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安徽皖通高速公路股份有限公司
Anhui Expressway Company Limited

(Incorporated in the People's Republic of China with limited liability as a joint stock company)

(Stock code: 995)

2018 Annual Results Announcement

The board of directors (the “Board”) of Anhui Expressway Company Limited (the “Company”) is pleased to present the audited results of the Company and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2018 (the “reporting period”) prepared in accordance with Hong Kong Financial Reporting Standards, together with the comparative figures of 2017. They are as follows. The audit committee of the Company has reviewed the annual results for the financial year 2018:

I. Financial highlights

(All amounts in Renminbi thousand unless otherwise stated)

Consolidated income statement

For the year ended 31 December 2018

(All amounts in Renminbi thousand unless otherwise stated)

		Year ended 31 December	
	Note	2018	2017
Revenue	2	3,875,803	4,308,759
Cost of sales		<u>(2,226,319)</u>	<u>(2,668,061)</u>
Gross profit		1,649,484	1,640,698
Other gains - net		105,818	65,140
Administrative expenses		(88,707)	(104,143)
Net impairment losses on financial assets		<u>(2,712)</u>	<u>—</u>
Operating profit		1,663,883	1,601,695
Finance costs	3	(130,277)	(92,475)
Share of profit of an associate		<u>3,922</u>	<u>20,419</u>
Profit before income tax		1,537,528	1,529,639
Income tax expenses	4	<u>(448,049)</u>	<u>(451,948)</u>
Profit for the year		<u><u>1,089,479</u></u>	<u><u>1,077,691</u></u>
Attributable to:			
Owners of the Company		1,115,361	1,083,235
Non-controlling interests		<u>(25,882)</u>	<u>(5,544)</u>
		<u><u>1,089,479</u></u>	<u><u>1,077,691</u></u>
Basic and diluted earnings per share			
(expressed in RMB per share)	5	<u><u>0.6725</u></u>	<u><u>0.6531</u></u>

Consolidated statement of comprehensive income**For the year ended 31 December 2018**

(All amounts in Renminbi thousand unless otherwise stated)

	Note	Year ended 31 December	
		2018	2017
Profit for the year		1,089,479	1,077,691
Other comprehensive loss:			
<i>Items that may be reclassified</i>			
<i>subsequently to profit or loss</i>			
Change in value of available-for-sale (“AFS”) financial assets, net of tax		—	(10,051)
<i>Items that will not be reclassified subsequently to</i>			
<i>profit or loss</i>			
Change in value of financial assets at fair value through other comprehensive income (“financial assets at FVOCI”), net of tax		(51,410)	—
Total comprehensive income for the year		1,038,069	1,067,640
Attributable to:			
Owners of the Company		1,063,951	1,073,184
Non-controlling interests		(25,882)	(5,544)
		1,038,069	1,067,640

Consolidated balance sheet**As at 31 December 2018**

(All amounts in Renminbi thousand unless otherwise stated)

	Note	As at 31 December	
		2018	2017
ASSETS			
Non-current assets			
Concession intangible assets		10,308,886	10,002,807
Land use rights		9,399	10,464
Property, plant and equipment		958,059	999,705
Investment properties		364,868	331,878
Intangible assets		3,406	7,065
Investment in an associate		128,932	125,010
Deferred income tax assets		26,523	12,313
Financial assets at FVOCI		336,300	—
AFS financial assets		—	404,846
		<u>12,136,373</u>	<u>11,894,088</u>
Current assets			
Inventories		5,033	7,402
Other current assets		3,513	—
Receivables and prepayments	9	171,562	503,418
Restricted cash		60,000	—
Cash and cash equivalents		2,453,475	1,829,395
		<u>2,693,583</u>	<u>2,340,215</u>
Total assets		<u><u>14,829,956</u></u>	<u><u>14,234,303</u></u>

Consolidated balance sheet (continued)**As at 31 December 2018**

(All amounts in Renminbi thousand unless otherwise stated)

	Note	As at 31 December	
		2018	2017
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Ordinary share capital		1,658,610	1,658,610
Share premium		1,415,593	1,415,593
Other reserves		51,533	116,522
Retained earnings		6,992,938	6,245,478
		<u>10,118,674</u>	<u>9,436,203</u>
Non-controlling interests		<u>510,433</u>	<u>650,390</u>
Total equity		<u><u>10,629,107</u></u>	<u><u>10,086,593</u></u>
LIABILITIES			
Non-current liabilities			
Long-term payables		1,079,788	1,130,609
Borrowings		1,562,897	1,666,585
Deferred income tax liabilities		98,049	105,303
Deferred income		28,583	30,757
		<u>2,769,317</u>	<u>2,933,254</u>
Current liabilities			
Trade and other payables		1,109,867	999,273
Current income tax liabilities		152,967	157,370
Provision		23,010	34,565
Borrowings		145,688	23,248
		<u>1,431,532</u>	<u>1,214,456</u>
Total liabilities		<u><u>4,200,849</u></u>	<u><u>4,147,710</u></u>
Total equity and liabilities		<u><u>14,829,956</u></u>	<u><u>14,234,303</u></u>

Notes:

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVOCI, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

1.1 Changes in accounting policies and disclosures

(a) *New standards, amendments and interpretation of HKFRS effective in 2018 adopted by the Group*

The following new standards, amendments and interpretation of HKFRS have been adopted by the Group for the first time for its financial year beginning on 1 January 2018:

- HKFRS 9 “Financial Instruments”
- HKFRS 15 “Revenue from Contracts with Customers”
- Amendments to HKFRS 2 regarding classification and measurement of share-based payment transactions
- Amendments to HKFRS 4 on applying HKFRS 9 “Financial Instruments” with HKFRS 4 “Insurance Contracts”
- Amendments from annual improvements to HKFRS Standards 2014 - 2016 Cycle on HKFRS 1 “First-time Adoption of HKFRS” and HKAS 28 “Investments in Associates and Joint Ventures”
- Amendments to HKAS 40 regarding transfer of investment property
- HK (IFRIC) 22 “Foreign Currency Transactions and Advance Consideration”

The Group had to change its accounting policies and the impacts are summarised in Notes 1.2.1 to 1.2.3 following the adoption of HKFRS 9 and HKFRS 15. The other amendments and interpretation listed above did not have any impact on the consolidated financial statements of the Group.

(b) New standards, amendments and interpretation of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group

A number of new standards, amendments and interpretation of HKFRS which are relevant to the Group's operations are effective for the financial year beginning after 1 January 2018 and have not been applied in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standards, amendments and interpretation. These new standards, amendments and interpretation are set out below:

- HKFRS 16 “Leases”, effective for annual accounting periods beginning on or after 1 January 2019 (i)
- HK (IFRIC) 23 “Uncertainty over Income Tax Treatments”, effective for annual accounting periods beginning on or after 1 January 2019
- Amendments to HKFRS 9 regarding prepayment features with negative compensation, effective for annual accounting periods beginning on or after 1 January 2019
- Amendments to HKAS 28 regarding long-term interests in associates and joint ventures, effective for annual accounting periods beginning on or after 1 January 2019
- Amendments to HKAS 19 regarding plan amendment, curtailment or settlement, effective for annual accounting periods beginning on or after 1 January 2019
- Amendments from annual improvements to HKFRS Standards 2015 – 2017 Cycle on HKFRS 3 “Business Combinations”, HKFRS 11 “Joint Arrangements”, HKAS 12 “Income Taxes” and HKAS 23 “Borrowing Costs”, effective for annual accounting periods beginning on or after 1 January 2019
- HKFRS 17 “Insurance Contracts”, effective for annual accounting periods beginning on or after 1 January 2021
- Amendments to HKFRS 10 and HKAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture. The amendments were originally intended to be effective for annual accounting periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

The Group is assessing the full impact of these new standards, amendments and interpretation. According to the preliminary assessment, other than the assessment results of HKFRS 16 stated below which may give rise to some impact, none of these is expected to have a significant impact on the consolidated financial statements of the Group.

(i) HKFRS 16 “Leases”

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

The Group has set up a project team which has reviewed all of the Group’s leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group’s operating leases.

As at 31 December 2018, the Group has no non-cancellable operating lease commitments. Accordingly, the Group does not expect the new standard to have a significant impact on the Group’s results of operations and financial position.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

1.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” on the Group’s consolidated financial statements.

1.2.1 Impact on the consolidated financial statements

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting which the Group does not have any. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail standard by standard below.

Consolidated balance sheet (extract)	31 December 2017	HKFRS 9	1 January 2018
Non-current assets			
Financial assets at FVOCI	—	404,846	404,846
AFS financial assets	404,846	(404,846)	—
	<u>14,234,303</u>	<u>—</u>	<u>14,234,303</u>
Total assets			
Other reserves	116,522	(12,565)	103,957
Retained earnings	6,245,478	12,565	6,258,043
	<u>10,086,593</u>	<u>—</u>	<u>10,086,593</u>
Total equity			

There is no impact on the consolidated income statement and consolidated statement of comprehensive income.

1.2.2 HKFRS 9 “Financial Instruments”

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 “Financial Instruments” from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in Note 2.13 below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument.

The total impact on the Group’s retained earnings as at 1 January 2018 is as follows:

Closing retained earnings at 31 December 2017 – HKAS 39	6,245,478
Reclassify prior-year impairment of AFS financial assets and related deferred taxation to other reserves	<u>12,565</u>
Opening retained earnings at 1 January 2018 – HKFRS 9	<u><u>6,258,043</u></u>

(a) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	<i>Note</i>	Financial assets at FVOCI (AFS financial assets 2017)	Financial assets at amortised cost (Receivables 2017)
Closing balance at 31 December 2017 – HKAS 39*		404,846	502,512
Reclassify non-trading equities from AFS financial assets to financial assets at FVOCI	(i)	<u>—</u>	<u>—</u>
Opening balance at 1 January 2018 – HKFRS 9		<u><u>404,846</u></u>	<u><u>502,512</u></u>

* The closing balances as at 31 December 2017 show AFS financial assets under FVOCI. These reclassifications have no impact on the measurement categories. The financial assets at amortised cost include trade and other receivables (excluding prepayments), but exclude cash and cash equivalents.

The impact of these changes on the Group's equity is as follows:

	<i>Notes</i>	Effect on AFS financial assets reserves	Effect on financial assets at FVOCI reserves	Effect on retained earnings
Opening balance – HKAS 39		4,949	—	6,245,478
Reclassify non-trading equities from AFS financial assets to financial assets at FVOCI	(i)	<u>(4,949)</u>	<u>(7,616)</u>	<u>12,565</u>
Opening balance – HKFRS 9		<u>—</u>	<u>(7,616)</u>	<u>6,258,043</u>

(i) Equity investment previously classified as AFS financial assets

The Group elected to present in other comprehensive income (“OCI”) changes in the fair value of all its equity investments previously classified as AFS financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB 404,846 thousand were reclassified from AFS financial assets to financial assets at FVOCI. Fair value gains of RMB 4,949 thousand were reclassified from AFS financial assets reserves to financial assets at FVOCI reserves. Prior-year impairment loss of RMB 16,753 thousand and deferred taxation of RMB 4,188 thousand were reclassified from retained earnings to financial assets at FVOCI reserves.

(ii) Reclassification of financial instruments on adoption of HKFRS 9

On 1 January 2018 (the date of initial application of HKFRS 9), the financial instruments of the Group were as follows, with any reclassification noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original	New	Difference
Non-current financial assets					
Equity investments	AFS financial assets	Financial assets at FVOCI	404,846	404,846	—
Current financial assets					
Other receivables	Financial assets at amortised cost	Financial assets at amortised cost	<u>502,512</u>	<u>502,512</u>	<u>—</u>
Total financial assets			<u>907,358</u>	<u>907,358</u>	<u>—</u>

(b) Impairment of financial assets

The Group has other receivables that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The restatement on transition to HKFRS 9 for other receivables as a result of applying the expected credit risk model was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

1.2.3 HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies. The adoption of HKFRS 15 did not result in any impact to the Group's results of operations and financial position.

2 Revenue

	Year ended 31 December	
	2018	2017
Toll income from toll roads operation	2,694,252	2,645,780
Revenue from construction or upgrade work under Service Concessions	908,854	1,447,348
Service income from management of toll roads	188,708	150,040
Rental income	52,306	49,587
– from toll gas stations (a)	25,823	22,996
– from toll road service sectors (b)	10,170	9,679
– from other investment properties	16,313	16,912
Service income from roads emergency assistance	22,135	14,026
Interest income from pawn loans to customers	6,354	698
Others	3,194	1,280
	3,875,803	4,308,759

- (a) Pursuant to a lease agreement with Anhui Expressway Petrochemical Co., Ltd. (“安徽省高速石化有限公司”, “AEPC”), a subsidiary of Anhui Transportation Holding Group Company Limited (“安徽省交通控股集团有限公司”, “ATHC”), the Company’s gas stations were leased to AEPC with annual rental fee of RMB 25,890 thousand. The lease period will be terminated by 31 March 2021.

Pursuant to a lease agreement with AEPC, gas station of Anhui Ningxuanhang Expressway Investment Company Limited (subsidiary of the Company, “寧宣杭高速公路投資有限公司”, “Ningxuanhang”) was leased to AEPC with annual rental fee of RMB 1,207 thousand. The lease period will be terminated by 31 December 2020.

- (b) Pursuant to a lease agreement with Anhui Yida Toll Road Service Sector Management Co., Ltd. (“YTMC”, “安徽省驛達高速公路服務區經營管理有限公司”), a subsidiary of ATHC, the Company’s toll road service sectors were leased to YTMC with annual rental fee of RMB 8,446 thousand starting from year 2017, which will increase by 2% each year. The lease period was from 1 January 2017 to 31 December 2019.

Pursuant to a lease agreement with YTMC, toll road service sectors of Xuancheng Guangci Expressway Co., Ltd. (subsidiary of the Company, “宣城市廣祠高速公路有限責任公司”, “Guangci”) were leased to YTMC with annual rental fee of RMB 1,800 thousand. The lease period was from 1 August 2009 to 20 July 2029.

Pursuant to a lease agreement with YTMC, Ningxuanhang’s toll road service sectors was leased to YTMC with annual rental fee of RMB 20 thousand. The lease period was from 1 January 2018 to 31 December 2020.

3 Finance costs

	Year ended 31 December	
	2018	2017
Interest expenses	137,427	127,271
Including: amortisation of long-term payables	36,103	36,562
Less: capitalised interest expenses	(7,150)	(34,796)
	<u>130,277</u>	<u>92,475</u>

4 Taxation

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31 December	
	2018	2017
Current taxation - Corporate Income Tax (“CIT”) (a)	456,770	445,551
Deferred taxation (credited)/debited to the consolidated income statement	(8,721)	6,397
	<u>448,049</u>	<u>451,948</u>

(a) *Hong Kong profits tax and the PRC Corporate Income Tax*

The Company and its subsidiaries, associated companies determine and pay the PRC CIT in accordance with the CIT Law as approved by the National People’s Congress on 16 March 2007. Under the CIT Law, the CIT rate applicable to the Company and its subsidiaries (except AEHK), associated companies is 25%. And the CIT rate applicable to Anhui Expressway (H.K.) Limited (“安徽皖通高速公路股份(香港)有限公司”, “AEHK”) is 16.5%.

(b) *Withholding tax (“WHT”) for dividend paid to foreign investors*

Pursuant to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation, where the Company declares dividend in or after 2008 and beyond out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders are exempted from WHT; For dividend which arises from the Company’s profit earned after 1 January 2008, WHT is levied on the foreign institute shareholders. Pursuant to the new CIT law and the detailed implementation regulations, foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from 1 January 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. The Company has fulfilled the obligation of WHT for dividends related to 2017 which was paid to foreign shareholders during 2018.

(c) *The tax on the Group's profit before tax differs from the theoretical amount that would arise using the CIT rate for companies in the PRC as follows:*

	Year ended 31 December	
	2018	2017
Profit before income tax	1,537,528	1,529,639
Tax calculated at domestic tax rates applicable to profits in the respective countries	384,382	382,410
Expenses not deductible for tax purpose	249	176
Income not subject to income tax	(15,494)	(15,136)
Tax adjustment made after tax filing by tax bureau	1,234	(233)
Deductible temporary differences not recognised as deferred tax assets during the year	472	31,187
Tax losses not recognised as deferred tax assets during the year	77,206	53,544
Tax charges	<u>448,049</u>	<u>451,948</u>

5 Earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The Company has no dilutive potential shares.

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company	1,115,361	1,083,235
Weighted average number of ordinary shares in issue (thousand)	1,658,610	1,658,610
Basic earnings per share (expressed in RMB per share)	<u>0.6725</u>	<u>0.6531</u>

6 Dividends

The dividends paid during the years ended 31 December 2018 and 2017 were RMB 381,480 thousand (RMB 0.23 per share) and RMB 381,480 thousand (RMB 0.23 per share) respectively. A final dividend in respect of 2018 of RMB 0.25 per share, amounting to a total dividend of RMB 414,653 thousand will be proposed at the Annual General Meeting in May 2019. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2018	2017
Proposed final dividend of RMB 0.25 (2017: RMB 0.23) per ordinary share	<u>414,653</u>	<u>381,480</u>

7 Appropriation

(a) *Statutory surplus reserve fund*

In accordance with the PRC Company Law, the Company and its subsidiaries shall appropriate 10% of their annual statutory net income (after offsetting any prior years' loss) to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of a company's share capital or registered capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' loss or to issue bonus shares/paid-in capital. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of share capital/registered capital after such utilisation.

The balance of statutory surplus reserve has reached 50% of the Company's share capital. As a result, the Company did not appropriate statutory surplus reserve fund in 2018 in accordance with the PRC Company Law.

(b) *Dividends distribution*

According to the Articles of Association of the Company, the dividends distribution by the Company to its shareholders is based on the lower of the retained earnings in the Company's statutory financial statements and in the Company's financial statements prepared in accordance with HKFRS. As at 31 December 2018, the retained earnings in the Company's financial statements prepared in accordance with HKFRS amounted to RMB 6,720,482 thousand, which was lower than the retained earnings reflected in the Company's statutory financial statements.

8 Commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at 31 December	
	2018	2017
Contracted but not provided for		
– Concession intangible assets	1,490,406	2,209,369
– Property, plant and equipment	102,031	60,911
	<u>1,592,437</u>	<u>2,270,280</u>

9 Receivables and prepayments

	As at 31 December	
	2018	2017
Other receivables		
– Pawn loans to customers (a)	185,718	148,601
– Toll roads income receivable (b)	48,450	43,870
– Receivables for construction	30,051	30,051
– Interest receivable	12,828	8,313
– Financial products	—	360,000
– Receivables from management service of toll roads	—	8,062
– Others	20,280	27,459
	<u>297,327</u>	<u>626,356</u>
Less: Provision for impairment of pawn loans (a)	(123,864)	(121,528)
Provision for impairment of others (c)	(2,692)	(2,316)
	<u>170,771</u>	<u>502,512</u>
Prepayments		
– Prepaid expenses	791	906
	<u>171,562</u>	<u>503,418</u>

(a) Pawn loans to customers

At 31 December 2018 and 2017, the analysis of pawn loans to customers is as follows:

	As at 31 December	
	2018	2017
Pawn loans to customers		
– Principal	185,718	148,601
– Interest	—	—
	<u>185,718</u>	<u>148,601</u>
Less: Impairment allowances	(123,864)	(121,528)
Pawn loans to customers, net	<u>61,854</u>	<u>27,073</u>

Pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are from two to six months and bore fixed interest rates ranging from 10.92% to 26.40% for the year ended 31 December 2018 (2017: bore fixed interest rates ranging from 22.32% to 26.40%). The Group ceased interest accrual once pawn loans were overdue.

As at 31 December 2018, the Group's pawn loans to certain third party customers with carrying amounts of RMB 600 thousand (31 December 2017: RMB 1,774 thousand) were secured by their trade receivables of RMB 7,510 thousand (31 December 2017: RMB 14,080 thousand), which were due from Anhui Transportation Construction Management Co., Ltd. (“安徽省交控建設管理有限公司”, ATCMC) who is subsidiary of ATHC.

Reconciliation of provision account for loss on pawn loans to customers is as follows:

	Year ended 31 December	
	2018	2017
Beginning of the year	(121,528)	(112,732)
Impairment loss recognised	(2,336)	(8,796)
End of the year	<u>(123,864)</u>	<u>(121,528)</u>

- (b) As at 31 December 2018, toll roads income receivables mainly represented receivable from Anhui Expressway Network Operation Company Limited (“安徽省高速公路聯網運營有限公司”, “AENO”) of RMB 44,405 thousand (31 December 2017: RMB 39,559 thousand) for uncollected toll roads income.

- (c) **Reconciliation of provision account for loss on other receivables is as follows:**

	Year ended 31 December	
	2018	2017
Beginning of the year	(2,316)	(1,994)
Impairment loss recognised	(376)	(322)
End of the year	<u>(2,692)</u>	<u>(2,316)</u>

As at 31 December 2018 and 2017, all other receivables balances were denominated in RMB.

As at 31 December 2018 and 2017, the fair values of the other receivables of the Group approximated their carrying amounts.

II. Final Dividend

The Board proposes to declare a final dividend of RMB 0.25 per share (taxation included) for the year ended 31 December 2018 to all shareholders.

The final dividend is subject to the approval of shareholders at the 2018 annual general meeting and will be distributed on or before 16 July, 2019.

III. Closure of Register of Holders of H Share

In order to ascertain the shareholders eligible to attend the 2018 annual general meeting (“AGM”), the register of the holders of H shares of the Company will be closed from 17 April 2019 (Wednesday) to 17 May 2019 (Friday) (both days inclusive), during which period no transfer of H shares of the Company will be registered. In order for the holders of H shares to qualify for attending the AGM, all share certificates with completed transfer forms must be lodged with the Company’s H share registrar, Hong Kong Registrars Limited, at Shop 1712-1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. (Hong Kong time) on 16 April 2019 (Tuesday).

The register of the holders of H shares of the Company will also be closed from 25 May 2019 (Saturday) to 30 May 2019 (Thursday) (both days inclusive), during which period no transfer of H shares of the Company will be registered. Dividends for H shares will be paid to the holders of H shares whose names are on the register of member on 30 May 2019 (Thursday). If the resolution regarding the Company’s 2018 profit appropriation plan is passed at the AGM, the dividends shall be distributed in Hong Kong Dollar at the average closing price of the exchange rate of RMB against Hong Kong Dollar announced by The People’s Bank of China 5 working days prior to the AGM, and the cheque for the dividends shall be mailed to holders of H shares on or before 16 July 2019 (Tuesday). In order for the holders of H shares to be entitled to receive the dividends for the year, all share certificates with completed transfer forms must be lodged with the Company’s H share registrar, Hong Kong Registrars Limited, at Shop 1712-1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. (Hong Kong time) on 24 May 2019 (Friday). The details regarding the registration date for holders of A shares and the method and time of distribution of the dividends shall be announced separately.

IV. Business Review

(The figures below were computed in accordance with the PRC Accounting Standards unless otherwise stated.)

(I) Results summary (In accordance with the PRC Accounting Standards)

During the reporting period, the Group achieved an operating income of RMB 2,966,949 thousand (2017: RMB 2,861,411 thousand), representing an increase of 3.69% over the corresponding period of the previous year; total profit of RMB 1,547,540 thousand (2017: RMB 1,540,423 thousand), representing an increase of 0.46% over the corresponding period of the previous year; net profit attributable to shareholders of the Company of RMB 1,123,042 thousand (2017: RMB 1,091,343 thousand), representing an increase of 2.90% over the corresponding period of the previous year; basic earnings per share of RMB 0.6771 (2017: RMB 0.6580), representing an increase of 2.90% over the corresponding period of the previous year.

(Unit: RMB)

In terms of industries	Principal businesses in terms of industries						
	Operating income	Operating cost	Gross profit rate (%)	Change in operating income (compared with the previous year) (%)	Change in operating cost (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year)	
Toll highway business	2,724,600,058.68	1,096,591,383.60	59.75	1.86	5.83	A decrease of 1.51 percent point	
Pawn business	6,353,919.99	0	N/A	809.96	N/A	N/A	

Principal businesses in terms of products

In terms of products	Operating income	Operating cost	Gross profit rate (%)	Change in	Change in	Change in
				operating income (compared with the previous year)	operating cost (compared with the previous year)	gross profit rate (compared with the previous year)
Hening Expressway	877,034,430.80	337,697,704.81	61.50	-8.59	1.85	A decrease of 3.94 percent point
New Tianchang Section of National Trunk 205	71,722,515.46	42,719,892.77	40.44	20.50	6.45	An increase of 7.87 percent point
Gaojie Expressway	675,971,155.59	158,067,049.39	76.62	8.32	-12.62	An increase of 5.61 percent point
Xuanguang Expressway	528,972,505.86	146,492,004.55	72.31	7.79	3.00	An increase of 1.29 percent point
Lianhuo Expressway Anhui Section	258,623,175.24	116,796,906.23	54.84	2.40	3.47	A decrease of 0.47 percent point
Ninghuai Expressway Tianchang Section	107,192,881.78	31,821,246.90	70.31	-9.73	-2.32	A decrease of 2.25 percent point
Guangci Expressway	96,818,034.79	19,138,055.71	80.23	10.81	-0.18	An increase of 2.17 percent point
Ningxuanhang Expressway	108,265,359.16	243,858,523.24	-125.24	31.39	37.99	A decrease of 10.78 percent point
Wantong Pawn	6,353,919.99	0.00	N/A	809.96	N/A	N/A
Total	2,730,953,978.67	1,096,591,383.60	59.84	2.07	5.83	A decrease of 1.43 percent point

Principal businesses in terms of regions

In terms of regions	Operating income	Operating cost	Gross profit rate (%)	Change in	Change in	Change in
				operating income (compared with the previous year)	operating cost (compared with the previous year)	gross profit rate (compared with the previous year)
Anhui Province	2,730,953,978.67	1,096,591,383.60	59.84	2.07	5.83	A decrease of 1.43 percent point

(II) Operations of toll highways

During the reporting period, the Group achieved a toll income of RMB 2,694,252 thousand in total, representing an increase of 1.83% over the corresponding period of the previous year.

Economic development, policy exemption and effect of road networks remain the principal factors affecting the Group's toll income.

In 2018, China's gross domestic product ("GDP") amounted to RMB 90,030.9 billion, representing an increase of 6.6% year on year in comparable price. Anhui province's GDP in 2018 amounted to RMB 3,000.68 billion, representing an increase of 8.02% year on year in comparable price.

In addition, starting from 12 July 2016, truck drivers holding an Anhui transportation card to travel via the expressways in the province would be entitled to 15% discount in toll, which attracted some truck drivers to choose to travel via expressway. In October 2018, Anhui Provincial Department of Transportation issued the "Notice on Adjustment of Preferential Period for Truck Toll", extending the end date for such preferential policies from 11 July 2019 to the end of 2020.

During the reporting period, with the continued implementation of various policies and measures of exemption, the Group's amounts of exemption continued to increase rapidly. The amounts of exemption totaled RMB 927 million (2017: RMB 885 million), increasing by 4.75% against the same period of the previous year, of which:

The amount of exemption in Green Channel was about RMB 454 million (2017: RMB 451 million), representing an increase of 0.67% year on year, with over 1,382 thousand vehicles being exempted;

The amount of exemption on holidays was RMB 245 million (2017: RMB 244 million), representing an increase of 0.41% year on year, with over 5,590 thousand vehicles being exempted;

The amount of Anhui transportation card discounts for the year is approximately RMB 204 million (2017: RMB 164 million), representing an increase of 24.39% year on year; Among them, the amount of preferential reduction and exemption of Anhui transportation card for trucks was RMB179 million, accounting for 87.91% of the total amount of preferential reduction and exemption of Anhui transportation card and representing an increase of 29.41% year on year.

Other amounts of exemption amounted to approximately RMB 24 million (2017: RMB 26 million).

Furthermore, the operating performance of toll highways are also affected by other factors, including the changes in competing or collaborative neighboring road networks and renovation and expansion of connected or parallel roads, and the extent of such impact will depend on each single road project.

Details of the operation of toll highways in 2018 were as follows:

Items	Interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		2018	2017	Change(%)	2018	2017	Change(%)
		Hening Expressway	100%	24,876	27,254	-8.73	888,218
New Tianchang Section of National Trunk 205	100%	5,987	5,495	8.95	75,309	62,498	20.50
Gaojie Expressway	100%	17,133	15,893	7.80	684,742	631,298	8.47
Xuanguang Expressway	55.47%	25,341	23,642	7.19	544,842	505,445	7.79
Lianhuo Expressway Anhui Section	100%	14,682	14,721	-0.26	264,128	257,896	2.42
Ninghuai Expressway Tianchang Section	100%	34,568	38,441	-10.08	108,037	120,952	-10.68
Guangci Expressway	55.47%	27,361	24,687	10.83	99,723	89,997	10.81
Ningxuanhang Expressway	51%	3,944	3,980	-0.90	111,513	84,872	31.39

Items	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per kilometer per day (RMB)		
		2018	2017	2018	2017	Change (%)
		Hening Expressway	100%	75:25	74:26	18,160
New Tianchang Section of National Trunk 205	100%	21:79	24:76	6,878	5,708	20.50
Gaojie Expressway	100%	59:41	60:40	17,055	15,723	8.47
Xuanguang Expressway	55.47%	74:26	75:25	17,770	16,485	7.79
Lianhuo Expressway Anhui Section	100%	68:32	68:32	13,401	13,085	2.41
Ninghuai Expressway Tianchang Section	100%	81:19	79:21	21,142	23,670	-10.68
Guangci Expressway	55.47%	78:22	78:22	19,515	17,612	10.81
Ningxuanhang Expressway	51%	80:20	77:23	2,616	1,991	31.39

Notes:

1. Lixuan Section of Ningxuanhang Expressway was officially open to traffic on 30 December 2017.
2. The traffic volume data above do not include the data on small passenger vehicles insofar as the same were free from toll on holidays.
3. The toll income data above are tax included.

During the reporting period, due to the influence of “single-line double-run”, “speed limit of 80” arrangement on some construction sections under the “four-lane to eight-lane” work of Hening Expressway, some passengers chose to travel via the railway or other roads, and vehicles traveling from/to Nanjing and surrounding cities consequently chose Hechaowu Expressway and Mawu Expressway instead of Hening Expressway, which results in a decrease in the toll revenue of Hening Expressway by 8.75% year on year;

205 National Road and its parallel County Road 101 are competitive routes. In May 2017, due to the establishment of the height and width restriction facilities in the County Road 101, a large number of trucks returned to 205 National Road. Affected by this, during the reporting period, the toll revenue of 205 National Road changed greatly and increased by 20.50% year on year because the proportion of trucks of the road has increased;

The opening of Sisi Expressway Anhui Section on 20 December 2017 marked the full line operation of Sixu Expressway Anhui Section and provided another important route in the eastwest direction through Anhui province; therefore, it created a competition with and generated a significant diversion from Lianhuo Expressway Anhui Section, which results in an increase the toll revenue of Lianhuo Expressway Anhui Section by 2.42% year on year;

Due to the opening of Suyang Expressway Tianchang Section on 18 November 2017 and JiangsuYangzhou Section on 28 December 2017, which are the first expressways in the northwest of Yangzhou and the most convenient route from Xuyi to Yangzhou, vehicles from North Anhui and Henan can cross the Yangtze River directly through the Runyang Bridge, reducing the stress on the river crossing transportation passageway through Nanjing section. Therefore, Ninghuai Expressway is faced with the competition from Suyang Expressway, which results in a decrease in the toll revenue of Ninghuai Expressway by 10.68% year on year in 2018;

During the reporting period, benefiting continuously from the opening of Tongnanxuan Expressway, Xuanguang Expressway and Ningxuanhang Expressway became connected with Yanjiang Expressway, which attracted vehicles from regions such as Zhejiang and Jiangsu to choose the routes through our province to Wuhan, Guangzhou and other places, therefore making contributions to Gaojie Expressway, Xuanguang Expressway, Guangci Expressway, Ningxuanhang Expressway. The toll revenue of Gaojie Expressway increased by 8.47% year on year, the toll revenue of Xuanguang Expressway increased by 7.79% year on year, the toll revenue of Guangci Expressway increased by 10.81% year on year while the toll revenue of Ningxuanhang Expressway, which is in the profit growth period after the Xuanli Section of Ningxuanhang Expressway officially opened on 30 December 2017, increased by 31.39% year on year;

(III) General achievements of the pawn business

In June 2012, the Company and Huatai Group jointly set up Hefei Wantong Pawn Company Limited (“Wantong Pawn”), in which the Company injected capital in the sum of RMB150 million, accounting for 71.43% of its registered capital; Huatai Group invested RMB 60 million, accounting for 28.57% of its registered capital. In 2015, both shareholders reduced capital in the total sum of RMB 52.5 million of Wantong Pawn in proportion to their respective capital contribution, and the current registered capital of the company is RMB157.50million.

During the Reporting Period, Wantong Pawn made an inventory of historical unredeemed pawn items and accelerated the auctions for items with identified realizable collaterals. It actively pushed the communication with the actual controllers, attorneys and execution courts so as to seek for settlements for items without identified collaterals or with unrealizable collaterals. A total of RMB 14.3842 million of the receivable was collected during the reporting period. While making efforts on collecting, it also started the business of personal real estate backed pawn loans, and has completed 44 projects with a total amount of RMB 54.70 million being granted during the reporting period. Interests for all those new loans granted at present are paid on time and there is no significant risk signal.

The provision for impairment of Wantong Pawn for the year reached RMB 2.39 million, and the accumulated provision reached RMB 126 million; As a result of the restart of business to achieve profitability, Wantong Pawn achieved a gross profit of RMB 1.7 million, and achieved a loss-mitigation of RMB 11.95 million year on year. The net profit was RMB 0.43 million, and achieved a loss-mitigation of RMB 38.48 million year on year.

(IV) Analysis of main shares holding companies and joint stock companies

Unit: RMB'000

Name of company	Equity capital the Group possesses	Registered Capital	31 December 2018		2018		Main business
			Total assets	Net assets	Revenue	Net profit	
			Xuanguang Company	55.47%	111,760	1,042,461	
Ningxuanhang Company	51%	300,000	5,028,452	201,475	144,483	-345,224	Highway's construction, design, supervision, toll, maintenance, management, technology consultation and related advertisement service
Guangci Company	55.47%	56,800	258,589	249,957	98,618	58,632	The construction, management and operation of Guangci Expressway
Expressway Media	38%	50,000	460,318	339,296	163,112	65,942	Design, making, publication of and agency for domestic advertisements
Xin'an Financial	6.62%	1,900,000	3,628,773	2,740,772	190,386	31,200	Financial investment, equity investment, management consulting
Xin'an Capital	6.62%	1,120,000	2,941,706	955,388	65,790	-137,302	Internet financial services, network information services, pawn business, etc.
Wantong Pawn	71.43%	157,500	73,353	70,142	6,354	434	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
Wantong MicroCredit	10%	150,000	116,175	114,504	3,292	824	Distributing petty loans, small size enterprises management consulting and financial advisory
AEHK	100%	1,981	1,913	1,865	0	25	Highway enterprises; its business covers relevant consultation and technology service for building, investment and operation of road abroad, and currently, the operation has yet to begin
Anhui Transportation China Merchants Industrial Fund	6.64%	3,000,000	1,514,633	1,515,374	47,710	19,128	Investment in areas of transportation, service, energy conservation and environmental protection
Anhui Transportation Jinshi Merger and Acquisition Fund	6.64%	3,000,000	1,509,452	1,504,116	28,432	4,116	Equity investment, asset management, enterprise management consulting
Anhui Transportation China Merchants Investment Management Co., Ltd.	2.5%	30,000	31,698	28,914	28,230	9,395	Daily management and investment consultation of Anhui Transportation China Merchants Industrial Fund
Anhui Transportation Jinshi Fund Management Co., Ltd.	2.5%	30,000	34,988	32,189	23,545	17,189	Daily management and investment consultation of Anhui Transportation Jinshi Merger and Acquisition Fund

(V) Information on principal customers and suppliers

Because the Group's main customers of the toll business were the users of the tollways and usually there were no big purchases related to the daily operation, thus there were no principal customers or suppliers to be further disclosed.

(VI) Investment Analysis

Overall analysis of external equity investments of the Company

During the reporting period, the Company has no new equity investment. (2017: RMB 200 million).

For the implementation of the Company's diversified development strategy, improving capital operation ability and cultivating new profit growth point, promoting sustainable development of the Company to make it stronger and better, the Company plans to invest in setting up fund management companies and make capital contribution of RMB 200 million to each of them, and to establish an Industrial Fund and a Merger and Acquisition Fund. The matters have been respectively considered and adopted by The 22nd meeting of the seventh Board of Directors on March 17, 2017 and the third meeting of the eighth Board of Directors on September 22, 2017. The meetings also authorized the management to deal with, amend and execute the relevant legal documents.

In 2017, Anhui Transportation China Merchants Investment Fund Management Co., Ltd*(安徽交控招商基金管理有限公司), Anhui Transportation China Merchants Industrial Fund (Limited Partnership)*(安徽交控招商產業投資基金(有限合夥)), Anhui Transportation Jinshi Fund Management Co., Ltd*(安徽交控金石基金管理有限公司) and Anhui Transportation Jinshi Merger and Acquisition Fund (Partnership)*(安徽交控金石併購基金(合夥企業)) had completed their respective industrial and commercial registration procedures, and the Company has contributed the first phase investment of RMB 100 million to each of the two funds.

In January 2018, Anhui Transportation China Merchants Industrial Fund (Limited Partnership) completed the filing procedures of the private investment fund in Asset Management Association of China. As at the date of this announcement, Anhui Transportation Jinshi Merger and Acquisition Fund (Partnership) is still in the filing process of private investment fund in Asset Management Association of China.

(1) Material equity investments

During the reporting period, there was no equity investment of the Company.

(2) Material non-equity investments

Unit: '00,000,000 Currency: RMB

Name of project	Basic information of the project	Project amount	Progress of the project	Amount of Investment for the year	Aggregate actual amount of investment	Revenue from the project
the construction project to expand Hening Expressway	about 87 km in length	63.75	The construction of the project began in November 2016.	8.90	19.30	under construction
Total		<u>63.75</u>	/	<u>8.90</u>	<u>19.30</u>	/

(3) Material disposal of assets and equity interest

During the reporting period, there was no material disposal of assets and equity interest by the Group.

V. Material Litigation and Arbitration

The Company was not involved in any material litigation or arbitration during the year.

VI. Guarantee

(RMB' 00,000,000)

Guarantees provided by the Company and its subsidiaries for its subsidiaries

Total amount of guarantees provided for the subsidiaries by the Company during the reporting period	-0.05
Total balance of guarantees provided for the subsidiaries as at the end of the reporting period	1.66

Total amount of guarantees provided by the Company (including guarantees provided for its subsidiaries)

Total guarantee amount	1.66
Total guarantee amount as a percentage of net asset of the Company (%)	1.55

Including:

Guarantee provided to shareholders and the actual controller and their related parties	0.00
The amount of direct or indirect guarantee for guarantees with over 70% debt to asset ratio	0.00
The amount of guarantee that exceeds 50% of the net assets	0.00
Total above	0.00

Potential risk of unexpired guarantee

Overview The Company provided a guarantee of RMB 500 million for the Company's subsidiary Ningxuanhang Company, which was approved at the 18th meeting of the 5th Board, held on 18 August 2010. As of the end of the reporting period, balance of guarantees provided by the Company amounted to RMB 166 million.

VII. Entrusted Investment

1. Overall Entrusted Investment

(RMB'0,000)

Type	Source of funds	Amount incurred	Undue balance	Overdue unrecovered amount
Bank investment products	Self-owned funds	40,000	0	0

Note: The “Proposal Regarding Purchase of Bank Investment Products with Self-owned Pool of Funds” was considered and approved at the 2nd Meeting of the Eighth Session of the Board of the Company held on August 25, 2017. Pursuant to the resolution, on the premise of ensuring the fund safety, the Company was permitted to purchase in the next year bank wealth management investment products with low risks and high earnings, provided that the balance at any time shall not exceed RMB 0.5 billion, and the senior management of the Company was authorized to deal with the above matters.

2. Single Entrusted Wealth Management Investments

Unit: '0,000 Currency: RMB

Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected return (if any)	Real income or loss	Real recovery	Through a legal procedure or not
Bank of China, High-tech Sub-branch	Principal and returns guaranteed	20,000	16 January 2018	23 April 2018	Self-owned funds	Fixed income portfolio	by agreement	4.4%	233.86	233.86	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	5,000	17 January 2018	26 February 2018	Self-owned funds	Fixed income portfolio	by agreement	4.6%	25.21	25.21	All due and redeemed	Yes
HSBC,Hefei branch	Principal and returns guaranteed	10,000	22 January 2018	22 March 2018	Self-owned funds	Fixed income portfolio	by agreement	4.05%	66.375	66.375	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	5,000	24 January 2018	4 April 2018	Self-owned funds	Fixed income portfolio	by agreement	4.7%	45.07	45.07	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	5,000	2 March 2018	29 June 2018	Self-owned funds	Fixed income portfolio	by agreement	4.6%	74.98	74.98	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	5,000	9 April 2018	17 May 2018	Self-owned funds	Fixed income portfolio	by agreement	4.7%	24.46	24.46	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	5,000	21 May 2018	27 September 2018	Self-owned funds	Fixed income portfolio	by agreement	4.6%	81.28	81.28	All due and redeemed	Yes

VIII. Entrusted Loans

1. General entrusted loans

Unit: '0,000 Currency: RMB

Type	Sources of funds	Amount incurred	Undue balance	Overdue unrecovered amount
Bank	Self-owned funds	121,416.23	121,416.23	0

Note: in order to meet the capital transactions compliance requirements among enterprise legal persons, the portion in the difference between the project capital and the capital investment into Ningxuanhang Company which should be borne by the Company are injected by the Company out of its internal fund by way of entrusted loans according to the annual investment plan. As of the end of the reporting period, the Company has invested RMB 1.214 billion by way of entrusted loans.

2. Single Entrusted Loans

Unit: '0,000 Currency: RMB

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected return (if any)	Real income or loss	Real recovery	Through
												a legal procedure or not
Everbright Bank Hefei Daoxianglou Branch	Bank	1,000	18 July 2013	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	58.43	58.43	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,000	22 July 2013	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	292.13	292.13	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	2,500	19 August 2013	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	146.06	146.06	Undue	Yes

Everbright Bank Hefei Daoxianglou Branch	Bank	1,600	7 March 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	93.48	93.48	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	782	19 March 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	45.69	45.69	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	2,267	21 April 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	132.45	132.45	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,114	16 May 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	240.36	240.36	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,500	7 July 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	262.91	262.91	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,875	7 July 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	109.55	109.55	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,366	4 September 2014	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	207.01	207.01	Undue	Yes

Everbright Bank Hefei Daoxianglou Branch	Bank	2,589.23	13 January 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	159.24	159.24	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,887	16 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	116.05	116.05	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	2,300	23 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	141.45	141.45	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	199	23 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	12.24	12.24	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,570	14 May 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.65%	201.71	201.71	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,768.5	25 June 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.65%	269.42	269.42	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,533.5	26 August 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.40%	298.81	298.81	Undue	Yes

Everbright Bank Hefei Daoxianglou Branch	Bank	3,315	24 September 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.15%	170.72	170.72	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,743	6 November 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	232.41	232.41	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,253	16 December 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	257.40	257.40	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,661	24 December 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	277.39	277.39	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,009	25 January 2016	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	49.44	49.44	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,825	14 June 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	168.68	168.68	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,428	24 August 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	62.97	62.97	Undue	Yes

Everbright Bank Hefei Daoxianglou Branch	Bank	3,213	18 September 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	141.69	141.69	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,989	17 November 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	87.71	87.71	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,009	20 December 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	132.70	132.70	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	368	9 February 2017	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	16.23	16.23	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	6,069	13 April 2017	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	267.64	267.64	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,683	9 May 2017	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	74.22	74.22	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	6,477	31 August 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	317.37	317.37	Undue	Yes

Everbright Bank Hefei Daoxianglou Branch	Bank	4,029	15 September 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	197.42	197.42	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,927	11 October 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	192.42	192.42	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,437	9 November 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	217.41	217.41	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,130	19 December 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	153.37	153.37	Undue	Yes
China Merchants Bank Hefei Sipailou Branch	Bank	5,000	12 December 2018	11 December 2028	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	13.61	13.61	Undue	Yes
China Merchants Bank Hefei Sipailou Branch	Bank	5,000	13 December 2018	11 December 2028	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	12.93	12.93	Undue	Yes

IX. Purchase, Sale and Repurchase of the Company's Listed Securities

During the reporting period, neither the Company nor its subsidiaries or joint ventures has purchased, sold or repurchased any listed securities of the Company.

X. Corporate Governance Code

During the reporting period, the Board, the professional committees under the Board and the board of supervisors perfected the corporate governance as the key actions to meet challenges and seize opportunities, adapted to the domestic and overseas new regulatory requirements and, in strict compliance with the Company Law of the Peoples Republic of China, the Law of the People's Republic of China on Securiries, the Code of Corporate Governance for Listed Companies in China, the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and other relevant laws and regulations and its articles of association, perfected the corporate governance structure, compliance risk control system and internal control management system in accordance with the modern enterprise system. Meanwhile, The Company made continuous improvement on the company's governance system and operation process according to the work deployment of the regulatory department and the latest laws and regulations, and reviewed the Company's operation and management behavior from time to time, cooperated with and timely followed up on the regulatory requirements of regulatory authorities, ensured the implementation of regulatory content, enhanced the Company's directors, supervisors and senior managers' understanding of securities laws and regulations, securities market dynamics, strengthen daily prevention and control, and enhance the awareness of governance. In regulatory key areas, such as insider trading, capital occupation and related party transactions, daily prevention and control should be strengthened to strictly control the risk of various violations, so as to further improve the Company's autonomy.

The Board confirmed that, during the reporting period, save and except that both the duties of the remuneration committee and the nomination committee were performed by the Company's human resources and remuneration committee (as the Company considers the long established arrangement of human resources and remuneration committee has so far been effective and suits the needs of the Company better, and most of the members of the human resources and remuneration committee are independent directors, which can ensure the protection of the interests of shareholders), the Company has always complied with the Corporate Governance Code set out in Appendix 14 of the Listing Rules in order to maintain a high standard of corporate governance so as to improve the corporate transparency and protect the interests of the Company's shareholders.

During the reporting period, in order to fully protect the interests of investors and further standardize and improve the corporate governance structure, according to "Guiding Opinions on Deepening the Reform of State-owned Enterprises" issued by the CPC Central Committee and the State Council, the CSRC Guidelines on the Articles of Association of Listed Companies (Revised 2016), Rules for the General Assemblies of Shareholders of Listed Companies (Revised 2016) and other relevant provisions of laws and regulations, and combining with the actual situation of the Company, the Company incorporated the work of Party construction into its Articles of Association, and revised the relevant articles thereof involving the small and medium sized investors' separate vote and dividend policy.

In accordance with amendments of Hong Kong listing rules and Code on Corporate Governance revised by The Stock Exchange of Hong Kong, On 22 March 2019, the Board amended the Term of Reference of Human Resources and Remuneration Committee and the Work Rules and Procedures of the Audit Committee of the Company.

XI. Audit Committee

As per its terms of reference, the audit committee of the Company is mainly responsible for monitoring the establishment and functioning of the Company's internal audit system, evaluating financial information and its disclosure, reviewing the internal control system and the way in which it runs, reviewing major connected transactions, facilitating the communication between the Company's internal and external auditors, and supervising and monitoring internal and external audit.

As at 31 December 2018, the audit committee of the Company composed of Mr. Liu Hao (chairman), Mr. Du Jian and Mr. Jiang Jun, one of them being a non-executive director and two of them being independent non-executive directors.

In the year 2018, the audit committee of the Company held 4 meetings. Details of attendance of the meetings of the audit committee are as follows:

Member's name	Attendance at meetings (times)	Number of meeting during the term (times)	Attendance rate
Liu Hao	4	4	100%
Du Jian	4	4	100%
Jiang Jun	4	4	100%

The audit committee of the Company held 4 meetings during the reporting period and had ample communication with the Company and the auditors. It reviewed the 2017 annual, 2018 first quarterly, interim and third quarterly financial statements of the Company. It submitted the audited report, summary of internal control, and the internal control and self-evaluation report for the Board's approval and submitted its recommendation of re-appointing PricewaterhouseCoopers Zhong Tian LLP (A-share) and PricewaterhouseCoopers (H-share) as the audit institution in the forthcoming year for the Board's consideration. Moreover, it also reviewed and opined on the Company's expected daily connected transactions of 2018. Please refer to the Report on How the Audit Committee Discharged its Duties for details of the Audit Committee's work.

XII. Major Events During the Reporting Period

According to the “Implementation of Views on Further Reducing Enterprises’ Costs of People’s Government of Anhui Province” and the “Notice on Conscientiously Implementing the Preferential Policies for Truck Toll issued by Anhui Provincial Department of Transportation”, the end date for the preferential policy whereby trucks with Anhui transportation cards could enjoy 15% discount on toll is extended from 11 July 2019 to the end of 2020. Please refer to the Company’s announcement dated 25 October 2018 and headed “Adjustment of Preferential Period for Truck Toll” for details.

XIII. Prospects and Outlook

1. Broad room for industry development and increasingly apparent policy direction

As stated in the Report of the 19th CPC National Congress, China’s economy has been transitioning from a phase of rapid growth to a stage of high-quality development. As the promotion and realization of the “ensuring growth, making structural adjustment, promoting reform, improving people’s well-being and forestalling risks” policies, the macro economy in China will gradually stabilize, and the economic growth will be more steady, more sustainable and of higher quality. As the speed of economic growth is a key determining factor for growth in transportation demands, there are still plenty of rooms and opportunities for the future development of the highway industry. In terms of social efficiency, as transportation remains an important anchor for national economic growth, there will be no material change in the national policies in relation to construction of transport infrastructure. In terms of investment efficiency, it is expected that investments in road infrastructure will remain a trend of strong growth, further manifesting its driving effect for economic growth. In terms of road network structure, and in light of the strategies of “Rise of Central China” and “China Western Development”, the room for investment and construction in the provincial road networks in central and west regions of China remains relatively large.

2. Transformation development is imminent as investment return is declining

The toll road industry continued to face a series of challenges. Firstly, the industry was affected by the slowdown in economic growth, the toll revenue growth was limited; secondly, land acquisition and demolition costs, labor costs and other costs continued to rise, and the toll road construction costs were increasing (the construction costs for domestic expressways is about RMB100 million per km at present.), while the standards in relation to safety monitoring facilities, environmental protection, road conditions, etc. continued to increase, leading to a continuous rise in operation and maintenance costs; thirdly, most of the quality roads have been in operation for a long time, and the road maintenance cost was high, while the cultivation period of the newly-built section was long, and the road network effect was poor, the depreciation amortization and interest costs affected the performance of the enterprise; fourthly, the amount of exemption of various types of policies continued to rise, while the management costs for implementation of green channel policy and major holiday payment free policy were also increasing; fifthly, the growing popularity of railways, highspeed rails, air transport and other means of transport and the changes in road network structure continued to have traffic diversion effect on the road sections.

Under the traditional mode of investment and financing, the return on investment of the toll road industry, especially the new toll road project, has been declining, the commercial value of the investment is not high. Regarding the acquisition of developed road assets, the road sections with better performance tend to be greatly appreciated in valuation, competition for quality road assets has directly led to soaring transaction prices, resulting in substantially reduced investment yields. From the perspective of the industry as a whole, affected by factors such as expiring concession and declining marginal return on investment, etc, development on diversification and transformation has become a strategic choice for industry development, and listed companies in the industry had embarked on diversified expansion.

3. Well established controlling shareholders and huge space for reform of state-owned enterprise

From the industry's perspective, most controlling shareholders of listed highway companies are large provincial enterprises, having advantage in terms of asset size, capital strength, level of revenue and core competitiveness. Most listed companies and their controlling shareholders have the feature of "large groups, small companies".

The Report of the 19th CPC National Congress emphasized on the continuing and deepening reform of state-owned enterprises, promoting the preservation and appreciation of state-owned assets, and supporting the state-owned capital to be stronger, better and larger. Currently, the central government attaches great importance to the reform and development of state-owned enterprises, and has repeatedly made important instructions stressing on the practical significance of the state-owned enterprises being stronger, better, and larger. It has explicitly pointed out that in order for state-owned enterprises to be stronger, be better, be larger, deep reforms, with enhancement of vitality and improvements in management efficiency as the focus, would have to be carried out, so as to continuously increase the core competitiveness, dominance and influence of state-owned enterprises. The Anhui provincial government has also requested the state-owned enterprises in the province to strive towards the major direction of developing a mixed ownership system by pushing forward the overall listings, mergers and restructuring as the major forms, so as to further deepen the reform of state-owned enterprises, actively introduce strategic investors, improve corporate governance structures, and constantly enhance the vitality of enterprise development. In recent years, China has significantly accelerated its pace of capital market reform and innovation. A multi-level capital market system is initially formed with an expanding depth and breadth of the service entity economy. The reform of state-owned enterprises are in a period of better policies and market opportunities. In this context, many local state-owned enterprises have specified in their reform programs that listed highway companies and their controlling shareholders will implement plans for subsequent equity incentives, asset securitization, restructuring and upgrading, and so on.

4. Strengthened level of informatization and extensive prospect of the “Internet +” policy

In recent years, the level of informatization of China’s highways kept strengthening. In September 2015, China has basically achieved an electronic toll collection (“ETC”) network. With the continuous strengthening of the degree of informatization in the industry, the trend of industrialization of information based on technologies such as big data and cloud computing has been established, and the exploration of information and expansion in application is widening and deepening. With the development of highway networking toll collection and networking surveillance, network data will become increasingly huge, and how to integrate existing data and conduct in-depth data mining to provide customers with more useful information prediction becomes the focus and breakthrough for the next stage of development of highway informatization.

By order of the Board
Qiao Chuanfu
Chairman

Hefei, the PRC, 22 March 2019

As at the date of this announcement, the board of directors of the Company comprises: Qiao Chuanfu, Chen Dafeng, Xu Zhen, and Xie Xinyu as executive directors, Yang Xudong and Du Jian as non-executive directors, and Kong Yat Fan, Jiang Jun, and Liu Hao as independent non-executive directors.

This announcement was originally prepared in Chinese. In the event of discrepancies between the Chinese and English version, the Chinese version shall prevail.