-use assets

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

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

The adjustments are summarised below:

Consolidated balance sheet (extract)	31 December 2018 As originally presented RMB'000	Effect of adoption of HKFRS 16 RMB'000	1 January 2019 restated RMB'000
Non-current assets			
Right-of-use assets	—	21,669	21,669
Non-current liabilities			
Lease liabilities	—	11,356	11,356
Current liabilities			
Lease liabilities	—	10,313	10,313
	—	21,669	21,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

HKFRS 16 "Leases" – Impact of adoption (Continued)

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

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) *Basis of preparation (Continued)*

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

HKFRS 16 "Leases" – Impact of adoption (Continued)

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

(ii) Associates

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

(iii) Joint arrangements

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

Joint ventures

Interests in joint ventures are accounted for using the equity method (note 2(b)(iv)), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity accounting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iv) Equity accounting (Continued)

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

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

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

(v) Changes in ownership interests

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

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

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

(vi) Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(vi) Business combinations (Continued)

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

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

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

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

(c) Separate financial statements

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

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

(d) Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement "finance income/costs". All other foreign exchange gains and losses are presented in the income statement within "Other income, gains and losses – net".

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

(f) Intangible operating rights

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for operating periods of 18 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".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) *Intangible operating rights (Continued)*

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

(g) *Goodwill*

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

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

(h) *Property, plant and equipment*

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

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (Continued)

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

(i) Investment properties

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

(j) Impairment of investments in non-financial assets

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

(k) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investments and other financial assets (Continued)

(i) Classification (Continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

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

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

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other income, gains and losses – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other income, gains and losses – net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other income, gains and losses – net" and impairment expenses are presented as separate line items in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other income, gains and losses – net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "Other income, gains and losses – net" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other income, gains and losses – net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(l) Impairment of financial assets at amortised costs

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 20. Movements in the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other gains/(losses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Derivatives and hedging activities (Continued)

(i) Cash flow hedge that qualify for hedge accounting (Continued)

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within OCI in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income, gains and losses - net.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade receivables

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

(o) Cash and cash equivalents

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

(p) Share capital

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

(q) Trade and other payables

Trade and other payables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components and subsequently measured at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period.

(r) Borrowings and borrowing costs

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

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.

General and specific borrowing costs that are directly attributable to the acquisition or construction of highways, bridges and ports are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Notes payable

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

(t) Corporate bonds

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

(u) Current and deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Current and deferred income tax *(Continued)*

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

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

(v) Provisions

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

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

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

(w) Leases

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. The respective leased assets are included in the consolidated balance sheet based on their nature.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (where applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(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.

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the service may be transferred over time or at a point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue recognition *(Continued)*

Control of the service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

(i) Toll revenue from road and bridge operations is recognised at a point in time when the related services are provided.

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

(iii) Construction income generated from construction and upgrade services rendering by the Group is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of year as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Dividend distribution, dividend income and interest income

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.

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

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

(aa) Contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer.

(ab) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

As at 31 December 2019	**Denominated in Hong Kong dollars ("HKD") RMB'000**	**Denominated in United States dollar ("USD") RMB'000**	**Total RMB'000**
Cash and cash equivalents	**13,843**	**28**	**13,871**
Other receivables	**421**	**—**	**421**
Other payable	**(182)**	**6,976**	**(7,158)**
Bank borrowings	**(445,531)**	**—**	**(445,531)**

As at 31 December 2018	Denominated in Hong Kong dollars ("HKD") RMB'000	Denominated in United States dollar ("USD") RMB'000	Total RMB'000
Cash and cash equivalents	31,719	28	31,747
Other payable	(14,308)	—	(14,308)
Bank borrowings	(431,336)	—	(431,336)

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 2019, the following foreign-exchange related amounts were recognised in consolidated income statement and consolidated statement of comprehensive income:

	2019 RMB'000	2018 RMB'000
Amounts recognised in consolidated income statement		
Net other exchange (loss)/gain	(6,676)	42,988
Net exchange loss on bank borrowings and Euro notes included in finance income/costs	(9,742)	(39,465)
Net foreign exchange (loss)/gain recognised in profit before income tax for the year	(16,418)	3,523
Amount recognised in other comprehensive income		
Currency translation differences	(164)	1,315
Release of currency translation differences upon liquidation of a subsidiary	(18,000)	
Cash flow hedges – movement in hedging reserve	(2,377)	—
Net (loss)/gain recognised in other comprehensive income (note 25)	(20,541)	1,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2019, the Group has entered into forward contracts with notional principal amounts of HKD500,000,000 in order to mitigate the foreign exchange rate risk arising from foreign currency bank borrowing.

The conversion of RMB into HKD is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2019, if HKD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB360,000 higher/lower (2018: RMB20,691,000 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 main interest rate risk arises from bank balances, borrowings, notes payable and corporate bonds. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balance held at variable rates. Borrowings, notes payable and corporate bonds 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 and corporate bonds at fixed rates. During 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in RMB and HKD.

At 31 December 2019, 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 RMB47,166,000 (2018: RMB11,627,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amounts of cash and cash equivalents, other non-current receivables, trade receivables, other receivables, deposits and prepayments, and amount due from an associate represent the Group's maximum exposure to credit risk in relation to its financial assets. The credit risk for bank deposits and bank balances is minimal as such balances are placed with state-owned banks or listed banks, and 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 RMB50.4 million (2018: RMB71.3 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 21), which is of minimal risk taking into account the relationship and financial ability of the counter-party.

The Group applies simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables with an insignificant expected loss rate applied. The counterparty of the trade receivables are PRC Government and hence the expected credit loss is minimal. Trade receivables of the Group continue to be recognised at amortised cost.

Impairment on other receivables, deposits and prepayments and amount due from an associate are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk have occurred since initial recognition, the impairment is measured as lifetime expected credit losses.

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.

(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 (see also Note 2(a)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

(a) all non-derivative financial liabilities, and

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

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

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
Contractual maturities of financial liabilities							
As at 31 December 2019							
Borrowings	–	2,042,539	1,861,063	7,451,891	7,662,934	19,018,427	15,439,299
Notes payable	–	35,800	35,800	1,032,759	–	1,104,359	996,522
Corporate bonds	–	65,310	1,941,910	–	–	2,007,220	1,907,554
Amounts due to holding companies	331	–	–	–	–	331	331
Amount due to a joint venture	2,490	–	–	–	–	2,490	2,490
Amount due to a non-controlling interest of a subsidiary	1,611	–	–	–	–	1,611	1,611
Trade and other payables and accrued charges	–	969,557	–	–	–	969,557	969,557
Lease liabilities	–	10,880	370	–	–	11,250	10,838
	4,432	3,124,086	3,839,143	8,484,650	7,662,934	23,115,245	19,328,202

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 *Financial risk factors (Continued)*

(c) Liquidity risk (Continued)

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
Contractual maturities of financial liabilities							
As at 31 December 2018							
Borrowings	–	738,769	532,374	1,891,393	3,963,645	7,126,181	5,592,245
Corporate bonds	–	563,450	49,100	1,549,100	–	2,161,650	1,995,662
Amounts due to holding companies	679	–	–	–	–	679	679
Amount due to a joint venture	25,195	–	–	–	–	25,195	25,195
Amount due to a non-controlling interest of a subsidiary	1,611	–	–	–	–	1,611	1,611
Trade and other payables and accrued charges	–	357,198	–	–	–	357,198	357,198
	27,485	1,659,417	581,474	3,440,493	3,963,645	9,672,514	7,972,590

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 and lease liabilities less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 *Capital risk management (Continued)*

The gearing ratio is calculated as follows:

	2019 RMB'000	2018 RMB'000
Borrowings	**15,439,299**	5,592,245
Notes payable	**996,522**	—
Corporate bonds	**1,907,554**	1,995,622
Amount due to a joint venture	**2,490**	25,195
Lease liabilities	**10,838**	—
Total debt	**18,356,703**	7,613,062
Less: cash and cash equivalents	**(1,435,062)**	(2,393,222)
Net debt	**16,921,641**	5,219,840
Total equity	**13,628,750**	12,407,579
Total capital	**30,550,391**	17,627,419
Gearing ratio	**55.4%**	29.6%

The increase in the gearing ratio during 2019 primarily resulted from the increase in borrowings due to acquisition of subsidiaries and issuance of Notes during the year.

3.3 *Fair value estimation*

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation *(Continued)*

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

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

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 2019				
Derivative financial instruments	—	1,697	—	1,697
As at 31 December 2018				
Derivative financial instruments	—	—	—	—

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. The fair values of foreign currency forwards contracts are calculated as the present value of the estimated future cash flows based on forward exchange rate at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 and 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 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Other non-current receivables	**22,916**	45,883	**25,123**	49,457
Non-current borrowings	**14,134,151**	5,080,996	**14,393,538**	4,815,530
Notes payable	**996,522**	—	**1,001,584**	—
Corporate bonds	**1,907,554**	1,497,554	**1,911,024**	1,481,530

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of goodwill and intangible operating rights

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

For the current financial year, the average daily toll traffic volume and average daily toll revenue of Cangyu Expressway (an independent cash generating unit ("CGU")) has recorded a year-on-year decrease, which is mainly due to the impact of diversion upon commencement of operation of Wuzhou Huancheng Expressway and the partially closure of Yunwu Expressway. The Group has performed an impairment assessment on the intangible operating right of Guangxi Yuexiu Cangyu Expressway Company Limited ("Cangyu"), a wholly-owned subsidiary which operates Cangyu Expressway, and the goodwill allocated to Cangyu with carrying amounts of RMB418,246,000 and RMB35,697,000 respectively. The recoverable amount of the related intangible operating right and goodwill was determined by measuring the fair value less costs of disposal which is higher than value-in-use. It was derived from a discounted cash flow model over the remaining concession period of Cangyu Expressway with key assumptions including the revenue growth rates and the discount rates and was categorised as a level 3 measurement. The revenue growth rates were projected by an independent traffic consultant based on traffic survey, historic traffic data, historic economic indices and expected toll network development at nearby areas. The discount rate was determined by management with reference to risk-free rate, data of toll road operators, market risk premium, lack of marketability discount and other specific adjustments applicable to the Group. The estimated revenue growth rates over the remaining operating period of Cangyu Expressway range from -18% to 41% and the discount rate adopted was 8.5%. The result of the impairment assessment indicates a minimum headroom remained as of 31 December 2019. 1 percentage point decrease in estimated revenue growth rate would decrease the recoverable amount by approximately RMB6,650,000. An increase in the discount rate of 0.5 percentage point, would decrease the recoverable amount by approximately RMB10,022,000. These sensitivities are based on a change in the relevant assumption while holding other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Impairment of goodwill and intangible operating rights (continued)

Other than the CGU of Canyu Expressway as mentioned above, the recoverable amounts of the remaining CGUs (with goodwill being allocated) exceeded their respective carrying amounts with reasonable headroom.

The abovementioned impairment assessments are conducted based on the conditions as of 31 December 2019 and the impact of any non-adjusting subsequent events will be considered in 2020.

(b) Amortisation of intangible operating rights

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

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around -18% to 41% (excluding the growth rates in the year of performing significant repair and maintenance).

(c) Current income tax and deferred income tax

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

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

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 16.

5 SEGMENT INFORMATION

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

5 SEGMENT INFORMATION (CONTINUED)

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

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

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

6 OTHER INCOME, GAINS AND LOSSES - NET

	2019 RMB'000	2018 RMB'000
Fair value gain on investment properties (note 16)	842	960
Gain/(loss) on disposal of property, plant and equipment	111	(137)
Compensation for expressways and bridges damages	5,244	10,974
Compensation from contractors relating to termination of construction contracts	—	25
Compensation from government (note a)	54,308	—
Handling income from toll fee collection	980	4,964
Management service income	2,234	1,805
Income from service area and gas station	24,952	18,392
Gain on liquidation of a subsidiary (note b)	37,689	—
Government subsidy (note c)	37,988	—
Others	15,026	3,652
	179,374	40,635

Notes:

(a) The amount mainly represents compensation from government on requisition of land and demolishment of plants and other greening facilities.

(b) In November 2019, the Group has completed the voluntary liquidation of a subsidiary, Shaanxi Jinxiu Transport Co. Limited, resulting in a gain on liquidation of approximately RMB37,689,000.

(c) The amount represents an one-off non-assets related government subsidy received from the Guangzhou Municipal Bureau of Commerce in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

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

	2019 RMB'000	2018 RMB'000
Taxes and surcharges	**14,949**	13,806
Amortisation of intangible operating rights (note 13)	**640,588**	557,882
Depreciation of		
– Property, plant and equipment (note 15(a))	**17,278**	15,182
– Right-of-use assets (note 15(b))	**11,141**	—
Employee benefit expense (note 8)	**331,841**	252,695
Toll highways and bridges maintenance expenses	**104,177**	76,772
Toll highways and bridges operating expenses	**96,780**	82,398
Auditor's remuneration		
- Audit services	**2,924**	2,818
- Non-audit services	**5,787**	2,287
Legal and professional fee	**24,309**	13,877

8 EMPLOYEE BENEFIT EXPENSE

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

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

8 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

Notes:

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

Subsidiaries of the Company in the PRC are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal People's Governments.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2018: four) directors whose emoluments are reflected in the analysis shown in note 38. The emoluments payable to the remaining two (2018: one) individual(s) during the year amounted to RMB3,260,000 (2018: RMB1,280,000), which include(s) salaries of RMB1,150,000 (2018: RMB595,000) and discretionary bonuses of RMB2,110,000 (2018: RMB685,000).

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in HK dollar)		
HKD1,000,001 - HKD1,500,000	**—**	1
HKD1,500,001 – HKD2,000,000	**2**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCE INCOME/COSTS

	2019 RMB'000	2018 RMB'000
Bank interest income	28,168	43,564
Interest income on other non-current receivables	5,932	4,886
Net other exchange gain	—	42,988
Exchange gain on Euro notes	—	37,473
Others	6,700	—
Finance income	40,800	128,911
Interest expenses:		
– Bank borrowings	(275,762)	(269,113)
– Other borrowing	(6,918)	—
– Bank facility fees	(5,035)	(2,619)
– Loan from a joint-venture	(5,128)	—
– Loans from non-controlling interests of certain subsidiaries	(1,155)	(198)
– Loan from the ultimate holding company	—	(593)
– Loan from a fellow subsidiary	(22,921)	—
– Notes payable (note 29)	(3,035)	(11,299)
– Corporate bonds (note 30)	(67,727)	(65,809)
– Lease liabilities	(976)	—
– Others	(6,142)	—
Fair value loss on derivative financial instruments	—	(50,666)
Exchange loss on bank borrowings	(9,742)	(76,938)
Net other exchange loss	(6,676)	—
Finance costs	(411,217)	(477,235)

10 INCOME TAX EXPENSE

(a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable income subject to Hong Kong profits tax during the year (2018: Nil).

(b) During the year ended 31 December 2019, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and joint venture in the PRC in accordance with the Corporate Income Tax Law of China. The applicable principal income tax rate for the year ended 31 December 2019 is 25% (2018: 25%). Guangzhou North Second Ring Transport Technology Company Limited ("GNSR"), a subsidiary of the Group, has been recognised as an eligible entity in 2019 to enjoy three years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, starting from 2018. Since GNSR has already settled the income tax at 25% for 2018, the Group has recognised the tax refund of RMB95,916,000 during the period ended 31 December 2019. Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy eight years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, starting from 2013.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2018: 5% or 10%).

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

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

	2019 **RMB'000**	2018 RMB'000
Current income tax		
PRC enterprise income tax	**388,398**	382,002
Refund of PRC enterprise income tax (note b)	**(95,916)**	—
	292,482	382,002
Deferred income tax (note 28)	**12,920**	97,972
	305,402	479,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE (CONTINUED)

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

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

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

Notes:

(i) Two subsidiaries of the Group enjoy three years' and eight years' preferential tax treatment of income tax respectively, at a preferential income tax rate of 15%.

(ii) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB193,621,000 (2018: RMB66,219,000) in respect of unused losses amounting to approximately RMB774,484,000 (2018: RMB264,876,000). Unused tax losses of approximately RMB297,411,000 (2018: RMB116,642,000) will be expired in 1 year and the remaining unused tax losses will be expired prior to 2023.

11 EARNINGS PER SHARE

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

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

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

12 DIVIDENDS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTANGIBLE OPERATING RIGHTS

	RMB'000
Year ended 31 December 2019	
Opening net book amount	17,419,156
Additions	249,072
Acquisition of subsidiaries (note 35)	15,303,768
Transfer	37,713
Amortisation	(640,588)
Closing net book amount	32,369,121
At 31 December 2019	
Cost	37,230,883
Accumulated amortisation and impairment loss	(4,861,762)
Net book amount	32,369,121
Year ended 31 December 2018	
Opening net book amount	17,915,044
Additions	61,994
Amortisation	(557,882)
Closing net book amount	17,419,156
At 31 December 2018	
Cost	21,640,330
Accumulated amortisation and impairment loss	(4,221,174)
Net book amount	17,419,156

Amortisation of intangible operating rights is included in the cost of services in the consolidated income statement.

At 31 December 2019, toll highway operating rights with net book amount of RMB28,326,021,000 (2018: RMB13,199,484,000) were pledged to secure the Group's bank borrowings.

14 GOODWILL

	2019 RMB'000	2018 RMB'000
At 1 January and at 31 December	632,619	632,619

Goodwill is allocated to the Group's six cash-generating units ("CGUs") 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 and 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 annual traffic growth rates ranged from -18% to 41% (excluding the growth rates in the year of performing significant repair and maintenance, which is similar to industry practice).

Key assumptions and considerations used in the calculations included estimated traffic growth, vehicle types of the toll expressways and highway operation and discount rate. 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 8.1% to 13%. The specific risks underlying the toll highways industry are incorporated in the calculations. A reasonably possible change in a key assumption would not cause the recoverable amounts to fall below the carrying amounts of the respective CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15(a) PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2019					
Opening net book amount	428	21,155	55,099	6,615	83,297
Exchange differences	9	92	2	—	103
Additions	—	—	20,023	4,515	24,538
Transfer	—	(17,045)	(20,668)	—	(37,713)
Disposals	—	—	(3,668)	(84)	(3,752)
Acquisition of subsidiaries (note 35)	—	—	1,777	1,349	3,126
Depreciation	(16)	(715)	(14,678)	(1,869)	(17,278)
Closing net book amount	421	3,487	37,887	10,526	52,321
At 31 December 2019					
Cost	479	18,083	104,565	21,277	144,404
Accumulated depreciation	(58)	(14,596)	(66,678)	(10,751)	(92,083)
Net book amount	421	3,487	37,887	10,526	52,321
Year ended 31 December 2018					
Opening net book amount	422	21,633	58,470	6,948	87,473
Exchange differences	21	197	55	—	273
Additions	—	—	9,259	1,972	11,231
Disposals	—	—	(111)	(387)	(498)
Depreciation	(15)	(675)	(12,574)	(1,918)	(15,182)
Closing net book amount	428	21,155	55,099	6,615	83,297
At 31 December 2018					
Cost	469	39,773	172,310	16,986	229,538
Accumulated depreciation	(41)	(18,618)	(117,211)	(10,371)	(146,241)
Net book amount	428	21,155	55,099	6,615	83,297

Note:

As 31 December 2019, no property, plant and equipment were pledged to secure the Group's bank borrowings (2018: Nil).

15(b) LEASES

This note provides information for leases where the Group is a lessee:

(i) *Amounts recognised in the consolidated balance sheet*

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
– Properties	10,528	21,669
Lease liabilities		
Current	10,488	10,313
Non-current	350	11,356
	10,838	21,669

There are no additions to the right-of-use assets during the 2019 financial year.

(ii) *Amounts recognised in the consolidated income statement*

The consolidated income statement includes the following amounts relating to leases:

	2019 RMB'000	2018 RMB'000
Depreciation charge of right-of-use assets	11,141	—
Interest expense (included in finance costs)	976	—

(iii) *The total cash outflow for leases in 2019 was RMB11,807,000.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
At 1 January	38,538	36,484
Exchange differences	543	1,094
Fair value gain (Note 6)	842	960
At 31 December	39,923	38,538

Independent valuations of the Group's investment properties were performed by the valuers, C S Surveyors Limited and Vigers Appraisal and Consulting Limited, to determine the fair value of the investment properties as at 31 December 2019 and 2018. 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 6).

Description	**Fair value measurements using significant unobservable inputs (Level 3)**	
	2019 RMB'000	2018 RMB'000
Recurring fair value measurements		
Investment properties:		
- Office units - PRC	15,020	14,530
- Office units - Hong Kong	17,916	17,524
- Residential units - Hong Kong	6,987	6,484
	39,923	38,538

The Group's policy is to recognise transfers in/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 (2018: Nil).

16 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2019		
	Office units - PRC RMB'000	Office units - Hong Kong RMB'000	Residential units - Hong Kong RMB'000
Opening balance	14,530	17,524	6,484
Net gains from fair value adjustment	490	—	352
Exchange difference	—	392	151
Closing balance	15,020	17,916	6,987
Total changes in unrealised gains for the year as included in profit or loss for assets held at the end of the year	490	—	352

	Year ended 31 December 2018		
	Office units - PRC RMB'000	Office units - Hong Kong RMB'000	Residential units - Hong Kong RMB'000
Opening balance	14,500	15,883	6,101
Net gains from fair value adjustment	30	845	85
Exchange difference	—	796	298
Closing balance	14,530	17,524	6,484
Total changes in unrealised gains for the year as included in profit or loss for assets held at the end of the year	30	845	85

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group's investment properties at 31 December 2019 and 2018 were valued 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.

The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purposes. The Group's finance department reports directly to the senior management. At each year end, the finance department verifies all major inputs to the independent valuation report; assesses property valuation movements when compared to the prior year valuation report; and holds discussions with the independent valuer.

Valuation techniques

For office and residential units in the PRC and Hong Kong, the valuation was determined using the direct comparison approach. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted in close proximity and are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter/foot.

There were no changes in valuation techniques during the year and all investment properties are included in level 3 fair value hierarchy as at 31 December 2019.

Description	Fair value at 31 December 2019 (RMB'000)	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office units - PRC	15,020 (2018: 14,530)	Direct comparison approach	Adjusted average price per square meter	RMB10,476 – RMB10,959 per square meter	The higher the adjusted average price per square meter, the higher the fair value
Office units - Hong Kong	17,916 (2018: 17,524)	Direct comparison approach	Adjusted average price per square foot	RMB18,657 – RMB20,833 per square foot	The higher the adjusted average price per square foot, the higher the fair value
Residential units - Hong Kong	6,987 (2018: 6,484)	Direct comparison approach	Adjusted average price per square foot	RMB6,772 – RMB8,438 per square foot	The higher the adjusted average price per square foot, the higher the fair value

17 SUBSIDIARIES

(a) *Subsidiaries*

Details of the principal subsidiaries of the Company are set out in note 39.

(b) *Material non-controlling interests*

As at 31 December 2019, the total non-controlling interests were RMB3,057,095,000 (2018: RMB2,335,708,000).

Summarised balance sheet

Name of subsidiary with material non-controlling interests	Percentage of equity interests held by non-controlling interests 31 December 2019	31 December 2018	Non-controlling interests 31 December 2019 RMB'000	31 December 2018 RMB'000
Guangzhou North Second Ring Transport Technology Company Limited	40%	40%	1,217,701	1,203,867
Hubei Suiyuenan Expressway Company Limited	30%	30%	1,020,967	924,307
Tianjin Jinfu Expressway Company Limited	40%	40%	201,646	204,194
Hubei A'shennan Expressway Development Company	10%	N/A	206,383	N/A
Hancai Expressway Company Limited of Hubei Province	33%	N/A	409,361	N/A

17 SUBSIDIARIES (CONTINUED)

(b) *Material non-controlling interests*

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

Summarised balance sheet

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited		Hubei A'shennan Expressway Development Company Limited		Hancai Expressway Company Limited of Hubei Province	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Current										
Assets	639,715	484,573	358,475	640,718	59,750	74,893	122,741	–	28,590	–
Liabilities	(221,437)	(234,753)	(169,096)	(102,855)	(9,772)	(12,577)	(2,529,003)	–	(956,800)	–
Total net current assets/(liabilities)	418,278	249,820	189,379	537,863	49,978	62,316	(2,406,262)	–	(928,210)	–
Non-current										
Assets	3,171,219	3,328,862	6,061,574	6,146,103	462,278	483,992	7,207,518	–	3,848,842	–
Liabilities	(547,352)	(571,120)	(2,808,786)	(3,602,944)	(133,765)	(161,448)	(2,723,104)	–	(1,691,460)	–
Total net non-current assets	2,623,867	2,757,742	3,252,788	2,543,159	328,513	322,544	4,484,414	–	2,157,382	–
Net assets	3,042,145	3,007,562	3,442,167	3,081,022	378,491	384,860	2,078,152	–	1,229,172	–

17 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests *(Continued)*

Summarised income statement

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited		Hubei A'shennan Expressway Development Company Limited		Hancai Expressway Company Limited of Hubei Province	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**1,217,130**	1,160,581	**687,671**	667,206	**92,668**	95,614	**57,292**	—	**31,631**	—
Profit/(loss) before income tax	**927,521**	849,262	**429,370**	398,255	**19,625**	31,426	**(14,311)**	—	**(3,344)**	—
Income tax (expense)/credit	**(35,008)**	(213,263)	**(107,171)**	(85,489)	**(4,960)**	(8,135)	**(2,675)**	—	**2,195**	—
Profit/(loss) and total comprehensive income	**892,513**	635,999	**322,199**	312,766	**14,665**	23,291	**(16,986)**	—	**(1,149)**	—
Total comprehensive income/(loss) attributable to non-controlling interests	**357,005**	254,399	**96,660**	93,830	**5,866**	9,316	**(1,699)**	—	**(379)**	—
Dividends declared to non-controlling interests	**343,172**	287,219	**—**	—	**8,414**	7,175	**—**	—	**—**	—

17 SUBSIDIARIES (CONTINUED)

(b) *Material non-controlling interests (Continued)*

Summarised cash flows

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuenan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited		Hubei A'shennan Expressway Development Company Limited		Hancai Expressway Company Limited of Hubei Province	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cash flows from operating activities										
Cash generated from operations	1,067,377	1,143,420	772,058	656,272	58,285	70,244	50,598	—	17,931	—
Income tax paid	(79,725)	(233,957)	(73,877)	(24,030)	(7,749)	(7,168)	—	—	—	—
Income tax refunded	95,916	—	—	—	—	—	—	—	—	—
Net cash generated from operating activities	1,083,568	909,463	698,181	632,242	50,536	63,076	50,598	—	17,931	—
Net cash used in investing activities	(76,877)	(76,723)	(22,376)	(14,856)	(37,921)	(17,023)	(4)	—	(701)	—
Net cash used in financing activities	(857,930)	(718,047)	(832,598)	(414,286)	(47,034)	(17,398)	(85,547)	—	(49,268)	—
Net increase/(decrease) in cash and cash equivalents	148,761	114,693	(156,793)	203,100	(34,419)	28,655	(34,953)	—	(32,038)	—
Cash and cash equivalents at 1 January/acquisition date	457,926	343,233	277,373	74,273	68,596	39,941	47,247	—	37,039	—
Cash and cash equivalents at 31 December	606,687	457,926	120,580	277,373	34,177	68,596	12,294	—	5,001	—

The information above is stated before inter-company eliminations.

18 INVESTMENT IN A JOINT VENTURE

Movements in the Group's investment in a joint venture are as below:

	2019 RMB'000	2018 RMB'000
At 1 January	**454,272**	433,465
Share of results for the year		
- profit before income tax	**116,259**	117,158
- income tax expense	**(27,520)**	(30,135)
	88,739	87,023
Dividends	**(71,956)**	(66,216)
At 31 December	**471,055**	454,272

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

Summarised financial information of the joint venture is set out below:

	2019 RMB'000	2018 RMB'000
Revenue	**582,950**	603,405
Depreciation and amortisation	**(119,659)**	(112,717)
Interest income	**13,147**	2,441
Interest expense	**(40,966)**	(45,104)
Other expense - net	**(103,304)**	(113,288)
Profit before income tax	**332,168**	334,737
Income tax expense	**(78,629)**	(86,101)
Profit and total comprehensive income	**253,539**	248,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

	2019 RMB'000	2018 RMB'000
Current		
Cash and cash equivalents	73,247	129,722
Other current assets	472,780	404,078
Total current assets	546,027	533,800
Trade payables and other current liabilities	(186,668)	(179,482)
Total current liabilities	(186,668)	(179,482)
Non-current		
Total non-current assets	1,821,491	1,928,887
Financial liabilities	(812,000)	(962,000)
Other liabilities	(22,978)	(23,287)
Total non-current liabilities	(834,978)	(985,287)
Net assets	1,345,872	1,297,918

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.

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
Opening net assets at 1 January	**1,297,918**	1,238,470
Profit for the year	**253,539**	248,636
Dividends paid	**(205,585)**	(189,188)
Closing net assets at 31 December	**1,345,872**	1,297,918
Group's share of net assets	**471,055**	454,272
Carrying amount of investment in the joint venture	**471,055**	454,272

Details of the Group's joint venture are set out in note 39.

19 INVESTMENTS IN ASSOCIATES

Movements in the Group's investment in associates are as below:

	2019 RMB'000	2018 RMB'000
At 1 January	**1,474,846**	1,550,386
Share of results for the year		
- profit before income tax	**328,788**	430,453
- income tax expense	**(66,304)**	(106,000)
	262,484	324,453
Addition	**—**	2,250
Dividends	**(337,709)**	(402,243)
At 31 December	**1,399,621**	1,474,846

There are no contingent liabilities relating to the Group's interests.

19 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	1,037,097	1,672,819	837,016	760,696	760,764	769,942	204,077	212,675
Profit and total comprehensive income	528,728	1,062,485	104,663	86,278	444,647	305,557	107,245	112,763
Dividends declared from the associates	(181,113)	(205,443)	—	—	(119,425)	(155,865)	(37,171)	(36,226)
Assets:								
Non-current assets	1,772,451	1,766,968	6,509,602	6,794,236	556,793	664,176	268,182	298,000
Current assets	119,746	440,589	145,272	93,322	150,416	118,385	34,212	33,951
	1,892,197	2,207,557	6,654,874	6,887,558	707,209	782,561	302,394	331,951
Liabilities:								
Non-current liabilities	(358,923)	(401,069)	(3,773,717)	(4,135,309)	(4,923)	(19,740)	(46,346)	(51,133)
Trade payables and other current liabilities	(277,511)	(249,843)	(180,916)	(156,671)	(100,891)	(114,594)	(29,406)	(37,518)
	(636,434)	(650,912)	(3,954,633)	(4,291,980)	(105,814)	(134,334)	(75,752)	(88,651)
Net assets	1,255,763	1,556,645	2,700,241	2,595,578	601,395	648,227	226,642	242,299

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.

19 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Opening net assets at 1 January	**1,556,645**	1,607,914	**2,595,578**	2,509,300	**648,227**	984,115	**243,300**	251,289
Profit for the year	**528,728**	1,062,485	**104,663**	86,278	**444,647**	305,557	**107,245**	112,763
Dividends	**(829,610)**	(1,113,754)	**—**	—	**(491,479)**	(641,445)	**(123,903)**	(120,752)
Closing net assets at 31 December	**1,255,763**	1,556,645	**2,700,241**	2,595,578	**601,395**	648,227	**226,642**	243,300
Group's share of net assets	**348,851**	432,436	**638,066**	613,334	**146,155**	157,530	**67,994**	72,991
Goodwill	**93,684**	93,684	**—**	—	**—**	—	**106,073**	106,073
Provision for impairment losses	**—**	—	**(5,702)**	(5,702)	**—**	—	**—**	—
Carrying amount of investments in the associates	**442,535**	526,120	**632,364**	607,632	**146,155**	157,530	**174,067**	179,064

In addition to the investments in associates disclosed above, the Group also has investment in an associate that is accounted for using the equity method. The carrying amount of individually immaterial associate is RMB4,500,000 (2018: RMB4,500,000) and the amount of share of profit for the year is Nil (2018: Nil).

Details of the Group's associates are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
Non-current assets		
Foreign exchange forward contracts – cash flow hedges	1,697	—

The notional principal amounts of the outstanding foreign exchange forward contracts designated as cash flow hedges as at 31 December 2019 were HKD500,000,000 (2018: Nil). The foreign exchange forward contracts have been assessed as highly effective hedging instruments for the non-current HKD denominated borrowings of the Group.

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

21 OTHER NON-CURRENT RECEIVABLES

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

As at 31 December 2019, the total remaining balance of the consideration receivable (including current and non-current portion) is RMB50.4 million (2018: RMB71.3 million) which will be settled by 4 half yearly instalments until the end of its concessionary period, i.e. 30 November 2021. Approximately RMB22.9 million (2018: RMB45.8 million) will be received more than 1 year from the balance sheet date according to the repayment schedule.

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

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

23 CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash at bank and in hand	692,158	1,902,442
Short-term bank deposits with original maturities of less than three months	742,904	490,780
Cash and cash equivalents	1,435,062	2,393,222
Maximum exposure to credit risk	1,396,592	2,359,565

Cash and cash equivalents are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
Renminbi	1,421,121	2,361,404
HK dollars	13,843	31,719
US dollars	28	28
EUR dollars	70	71
	1,435,062	2,393,222

24 SHARE CAPITAL

	2019		2018	
	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RESERVES

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Hedging 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 2019	2,375,743	1,501,716	421,725	162,876	–	4,969,974	558,250	(65,735)	9,924,549
Profit for the year	–	–	–	–	–	1,137,590	–	–	1,137,590
Currency translation differences	–	–	(164)	–	–	–	–	–	(164)
Release of currency translation differences upon liquidation of a subsidiary	–	–	(18,000)	–	–	–	–	–	(18,000)
Cash flow hedges-movement in hedging reserve	–	–	–	–	(2,377)	–	–	–	(2,377)
Transfers	–	–	–	66,486	–	(66,486)	–	–	–
Dividends					–	–	–	–	–
– 2018 Final dividend (note 12)	–	–	–	–	–	(346,223)	–	–	(346,223)
– 2019 Interim dividend (note 12)	–	–	–	–	–	(271,042)	–	–	(271,042)
Balance at 31 December 2019	2,375,743	1,501,716	403,561	229,362	(2,377)	5,423,813	558,250	(65,735)	10,424,333
Representing:									
Retained profits						5,109,329			
2019 Final dividend proposed (note 12)						314,484			
						5,423,813			

25 RESERVES (CONTINUED)

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Hedging 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 2018	2,375,743	1,501,716	420,410	112,444	(135)	4,494,833	558,250	(65,735)	9,397,526
Profit for the year	—	—	—	—	—	1,054,135	—	—	1,054,135
Currency translation differences	—	—	1,315	—	—	—	—	—	1,315
Transfers	—	—	—	50,432	135	(50,567)	—	—	—
Dividends									
– 2017 Final dividend	—	—	—	—	—	(310,022)	—	—	(310,022)
– 2018 Interim dividend (note 12)	—	—	—	—	—	(218,405)	—	—	(218,405)
Balance at 31 December 2018	2,375,743	1,501,716	421,725	162,876	—	4,969,974	558,250	(65,735)	9,924,549
Representing:									
Retained profits						4,623,751			
2018 Final dividend proposed (note 12)						346,223			
						4,969,974			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RESERVES (CONTINUED)

Notes:

(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.

26 BORROWINGS

	2019 RMB'000	2018 RMB'000
Long-term bank borrowings	14,520,385	5,399,276
Other borrowing	700,000	—
Loan from a joint venture	147,000	94,500
Loans from non-controlling interests of certain subsidiaries	71,914	98,469
Total borrowings	15,439,299	5,592,245
Less: Amounts due within one year as shown under current liabilities	(1,305,148)	(511,249)
Total non-current borrowings	14,134,151	5,080,996

(a) As at 31 December 2019, the Group's borrowings were repayable as follows:

	2019 RMB'000	2018 RMB'000
Within one year	1,305,148	511,249
Between one and two years	1,147,101	329,996
Between two and five years	6,200,272	1,470,336
Later than five years	6,786,778	3,280,664
	15,439,299	5,592,245

(b) Bank borrowings of RMB9,173,789,000 (2018: RMB4,667,939,000) are secured by intangible operating rights (note 13) of the Group. All bank borrowings are interest bearing at rates ranging from 4.04% to 5.00% (2018: 3.85% to 4.90%) per annum. The effective interest rate of these borrowings at 31 December 2019 is 4.37% (2018: 4.37%).

(c) The other borrowing is unsecured, interest bearing at a rate of 6.7% per annum and repayable in 2020 and 2022.

26 BORROWINGS (CONTINUED)

(d) Loan from a joint venture is unsecured, interest bearing at an annual rate of People's Bank of China Benchmark Interest Rates minus 10% and repayable in 2021.

(e) Loans from non-controlling interests of certain subsidiaries are unsecured and interest-free. The carrying amounts of these interest-free loans approximates their fair values which are calculated based on cash flows discounted at a rate of 4.35% (2018: 4.35%) per annum.

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

(f) The borrowings are denominated in RMB (2018: RMB), except for bank borrowings of approximately RMB445,531,000 (2018: RMB431,336,000) which are denominated in HKD.

27 CONTRACT LIABILITIES AND DEFERRED REVENUE

Contract liabilities and deferred revenue are related to fees received in advance from contractors relating to operation of service areas and petrol stations along the toll highway for the remaining 19 to 23 years.

	2019 RMB'000	2018 RMB'000
At 1 January	91,916	91,010
Addition	—	5,533
Acquisition of subsidiaries (note 35)	287,513	—
Credited to "Other income, gains and losses – net"	(5,907)	(4,627)
At 31 December	373,522	91,916
Less: non-current portion	(351,213)	(83,030)
Current portion	22,309	8,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 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:

	2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after 12 months	(129,896)	—
Deferred income tax assets to be recovered within 12 months	(28,290)	—
	(158,186)	—
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after 12 months	3,282,888	2,081,867
Deferred income tax liabilities to be recovered within 12 months	119,596	4,588
	3,402,484	2,086,455
Deferred income tax liabilities (net)	3,244,298	2,086,455

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

	2019 RMB'000	2018 RMB'000
At 1 January	2,086,455	1,988,483
Acquisition of subsidiaries (note 35)	1,144,923	—
Charged to consolidated income statement (note 10)	12,920	97,972
At 31 December	3,244,298	2,086,455

28 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 income tax liabilities

	Withholding tax on dividend distributed for reinvestment RMB'000	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 tax 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 2019	35,000	39,071	1,422,536	589,717	—	131	2,086,455
Acquisition of subsidiaries (note 35)	—	—	1,296,298	11,164	—	—	1,307,462
Charged/(credited) to consolidated income statement	—	56,640	(60,604)	54,603	—	123	50,762
Transferred to current income tax expenses for dividends declared	—	(42,195)	—	—	—	—	(42,195)
At 31 December 2019	35,000	53,516	2,658,230	655,484	—	254	3,402,484
At 1 January 2018	—	45,430	1,476,748	522,758	(45)	123	2,045,014
Charged/(credited) to consolidated income statement	35,000	35,379	(54,212)	66,959	45	8	83,179
Transferred to current income tax expenses for dividends declared	—	(41,738)	—	—	—	—	(41,738)
At 31 December 2018	35,000	39,071	1,422,536	589,717	—	131	2,086,455

Deferred income tax assets

	Accelerated accounting amortisation of intangible operating rights RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2019	—	—	—
Acquisition of subsidiaries (note 35)	(91,072)	(71,467)	(162,539)
Charged to consolidated income statement	4,353	—	4,353
At 31 December 2019	(86,719)	(71,467)	(158,186)
At 1 January 2018	—	(56,531)	(56,531)
Charged to consolidated income statement	—	56,531	56,531
At 31 December 2018	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 NOTES PAYABLE

On 2 December 2019, the Group issued 2019 Phase I Medium Term Notes with coupon rate of 3.58% per annum due December 2022 for an aggregate principal amount of RMB1,000,000,000 (the "Notes"). The Notes were issued at 100% of the aggregate nominal amount with interest payable annually.

The effective interest rate for the Notes is 3.77% per annum, which includes the interest charged on the Notes as well as amortisation of the discount on issuance of the Notes. The Group recognised interest expense of RMB3,035,000 on the Notes for the year ended 31 December 2019.

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 "Euro notes"). The Euro notes were issued at 99.782% of the aggregate nominal amount with interest payable annually.

The effective interest rate for the Euro notes is 2.11% per annum, which includes the interest charged on the Euro notes as well as amortisation of the discount on issuance of Euro notes. The Group recognised RMB11,299,000 of interest expense on the Euro notes for the year ended 31 December 2018. The Euro notes were fully settled in 2018.

30 CORPORATE BONDS

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

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

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

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

During the year ended 31 December 2019, the Company has adjusted the coupon rate of the five-year corporate bonds of First Phase 2016 Corporate Bonds from 2.85% to 4.10%, and part of the investors has sold back the relevant corporate bonds of RMB10,000,000 to the Company.

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

30 CORPORATE BONDS (CONTINUED)

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.

During the year ended 31 December 2019, the Company has adjusted the coupon rate of the five-year corporate bonds of Second Phase 2016 Corporate Bonds from 2.90% to 3.60%, and part of the investors has sold back the relevant corporate bonds of RMB80,000,000 to the Company.

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 3.55% per annum, which includes the interest charged on the Corporate Bonds as well as amortisation of the debt issuance cost. The Group recognised interest expense of RMB67,727,000 (2018: RMB65,809,000) on the Corporate Bonds for the year ended 31 December 2019.

31 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2019 RMB'000	2018 RMB'00
Operating profit		**1,919,639**	1,828,503
Amortisation of intangible operating rights	13	**640,588**	557,882
Depreciation of			
– property, plant and equipment	15(a)	**17,278**	15,182
– right-of-use assets	15(b)	**11,141**	—
Fair value gains on investment properties	16	**(842)**	(960)
(Gain)/loss on disposal of property, plant and equipment	6	**(111)**	137
Gain on liquidation of a subsidiary	6	**(37,689)**	—
Contract liabilities and deferred income	27	**(5,907)**	(4,627)
Operating cash flows before working capital changes		**2,544,097**	2,396,117
Changes in working capital:			
– decrease in trade and other receivables, deposits and prepayments		**41,172**	18,465
– increase in amount due from an associate		**(27,729)**	(4,708)
– increase in contract liabilities and deferred income		**—**	5,533
– (decrease)/increase in trade and other payables and accrued charges		**(105,250)**	38,745
– decrease in amount due from a non-controlling interest of a subsidiary		**—**	2,470
– decrease in amounts due to a joint venture		**(22,705)**	—
– decrease in amounts due to holding companies		**(348)**	(17)
Cash generated from operations		**2,429,237**	2,456,605

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings (current) RMB'000	Borrowings (non-current) RMB'000	Notes payable RMB'000	Corporate bonds (current) RMB'000	Corporate Bonds (non-current) RMB'000	Lease liabilities (current) RMB'000	Lease liabilities (non-current) RMB'000	Total RMB'000
Balance as at 31 December 2018	511,249	5,080,996	–	498,068	1,497,554	–	–	7,587,867
Changes from financing activities cash flows								
Proceeds from borrowings and issuance of Notes	–	5,505,500	996,430	–	–	–	–	6,501,930
Repayment of borrowings, corporate bonds and lease liabilities	(511,249)	(2,199,931)	–	(90,000)	–	–	(11,807)	(2,812,987)
Total changes from financing activities cash flows	(511,249)	3,305,569	996,430	(90,000)	–	–	(11,807)	3,688,943
Non-cash changes								
Foreign exchange adjustments	–	9,742	–	–	–	–	–	9,742
Transfers	1,305,148	(1,305,148)	–	(408,068)	408,068	10,488	(10,488)	–
Acquisition of subsidiaries	–	7,040,911	–	–	–	–	–	7,040,911
Changes in accounting policy	–	–	–	–	–	–	21,669	21,669
Other non-cash movements	–	2,081	92	–	1,932	–	976	5,081
Total non-cash changes	1,305,148	5,747,586	92	(408,068)	410,000	10,488	12,157	7,077,403
Balance as at 31 December 2019	1,305,148	14,134,151	996,522	–	1,907,554	10,488	350	18,354,213

	Borrowings (current) RMB'000	Borrowings (non-current) RMB'000	Notes payable RMB'000	Corporate bonds (current) RMB'000	Corporate Bonds (non-current) RMB'000	Total RMB'000
Balance as at 31 December 2017	319,724	5,533,459	1,557,953	–	1,993,263	9,404,399
Changes from financing activities cash flows						
Proceeds from borrowings	–	927,990	–	–	–	927,990
Repayment of borrowings and notes payable	(319,724)	(941,903)	(1,522,980)	–	–	(2,784,607)
Total changes from financing activities cash flows	(319,724)	(13,913)	(1,522,980)	–	–	(1,856,617)
Non-cash changes						
Foreign exchange adjustments	–	76,938	(37,473)	–	–	39,465
Transfers	511,249	(511,249)	–	498,068	(498,068)	–
Other non-cash movements	–	(4,239)	2,500	–	2,359	620
Total non-cash changes	511,249	(438,550)	(34,973)	498,068	(495,709)	40,085
Balance as at 31 December 2018	511,249	5,080,996	–	498,068	1,497,554	7,587,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 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:

	2019 RMB'000	2018 RMB'000
Construction income under service concession upgrade services	298,276	120,440
Construction costs under service concession upgrade services	(298,276)	(120,440)

Construction income is recognised over time.

As at 31 December 2019, the Group expects that the transaction price allocated to unsatisfied performance obligation for construction income under service concession upgrade of RMB82,693,000 will be recognised as construction income from 2020 onwards.

34 COMMITMENTS

(a) *Lease commitments*

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

	2019 RMB'000	2018 RMB'000
Lease payments		
Within one year	–	11,375
One year to five years	–	11,873
	–	23,248
Lease receipts		
Within one year	6,264	1,245
One year to five years	11,377	20,653
	17,641	21,898

(b) *Capital commitments*

	2019 RMB'000	2018 RMB'000
Contracted but not provided for		
Upgrade and construction of toll expressways under concession arrangements and construction of port	47,947	15,129
Property, plant and equipment	3,056	2,620
	51,003	17,749

35 BUSINESS COMBINATIONS

On 12 September 2019, the Group entered into an agreement with 廣州越秀企業集團有限公司 (Guangzhou Yue Xiu Enterprises (Holding) Limited) ("GZYXE"), a wholly-owned subsidiary of the ultimate holding company, 廣州越秀集團股份有限公司(Guangzhou Yue Xiu Holdings Limited) ("GZYX"). The Group has conditionally agreed to acquire (i) 100% of the equity interest in 越秀(湖北)高速公路有限公司 (Yuexiu (Hubei) Expressway Company Limited) ("YXHB"), a company which holds the intangible operating rights of the Daguangnan Expressway, Han'e Expressway and 28.5% of equity interest of 湖北省漢蔡高速公路有限公司 (Hancai Expressway Company Limited of Hubei Province) ("Hancai"), (ii) 38.5% of the equity interest in Hancai, which holds the intangible operating right in the Hancai Expressway, and (iii) all the rights, benefits and title of and in the entire shareholder's loan owed by YXHB to GZYXE from 20 March 2019 under the unsecured 5-year loan facility up to RMB4,655 million at 6.5% per annum granted by the GZYXE to YXHB with the interest accrued thereon, at total consideration of approximately RMB5,975 million. This transaction was completed on 8 November 2019 (the "completion date") and the toll roads are all currently under full operation. This business combination is accounted for provisionally as of completion date as the value of the purchase consideration can only be determined provisionally. The Group shall recognise any adjustments to provisional value within twelve months from the completion date.

As a result of the acquisition, the Group has obtained intangible operating rights of Daguangnan Expressway, Hancai Expressway and Han'e Expressway. The operating periods of these expressways are 18 to 23 years. The Group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale.

Details of the acquisition are as follows:

	RMB'000
Total cash consideration	5,975,356
Less: Provisionally determined fair value of net identifiable assets acquired	(1,107,000)
Fair value of a shareholder's loan together with the interest accrued	(4,868,356)
	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BUSINESS COMBINATIONS (CONTINUED)

Provisionally determined fair value amounts of the identifiable assets acquired and liabilities assumed were as follows:

	RMB'000
Cash and cash equivalents	133,772
Intangible operating rights (note 13)	15,303,768
Property, plant and equipment (note 15(a))	3,126
Trade and other receivables, deposits and prepayments	176,981
Contract liabilities and deferred revenue (note 27)	(287,513)
Trade and other payables and accrued charges	(5,421,780)
Borrowings (note a)	(7,040,911)
Deferred income tax liabilities (note 28)	(1,307,462)
Deferred income tax assets (note 28)	162,539
Total net identifiable assets acquired	1,722,520
Non-controlling interests	(615,520)
Net identifiable assets attributable to the equity interest acquired by the Group	1,107,000

Note a:

Borrowings acquired included a loan due to a fellow subsidiary of the Group of approximately RMB850,000,000 and that loan was fully repaid in November 2019.

Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:

	RMB'000
Cash paid	(5,975,356)
Cash and bank balances acquired	133,772
	(5,841,584)

Acquisition-related costs of RMB14,512,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2019.

The gross contractual amount for trade and other receivables, deposits and prepayments of YXHB and its subsidiaries and Hancai (together, the "Acquired Group") is RMB176,981,000 and none of the balance is expected to be uncollectible.

The amount of the non-controlling interest in the Acquired Group recognised was approximately RMB615,520,000 and it represented the share of proportionate of net identifiable assets of the Acquired Group as of the completion date.

35 BUSINESS COMBINATIONS (CONTINUED)

The revenue and net loss of the Acquired Group as included in the consolidated income statement for the period from the completion date to 31 December 2019 amounted to approximately RMB115,075,000 and RMB31,760,000 respectively.

Had the Acquired Group been consolidated from 1 January 2019, the consolidated income statement of the Group would show pro-forma revenue of approximately RMB3,672,440,000 and net profit attributable to shareholders of the Company of approximately RMB805,897,000.

36 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's Directors regard 廣州越秀集團股份有限公司 (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 2019:

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
Artform Investment Limited ("Artform")	A fellow subsidiary
Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary
Chong Hing Insurance Co., Ltd ("Chong Hing Insurance")	A fellow subsidiary
Guangzhou Yuexiu City Construction Jones Lang LaSalle Property Management Co., Ltd. ("YX Jones Lang LaSalle")	A fellow subsidiary
Guangzhou Yue Xiu Enterprises (Holding) Limited ("GZYXE")	A fellow subsidiary
Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR")	A joint venture
Guangdong Humen Bridge Co., Ltd. ("Humen Bridge")	An associate
Guangdong Qinglian Highway Development Co., Ltd. ("Qinglian Highway")	An associate
Guangdong Shantou Bay Bridge Co., Ltd. ("Shantou Bay Bridge")	An associate
Guangzhou Northring Freeway Co., Ltd. ("Northring")	An associate
Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("Yue Xiu IFC")	An associate of a fellow subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

		2019 RMB'000	2018 RMB'000
(i)	Administrative service fees to Yuexiu Property	1,140	1,145
(ii)	Rental expenses to Blow Light	—	323
(iii)	Rental expenses to Yue Xiu IFC	10,903	10,340
(iv)	Rental expenses to Artform	894	501
(v)	Building management fee to Yue Xiu Property Management Ltd	175	—
(vi)	Building management fee to YX Jones Lang LaSalle	1,677	1,657
(vii)	Interest income from Chong Hing Bank	9,222	3,345
(viii)	Management service income from Humen Bridge, Qinglian Highway, Shantou Bay Bridge, Northring and GWSR	2,234	1,805
(ix)	Dividend income from Humen Bridge	181,113	205,443
(x)	Dividend income from Shantou Bay Bridge	37,171	40,935
(xi)	Dividend income from Northring	119,425	155,865
(xii)	Dividend income from GWSR	71,955	66,216
(xiii)	Interest expense to GZYXE	22,921	—
(xiv)	Interest expense to GWSR	5,128	—
(xv)	Interest expense to GZYX	—	593
(xvi)	Insurance expenses to Chong Hing Insurance	101	67
(xvii)	Guarantee fee to GZYXE	371	—

During the year ended 31 December 2018, loan from GZYX of RMB500 million had been drawn down and repaid. The loan from GZYX was unsecured, interest bearing at 4.79% per annum and denominated in RMB.

During the year ended 31 December 2019, the Group entered into two foreign exchange forward contracts with Yue Xiu to purchase HKD in the amount of HKD200 million and HKD300 million respectively with RMB. The settlement date will be on 29 March 2021 and 29 March 2022 respectively.

(c) Balances with related parties

		2019 RMB'000	2018 RMB'000
(i)	Bank balance deposited in a fellow subsidiary	796,336	740,424
(ii)	Amounts due to holding companies	(331)	(679)
(iii)	Amount due to a joint venture	(2,490)	(25,195)
(iv)	Loan from a joint venture	(147,000)	(94,500)
(v)	Loans from non-controlling interests of certain subsidiaries	(71,914)	(98,469)
(vi)	Amount due to a non-controlling interest of a subsidiary	1,611	1,611
(vii)	Amount due from an associate	27,729	4,708

(d) Key management compensation

	2019 RMB'000	2018 RMB'000
Salaries and other short-term benefits	8,915	8,878

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

Note (i) Balance sheet of the Company

	31 December 2019 RMB'000	31 December 2018 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,823	713
Investments in subsidiaries	5,928,601	5,628,601
Derivative financial instruments	1,697	—
	5,933,121	5,629,314
Current assets		
Amounts due from subsidiaries	3,878,420	2,356,994
Deposits and prepayments	8,653	12,511
Cash and cash equivalents	317,278	514,679
	4,204,351	2,884,184
Total assets	10,137,472	8,513,498
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	147,322	147,322
Reserves (note (ii))	4,854,147	5,208,441
Total equity	5,001,469	5,355,763
LIABILITIES		
Non-current liabilities		
Borrowings	861,598	731,337
Notes payable	996,522	—
Corporate bonds	1,907,554	1,497,554
Deferred income tax liabilities	35,000	35,000
	3,800,674	2,263,891
Current liabilities		
Corporate bonds	—	498,068
Amounts due to subsidiaries	1,268,527	348,812
Other payables and accrued charges	66,802	46,964
	1,335,329	893,844
Total liabilities	5,136,003	3,157,735
Total equity and liabilities	10,137,472	8,513,498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note (ii) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus (note) RMB'000	Hedging Reserve RMB'000	Retained Profits RMB'000	Total RMB'000
At 1 January 2019	2,375,743	1,561,564	—	1,271,134	5,208,441
Profit for the year	—	—	—	265,348	265,348
Cash flow hedges – movement in hedging reserve	—	—	(2,377)	—	(2,377)
Dividends:					
2018 Final dividend (note 12)	—	—	—	(346,223)	(346,223)
2019 Interim dividend (note 12)	—	—	—	(271,042)	(271,042)
At 31 December 2019	2,375,743	1,561,564	(2,377)	919,217	4,854,147
Representing:					
Retained profits				604,733	
2019 Final dividend proposed (note 12)				314,484	
				919,217	
At 1 January 2018	2,375,743	1,561,564	—	1,231,604	5,168,911
Profit for the year	—	—	—	567,957	567,957
Dividends:					
2017 Final dividend	—	—	—	(310,022)	(310,022)
2018 Interim dividend (note 12)	—	—	—	(218,405)	(218,405)
At 31 December 2018	2,375,743	1,561,564	—	1,271,134	5,208,441
Representing:					
Retained profits				924,911	
2018 Final dividend proposed (note 12)				346,223	
				1,271,134	

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.

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

Note (iii) Income statement of the Company

	Note	2019 RMB'000	2018 RMB'000
Other income, gains and losses - net	(a)	400,000	700,040
General and administrative expenses	(b)	(54,987)	(33,951)
Operating profit		345,013	666,089
Finance income	(c)	30,823	163,539
Finance costs	(c)	(110,488)	(226,671)
Profit before income tax		265,348	602,957
Income tax expense		—	(35,000)
Profit for the year		265,348	567,957

Notes:

(a) Other income, gains and losses - net

	2019 RMB'000	2018 RMB'000
Dividend income	400,000	700,000
Others	—	40
	400,000	700,040

(b) Expenses by nature

	2019 RMB'000	2018 RMB'000
Depreciation of property, plant and equipment	702	91
Auditor's remuneration		
– Audit services	2,924	2,818
– Non-audit services	5,787	2,287
Legal and professional fee	15,800	7,178
Employee benefit expense (including directors' emoluments)	26,221	20,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Notes: (Continued)

(c) Finance income/costs

	2019 RMB'000	2018 RMB'000
Bank interest income	3,008	22,409
Net other exchange gain	21,115	141,130
Others	6,700	—
Finance income	30,823	163,539
Interest expenses:		
– Bank borrowings	(22,325)	(30,046)
– Bank facility fees	(5,033)	(2,619)
– Loan from an ultimate holding company	—	(593)
– Notes payable (note 29)	(3,035)	—
– Corporate bonds (note 30)	(67,727)	(65,809)
– Others	(2,626)	—
Fair value loss on derivative financial instruments	—	(50,666)
Exchange loss on bank borrowings	(9,742)	(76,938)
Finance costs	(110,488)	(226,671)

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

Note (iv) Statement of cash flows of the Company

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Operating profit	345,013	666,089
Depreciation of property, plant and equipment	702	91
Operating cash flows before working capital changes	345,715	666,180
Changes in working capital:		
Decrease/(increase) in deposits and prepayments	4,097	(3,380)
Increase/(decrease) in other payables and accrued charges	6,203	(4,557)
(Increase)/decrease in amounts due from subsidiaries	(1,519,417)	2,137,113
Increase/(decrease) in amounts due to subsidiaries	946,658	(1,435,783)
Net cash (used in)/generated from operating activities	(216,744)	1,359,573
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,811)	(397)
Decrease of short-term bank deposits, net	—	115,732
Increase in investment in a subsidiary	(300,000)	(1,400,000)
Interest received	3,008	22,409
Net cash flows used in investing activities	(299,803)	(1,262,256)
Cash flows from financing activities		
Payment of bank facility fees	(4,079)	(16,467)
Proceeds from bank borrowings	420,000	803,490
Proceeds from issuance of Notes	996,430	—
Repayment of bank borrowings	(300,000)	(443,677)
Repayment of corporate bonds	(90,000)	—
Dividend paid to shareholders of the Company	(617,265)	(528,427)
Interest paid	(84,526)	(108,496)
Net cash flows generated from/(used in) from financing activities	320,560	(293,577)
Net decrease in cash and cash equivalents	(195,987)	(196,260)
Cash and cash equivalents at 1 January	514,679	668,075
Effect of exchange rate changes on cash and cash equivalents	(1,414)	42,864
Cash and cash equivalents at 31 December	317,278	514,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 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 2019

	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 e) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	Total RMB'000
Executive directors									
ZHU Chunxiu (note b)	–	389	–	–	–	–	–	–	389
LI Feng (note a)	–	652	2,349	–	–	–	–	–	3,001
CHEN Jing (note a)	–	632	1,227	–	–	–	–	–	1,859
	–	1,673	3,576	–	–	–	–	–	5,249
Executive director and the Chief executive									
HE Baiqing	–	564	1,021	–	348	113	–	955	3,001
Independent non-executive directors									
FUNG Ka Pun	200	–	–	–	–	–	–	–	200
LAU Hon Chuen Ambrose	265	–	–	–	–	–	–	–	265
CHEUNG Doi Shu	200	–	–	–	–	–	–	–	200
	665	–	–	–	–	–	–	–	665
	665	2,237	4,597	–	348	113	–	955	8,915

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

For the year ended 31 December 2018

	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 e) 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 (note b)	–	650	1,763	–	–	–	–	–	2,413
QIAN Shangning (note c)	–	115	274	–	182	33	–	–	604
LI Feng (note a)	–	459	808	–	–	–	–	–	1,267
CHEN Jing (note a)	–	459	808	–	–	–	–	–	1,267
	–	1,683	3,653	–	182	33	–	–	5,551
Executive director and the Chief executive									
HE Baiqing	–	536	742	–	309	114	–	1,021	2,722
Independent non-executive directors									
FUNG Ka Pun	180	–	–	–	–	–	–	–	180
LAU Hon Chuen Ambrose	245	–	–	–	–	–	–	–	245
CHEUNG Doi Shu	180	–	–	–	–	–	–	–	180
	605	–	–	–	–	–	–	–	605
	605	2,219	4,395	–	491	147	–	1,021	8,878

Notes:

(a) Appointed on 13 April 2018

(b) Resigned with effect from 22 July 2019

(c) Resigned with effect from 13 April 2018

(d) Other benefits mainly include provision of accommodation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(B) *Directors' retirement benefits*

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2018: 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 (2018: 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 director's services (2018: 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 (2018: 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 (2018: Nil).

39 GROUP STRUCTURE

As at 31 December 2019, 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 North Second Ring Transport Technology 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
Grand Speed Limited	Hong Kong	1 Ordinary share	–	100	Investment holding in Guangxi Yuexiu Cangyu Expressway Co., Ltd
Guangzhou North Second Ring Transport Technology Company Limited	PRC, limited liability Company	RMB900,000,000	–	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Suiqiao Development Company Limited	PRC, limited liability Company	RMB1,000,000	–	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Yue Peng Information Limited	PRC, limited liability Company	RMB260,000,000	–	100	Investment holding
Guangzhou Yue Da Investment Company Limited	PRC, limited liability Company	RMB2,000,000,000	–	100	Investment holding
Guangzhou Yue Hong Investment Company Limited	PRC, limited liability Company	RMB65,000,000	–	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 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 Yue Tong Expressway Operations and Management Company Limited	PRC, limited liability Company	RMB301,000,000	100	–	Investment holding in Guangdong Qinglian Highway Development Company Limited
Guangxi Yue Xin Investment Managememt Company Limited	PRC, limited liability Company	RMB5,000,000	–	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
Hancai Expressway Company Limited of Hubei Province	PRC, limited liability Company	RMB150,000,000	–	67	Development and management of Hancai Expressway in Hubei Province
Henan Yuexiu Weixu Expressway Company Limited	PRC, limited liability Company	RMB660,754,500	–	100	Development and management of Henan Weixu Expressway
Hubei A'shennan Expressway Development Company Limited	PRC, limited liability Company	RMB200,000,000	–	90	Development and management of Daguangnan Expressway in Hubei Province
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
Hubei Suiyuenan Expressway Company Limited	PRC, limited liability Company	RMB1,770,000,000	–	70	Development and management of Suiyuenan Expressway in Hubei Province
Hubei Yue Xiu Han'e Expressway Company Limited	PRC, limited liability Company	RMB135,000,000	–	100	Development and management of Han'e Expressway in Hubei Province
Hunan Changzhu Expressway Development Company Limited	PRC, limited liability Company	RMB927,730,000	–	100	Development and management of Changzhu Expressway in Hunan Province

39 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
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HKD1.00 each	100	–	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1.00 each	–	100	Investment holding
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares	–	100	Property holding
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	–	100	Investment holding in Guangdong Shantou Bay Bridge Company Limited
Swift Full Limited	Hong Kong	1 Ordinary share	–	100	Investment holding in Hubei Han Xiao Highway Construction and Operations Company Limited
Tianjin Jinfu Expressway Company Limited	PRC, limited liability Company	RMB265,200,000	–	60	Development and management of Jinxiong Expressway in Tianjin
Wuhan Andi Technology Industry Development Company Limited	PRC, limited liability Company	RMB260,000,000	–	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US$1.00 each	–	83.3	Investment holding
Yuexiu (China) Transport Infrastructure Investment Company Limited	PRC, limited liability Company	RMB4,000,000,000	100	–	Investment holding
Yuexiu (Hubei) Expressway Company Limited	PRC, limited liability Company	RMB30,000,000	–	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 GROUP STRUCTURE (CONTINUED)

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

Associates	Place of incorporation, establishment and operation and type of legal entity	Registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Guangdong Humen Bridge Company Limited	PRC, limited liability Company	RMB273,900,000	–	27.78 (note a)	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Company Limited	PRC, limited liability Company	RMB3,361,000,000	–	23.63	Development and management of Qinglian Expressway
Guangdong Shantou Bay Bridge Company Limited	PRC, limited liability Company	RMB75,000,000	–	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Freeway Company Limited	PRC, limited liability Company	US$19,255,000	–	24.3	Development and management of Guangzhou City Northern Ring Road
Guangzhou Pazhou Port Company Limited	PRC, limited liability Company	RMB10,000,000	–	45	Development and management of Pazhou Port in Guangdong province

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

40 SUBSEQUENT EVENT

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

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

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

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

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

CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Li Feng *(Chairman)*
Mr He Baiqing
Ms Chen Jing
Mr Xie Yanhui

Independent non-executive directors & audit committee members

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

COMPANY SECRETARY

Mr Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

17A Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited
Level 54, 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

Bonds and notes

Shanghai Stock Exchange
RMB290,000,000 4.1 per cent. Corporate Bonds due 2021
(code: 136323)

RMB120,000,000 3.6 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)

Beijing Financial Assets Exchange
RMB1,000,000,000 3.58 per cent. Medium Term Notes due 2022
(code: 101901632)

RMB1,000,000,000 3.47 per cent. Medium Term Notes due 2023
(code: 102000026)

INVESTOR RELATIONS

For further information about
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Telephone : (852) 2865 2205
Facsimile : (852) 2865 2126
Email : contact@yuexiutransport.com.hk

WEBSITES TO ACCESS COMPANY INFORMATION

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