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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)

2019 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 2019 (the “Reporting Period”) prepared in accordance with Hong Kong Financial Reporting Standards, together with the comparative figures of 2018. They are as follows. The audit committee of the Company has reviewed the annual results for the financial year 2019:

I. Financial highlights

(All amounts in Renminbi thousand unless otherwise stated)

Consolidated income statement

For the year ended 31 December 2019

(All amounts in Renminbi thousand unless otherwise stated)

		Year ended 31 December	
	Note	2019	2018
Revenue	2	4,640,431	3,875,803
Cost of sales		<u>(3,000,344)</u>	<u>(2,226,319)</u>
Gross profit		1,640,087	1,649,484
Other gains – net		121,910	105,818
Administrative expenses		(99,471)	(88,707)
Net impairment reversal / (losses) on financial assets		<u>2,838</u>	<u>(2,712)</u>
Operating profit		1,665,364	1,663,883
Finance costs	3	(118,832)	(130,277)
Share of profit of associates		<u>3,610</u>	<u>3,922</u>
Profit before income tax		1,550,142	1,537,528
Income tax expenses	4	<u>(498,180)</u>	<u>(448,049)</u>
Profit for the year		<u><u>1,051,962</u></u>	<u><u>1,089,479</u></u>
Attributable to:			
Owners of the Company		1,089,855	1,115,361
Non-controlling interests		<u>(37,893)</u>	<u>(25,882)</u>
		<u><u>1,051,962</u></u>	<u><u>1,089,479</u></u>
Basic and diluted earnings per share (expressed in RMB per share)	5	<u><u>0.6571</u></u>	<u><u>0.6725</u></u>

Consolidated statement of comprehensive income
For the year ended 31 December 2019
(All amounts in Renminbi thousand unless otherwise stated)

	<i>Note</i>	Year ended 31 December	
		2019	2018
Profit for the year		1,051,962	1,089,479
Other comprehensive loss:			
<i>Items that will not be reclassified</i>			
<i>subsequently to profit or loss</i>			
Change in value of financial assets at fair value through other comprehensive income (“financial asset at FVOCI”), net of tax		<u>(15,577)</u>	<u>(51,410)</u>
Total comprehensive income for the year		<u><u>1,036,385</u></u>	<u><u>1,038,069</u></u>
Attributable to:			
Owners of the Company		1,074,278	1,063,951
Non-controlling interests		<u>(37,893)</u>	<u>(25,882)</u>
		<u><u>1,036,385</u></u>	<u><u>1,038,069</u></u>

Consolidated balance sheet**As at 31 December 2019***(All amounts in Renminbi thousand unless otherwise stated)*

	<i>Note</i>	As at 31 December	
		2019	2018
ASSETS			
Non-current assets			
Concession intangible assets		11,219,787	10,308,886
Right-of-use assets		8,334	—
Land use rights		—	9,399
Property, plant and equipment		1,126,224	958,059
Investment properties		381,919	364,868
Intangible assets		3,812	3,406
Investment in associates		135,542	128,932
Deferred income tax assets		34,686	26,523
Financial assets at FVOCI		315,531	336,300
		<u>13,225,835</u>	<u>12,136,373</u>
Current assets			
Inventories		5,678	5,033
Other current assets		3,213	3,513
Receivables and prepayments	9	206,163	171,562
Financial assets at fair value through profit or loss (“financial assets at FVPL”)		422,317	—
Restricted cash		201,792	60,000
Cash and cash equivalents		1,905,261	2,453,475
		<u>2,744,424</u>	<u>2,693,583</u>
Total assets		<u><u>15,970,259</u></u>	<u><u>14,829,956</u></u>

Consolidated balance sheet (continued)**As at 31 December 2019***(All amounts in Renminbi thousand unless otherwise stated)*

	<i>Note</i>	As at 31 December	
		2019	2018
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		35,040	51,533
Retained earnings		7,669,056	6,992,938
		<u>10,778,299</u>	<u>10,118,674</u>
Non-controlling interests		<u>831,105</u>	<u>510,433</u>
Total equity		<u><u>11,609,404</u></u>	<u><u>10,629,107</u></u>
LIABILITIES			
Non-current liabilities			
Long-term payables		392,500	1,079,788
Borrowings		1,812,698	1,562,897
Deferred income tax liabilities		25,747	98,049
Deferred income		26,409	28,583
		<u>2,257,354</u>	<u>2,769,317</u>
Current liabilities			
Trade and other payables		1,611,403	1,109,867
Current income tax liabilities		157,785	152,967
Provision		39,114	23,010
Borrowings		295,199	145,688
		<u>2,103,501</u>	<u>1,431,532</u>
Total liabilities		<u><u>4,360,855</u></u>	<u><u>4,200,849</u></u>
Total equity and liabilities		<u><u>15,970,259</u></u>	<u><u>14,829,956</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 (“HKFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVOCI, and financial assets at FVPL which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs 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 HKFRSs effective in 2019 adopted by the Group

The following new standard, amendments and interpretation of HKFRSs have been adopted by the Group for the first time for its financial year beginning on 1 January 2019:

- HKFRS 16 “Leases”
- HK (IFRIC) 23 “Uncertainty over Income Tax Treatments”
- Amendments to HKFRS 9 regarding prepayment features with negative compensation
- Amendments to HKAS 28 regarding long-term interests in associates and joint ventures
- Amendments to HKAS 19 regarding plan amendment, curtailment or settlement
- 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”

The Group had to change its accounting policies following the adoption of HKFRS 16 and the impacts are summarised in Note 1.2. The other amendments and interpretation listed above did not have any impact on the consolidated financial statements of the Group.

(b) *New standard and amendments of HKFRSs issued but are not yet effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group*

A number of new standard and amendments of HKFRSs which are relevant to the Group's operations are effective for the financial year beginning after 1 January 2019 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 standard and amendments. These new standard and amendments are set out below:

- Amendments to HKFRS 3 regarding definition of a business, effective for annual accounting periods beginning on or after 1 January 2020
- Amendments to HKAS 1 and HKAS 8 regarding definition of material, effective for annual accounting periods beginning on or after 1 January 2020
- Revised Conceptual Framework for Financial Reporting 2018, effective for annual accounting periods beginning on or after 1 January 2020
- 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 standard and amendments. According to the preliminary assessment, none of these is expected to have a significant impact on the consolidated financial statements of the Group.

1.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's consolidated financial statements.

As indicated in Note 1.1 above, the Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised right-of-use assets in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These right-of-use assets were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(a) *Practical expedients applied*

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 Interpretation 4 “Determining whether an Arrangement contains a Lease”.

(b) *Measurement of right-of-use assets and lease liabilities*

The associated right-of-use assets for land use rights were measured on a retrospective basis as if the new rules had always been applied. No lease liabilities were recognised on 1 January 2019.

(c) *Reclassifications recognised in the consolidated balance sheet on 1 January 2019*

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

Right-of-use assets – increase by RMB9,399 thousand

Land use rights – decrease by RMB9,399 thousand

There was no impact on retained earnings on 1 January 2019.

(d) *Lessor accounting*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 Revenue

	Year ended 31 December	
	2019	2018
Toll income from toll roads operation	2,752,083	2,694,252
Revenue from construction or upgrade work under Service Concessions	1,694,008	908,854
Service income from management of toll roads	119,944	188,708
Rental income	51,107	52,306
– from toll gas stations (a)	23,534	25,823
– from toll road service sectors (b)	10,726	10,170
– from other investment properties	16,847	16,313
Service income from roads emergency assistance	15,026	22,135
Interest income from pawn loans to customers	4,226	6,354
Others	4,037	3,194
	4,640,431	3,875,803

- (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 Co., Ltd. (“安徽省交通控股集團有限公司”, “ATHC”), the Company’s gas stations were leased to AEPC with annual rental fee of RMB25,890 thousand. The lease period will be terminated by 31 March 2021.

Pursuant to a lease agreement with AEPC, Ningxuanhang’s gas station was leased to AEPC with annual rental fee of RMB1,207 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. (“安徽省驛達高速公路服務區經營管理有限公司”, “YTMC”), a subsidiary of ATHC, the Company’s toll road service sectors were leased to YTMC with annual rental fee of RMB8,446 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, Guangci’s toll road service sectors were leased to YTMC with annual rental fee of RMB1,800 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 RMB20 thousand. The lease period was from 1 January 2018 to 31 December 2020.

3 Finance costs

	Year ended 31 December	
	2019	2018
Interest expenses	125,903	137,427
Including: amortisation of long-term payables	18,222	36,103
Less: capitalised interest expenses	(7,071)	(7,150)
	118,832	130,277

4 Taxation

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

	Year ended 31 December	
	2019	2018
Current taxation – CIT (a)	455,764	456,770
Deferred taxation debited/(credited) to the consolidated income statement	42,416	(8,721)
	<u>498,180</u>	<u>448,049</u>

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

The Company and its subsidiaries, associated companies determine and pay the PRC Corporate Income Tax (“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 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 2018 which was paid to foreign shareholders during 2019.

(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	
	2019	2018
Profit before income tax	1,550,142	1,537,528
Tax calculated at domestic tax rates applicable to profits in the respective countries	387,536	384,382
Expenses not deductible for tax purpose	157	249
Income not subject to income tax	(18,743)	(15,494)
Tax adjustment made after tax filing by tax bureau	244	1,234
Deductible temporary differences not recognised as deferred tax assets during the year	1,558	472
Utilisation of deductible temporary differences not recognised as deferred tax assets during previous years	(6,558)	–
Tax losses not recognised as deferred tax assets during the year	133,986	77,206
Tax charges	<u>498,180</u>	<u>448,049</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	
	2019	2018
Profit attributable to equity holders of the Company	1,089,855	1,115,361
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>0.6571</u>	<u>0.6725</u>

6 DIVIDENDS

The dividends paid during the years ended 31 December 2019 and 2018 were RMB414,653 thousand (RMB0.25 per share) and RMB381,480 thousand (RMB0.23 per share) respectively. A final dividend in respect of 2019 of RMB0.23 per share, amounting to a total dividend of RMB381,480 thousand will be proposed at the Annual General Meeting in May 2020. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2019	2018
Proposed final dividend of RMB0.23 (2018: RMB0.25) per ordinary share	<u>381,480</u>	<u>414,653</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, the balance of 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 2019 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 HKFRSs. As at 31 December 2019, the retained earnings in the Company's financial statements prepared in accordance with HKFRSs amounted to RMB7,546,568 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	
	2019	2018
Contracted but not provided for		
– Property, plant and equipment	90,875	102,031
– Concession intangible assets	–	1,490,406
	<u>90,875</u>	<u>1,592,437</u>

9 RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
Other receivables		
– Pawn loans to customers (a)	142,398	185,718
– Toll roads income receivable (b)	75,667	48,450
– Dividends receivable (d)	34,663	–
– Receivables for construction	30,051	30,051
– Interest receivable	6,697	12,828
– Others	16,272	20,280
	<u>305,748</u>	<u>297,327</u>
Less: Provision for impairment of pawn loans (a)	(97,690)	(123,864)
Provision for impairment of others (c)	(2,742)	(2,692)
	<u>205,316</u>	<u>170,771</u>
Prepayments		
– Prepaid expenses	847	791
	<u>206,163</u>	<u>171,562</u>

(a) Pawn loans to customers

At 31 December 2019 and 2018, the analysis of pawn loans to customers is as follows:

	As at 31 December	
	2019	2018
Pawn loans to customers		
– Principal	142,398	185,718
– Interest	–	–
	<u>142,398</u>	<u>185,718</u>
Less: Impairment allowances	(97,690)	(123,864)
	<u>44,708</u>	<u>61,854</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 10.80% to 15.00% for the year ended 31 December 2019 (2018: bore fixed interest rates ranging from 10.92% to 26.40%). The Group ceased interest accrual once pawn loans were over due.

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

	Year ended 31 December	
	2019	2018
Beginning of the year	(123,864)	(121,528)
Impairment loss reversed/(recognised)	3,174	(2,336)
Pawn loans written-off as uncollectible	23,000	–
	<u>(97,690)</u>	<u>(123,864)</u>

(b) As at 31 December 2019, toll roads income receivables mainly represented receivable from Anhui Expressway Network Operations Co., Ltd. of RMB73,863 thousand (31 December 2018: RMB44,405 thousand) for uncollected toll roads income.

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

	Year ended 31 December	
	2019	2018
Beginning of the year	(2,692)	(2,316)
Impairment loss recognised	(336)	(376)
Other receivables written-off as uncollectible	286	–
	<u>(2,742)</u>	<u>(2,692)</u>

(d) In 2019, dividends of RMB22,080 thousand and RMB12,583 thousand was declared by Anhui Expressway Advertisement Co., Ltd. and Anhui Xin'an Financial Group Co., Ltd. respectively. As at 31 December 2019, the dividends was not received.

As at 31 December 2019 and 2018, all other receivables balances were denominated in RMB.

As at 31 December 2019 and 2018, 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 RMB0.23 per share (taxation included) for the year ended 31 December 2019 to all shareholders.

The final dividend is subject to the approval of shareholders at the 2019 annual general meeting and will be distributed on or before 22 July 2020.

III. Closure of register of holders of H share

In order to ascertain the shareholders eligible to attend the 2019 annual general meeting (“AGM”), the register of the holders of H shares of the Company will be closed from 22 April 2020 (Wednesday) to 22 May 2020 (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 21 April 2020 (Tuesday).

The register of the holders of H shares of the Company will also be closed from 30 May 2020 (Saturday) to 4 June 2020 (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 4 June 2020 (Thursday). If the resolution regarding the Company’s 2019 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 22 July 2020 (Wednesday). 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 29 May 2020 (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 RMB2,946,421 thousand (2018: RMB2,966,949 thousand), representing a decrease of 0.69% over the corresponding period of the previous year; total profit of RMB1,560,167 thousand (2018: RMB1,547,540 thousand), representing an increase of 0.82% over the corresponding period of the previous year; net profit attributable to shareholders of the Company of RMB1,097,546 thousand (2018: RMB1,123,042 thousand), representing a decrease of 2.27% over the corresponding period of the previous year; basic earnings per share of RMB0.6617 (2018: RMB0.6771), representing a decrease of 2.27% over the corresponding period of the previous year.

(Unit: yuan Currency: RMB)

In terms of industries	Principal businesses in terms of industries					
	Revenue	Cost of sales	Gross profit rate (%)	Change in revenue (compared with the previous year) (%)	Change in cost of sales (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year)
Toll highway business	2,780,302,310.31	1,162,024,345.50	58.21	2.04	5.97	A decrease of 1.54 percent point
Pawn business	4,225,831.65	0.00	N/A	-33.49	N/A	N/A

Principal businesses in terms of products						
In terms of products	Revenue	Cost of sales	Gross profit rate (%)	Change in revenue (compared with the previous year) (%)	Change in cost of sales (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year)
Hening Expressway	831,786,446.61	350,267,096.89	57.89	-5.16	3.72	A decrease of 3.61 percent point
New Tianchang Section of National Trunk 205	82,978,739.52	41,565,839.93	49.91	15.69	-2.70	An increase of 9.47 percent point
Gaojie Expressway	706,604,993.45	175,805,792.68	75.12	4.53	11.22	A decrease of 1.50 percent point
Xuanguang Expressway	531,416,043.62	162,673,866.42	69.39	0.46	11.05	A decrease of 2.92 percent point
Lianhuo Expressway Anhui Section	285,188,134.68	130,090,387.13	54.38	10.27	11.38	A decrease of 0.45 percent point
Ninghuai Expressway Tianchang Section	105,998,427.98	35,838,411.39	66.19	-1.11	12.62	A decrease of 4.12 percent point
Guangci Expressway	107,388,824.38	19,040,309.48	82.27	10.92	-0.51	An increase of 2.04 percent point
Ningxuanhang Expressway	128,940,700.07	246,742,641.58	-91.36	19.10	1.18	An increase of 33.88 percent point
Wantong Pawn	4,225,831.65	0.00	N/A	-33.49	N/A	N/A
Total	2,784,528,141.96	1,162,024,345.50	58.27	1.96	5.97	A decrease of 1.57 percent point

Principal businesses in terms of regions						
In terms of regions	Revenue	Cost of sales	Gross profit rate (%)	Change in revenue (compared with the previous year) (%)	Change in cost of sales (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year)
Anhui Province	2,784,528,141.96	1,162,024,345.50	58.27	1.96	5.97	A decrease of 1.57 percent point

(II) Operations of toll highways

During the Reporting Period, the Group achieved a toll income of RMB2,752,083 thousand in total, representing an increase of 2.15% 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 2019, China's gross domestic product ("GDP") amounted to RMB99,086.5 billion, representing an increase of 6.1% year on year in comparable price. Anhui province's GDP in 2019 amounted to RMB3,711.4 billion, representing an increase of 7.5% 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 various policies and measures of exemption being implemented continuously, the Group's amounts of exemption continued to increase rapidly. The amounts of exemption totaled RMB1,002 million (2018: RMB927 million), increasing by 8.09% against the same period of the previous year, of which:

The amount of exemption in Green Channel was about RMB437 million (2018: RMB454 million), representing a decrease of 3.74% year on year, with over 1,268.7 thousand vehicles being exempted;

The amount of exemption on holidays was RMB267 million (2018: RMB245 million), representing an increase of 8.98% year on year, with over 6,096 thousand vehicles being exempted;

The amount of Anhui transportation card discounts for the year is approximately RMB275 million (2018: RMB204 million), representing an increase of 34.80% year on year; Among them, the amount of preferential reduction and exemption of Anhui transportation card for trucks was RMB207 million, accounting for 75.27% of the total amount of preferential reduction and exemption of Anhui transportation card and representing an increase of 15.64% year on year.

Other amounts of exemption amounted to approximately RMB23 million (2018: RMB24 million), representing a decrease of 4.17% year on year.

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 2019 were as follows:

Items	Interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		2019	2018	Change (%)	2019	2018	Change (%)
Hening Expressway New Tianchang Section	100%	24,308	24,876	-2.28	843,864	888,218	-4.99
of National Trunk 205	100%	6,921	5,987	15.60	87,128	75,309	15.69
Gaojie Expressway	100%	18,053	17,133	5.37	716,249	684,742	4.60
Xuanguang Expressway	55.47%	26,221	25,341	3.47	547,359	544,842	0.46
Lianhuo Expressway Anhui Section	100%	16,523	14,682	12.54	291,486	264,128	10.36
Ninghuai Expressway Tianchang Section	100%	35,822	34,568	3.63	106,802	108,037	-1.14
Guangci Expressway	55.47%	29,584	27,361	8.12	110,610	99,723	10.92
Ningxuanhang Expressway	51%	4,988	3,944	26.47	132,748	111,513	19.04

Items	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per kilometer per day (RMB)		
		2019	2018	2019	2018	Change (%)
Hening Expressway New Tianchang Section	100%	75:25	75:25	17,253	18,160	-4.99
of National Trunk 205	100%	22:78	21:79	7,957	6,878	15.69
Gaojie Expressway	100%	58:42	59:41	17,839	17,055	4.60
Xuanguang Expressway	55.47%	73:27	74:26	17,853	17,770	0.46
Lianhuo Expressway Anhui Section	100%	67:33	68:32	14,789	13,401	10.36
Ninghuai Expressway Tianchang Section	100%	83:17	81:19	20,901	21,142	-1.14
Guangci Expressway	55.47%	76:24	78:22	21,646	19,515	10.92
Ningxuanhang Expressway	51%	76:24	80:20	3,114	2,616	19.04

Notes:

1. The traffic volume data above do not include the data on small passenger vehicles insofar as the same were exempted from toll collection on holidays.
2. The toll income data above are tax included.

Hening Expressway

During the Reporting Period, due to the continuous influence of the “four-lane to eight-lane” construction works of Hening Expressway, some passengers chose to travel via railway or other roads, and consequently vehicles travelling to/from Nanjing and the surrounding cities were diverted from the original Hening Expressway to Hechaowu Expressway and Mawu Expressway. In addition, subsequent to the opening of the Chuhuai Expressway, a new ring network of expressways was formed, which had certain diversion effect on the traffic volume on Hening Expressway. After completion of the “four-lane to eight-lane” expansion project, traffic volume and toll revenue gradually presented a steadily rising trend, during the Reporting Period, the traffic volume on Hening Expressway decreased by 2.28% year-on-year, and toll revenue decreased by 4.99% year-on-year.

Ninghuai Expressway Tianchang Section

Since its opening, the Tianchang Section of Suyang Expressway created a continuous diversion effect was on the Tianchang Section of Ninghuai Expressway; and affected by the removal of two toll stations on the parallel National Trunk 205, there was a significant diversion of truck traffic. Affected by these events, the traffic volume on Ninghuai Expressway increased by 3.63% year-on-year and toll revenue decreased by 1.14% year-on-year during the Reporting Period.

New Tianchang Section of National Trunk 205

The Panjia Garden Toll Station and Sanhe Toll Station, which were adjacent to the National Trunk 205 Toll Station ceased collecting tolls on 1 June 2018 and 31 January 2019, respectively, resulting in a diversion of passenger vehicles and cross-border trucks back to the Tianchang Section of National Trunk 205. During the Reporting Period, the traffic volume on the Tianchang Section of National Trunk 205 increased by 15.60% year-on-year and toll revenue increased by 15.69% year-on-year.

Lianhuo Expressway Anhui Section

During the first half of 2019, affected by the continuous warming of local area construction, the truck traffic volume on the Anhui Section of Lianhuo Expressway grew faster, resulting in a significant overall increase of 27.61% in the revenue of this road section during the first half of the year. With stricter regulatory requirements on environmental protection imposed by the State on enterprises in the second half of the year, most of the materials required for production were transported from Shandong instead, resulting in a relatively significant decline in the truck traffic volume. During the Reporting Period, the traffic volume on the Anhui Section of Lianhuo Expressway increased by 12.54% year-on-year and toll revenue increased by 10.36% year-on-year.

Gaojie Expressway and Guangci Expressway

Benefiting continuously from the opening of Tongnanxuan Expressway, Xuanguang Expressway and Ningxuanhang Expressway were connected to Yanjiang Expressway and attracted some vehicles from Zhejiang and Jiangsu to choose the routes via Anhui Province when traveling southward to destinations such as Wuhan and Guangzhou. This will benefit Gaojie Expressway, Xuanguang Expressway, Guangci Expressway and Ningxuanhang Expressway. As a result of this influence, during the Reporting Period, the traffic volume on Gaojie Expressway increased by 5.37% year-on-year and the toll revenue increased by 4.60% year-on-year; the traffic volume on Guangci Expressway increased by 8.12% year-on-year and the toll revenue increased by 10.92% year-on-year.

Xuanguang Expressway

During the Reporting Period, after re-opening of surrounding county roads upon completion of upgrading and reconstruction works, a relatively significant diversion effect was resulted on some road sections of Xuanguang Expressway. The expressway traffic police of the Xuanguang Expressway jurisdiction imposed traffic volume control on Xuanguang Expressway and trucks were prohibited from entering all toll stations other than those on the Anhui-Zhejiang main route at certain hours, which resulted in a direct impact on the truck traffic volume on Xuanguang Expressway. Under the influence of the above factors, the traffic volume on Xuanguang Expressway increased by 3.47% year-on-year and toll revenue increased by 0.46% year-on-year during the Reporting Period.

Ningxuanhang Expressway

As a newly opened road section, Ningxuanhang Expressway remained in the rapid profit growth period, traffic volume increased by 26.47% year-on-year and toll revenue increased by 19.04% year-on-year during the Reporting Period.

(III) General achievements of the pawn business

In June 2012, the Company and Hefei Huatai Group Corporation Limited* (合肥華泰集團股份有限公司) (“Huatai Group”) jointly set up Hefei Wantong Pawn Company Limited* (合肥皖通典當有限公司) (“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 RMB60 million, accounting for 28.57% of its registered capital. In 2015, both shareholders reduced capital in the total sum of RMB52.5 million of Wantong Pawn in proportion to their respective capital contribution, and the current registered capital of the company is 157.50 million.

During the Reporting Period, while grasping the clearance work of bad projects, Wantong Pawn steadily promoted the personal real estate mortgage business, receiving a total of RMB5,334.1 thousand of settlement related funds, and actually granted 34 loans under the personal real estate mortgage business with a total amount of RMB38,490 thousand. Interests for all those new loans granted at present are paid on time and there is no significant risk signal.

During the Reporting Period, Wantong Pawn reversed RMB4,337.7 thousand of the provision for impairment of the previous year and wrote off RMB23,286.1 thousand of it, and the accumulated provision reached RMB100 million (2018: RMB126 million); During the Reporting Period, Wantong Pawn achieved an operating income of RMB4,225.8 thousand, the net profit was RMB2,928.7 thousand, and achieved an increase of RMB2,494.7 thousand in profit 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 2019		2019		Main business
			Total assets	Net assets	Revenue	Net profit	
Xuanguang Expressway Company Limited* (宣廣高速公路有限責任公司)	55.47%	111,760	987,198	687,361	550,989	251,141	The construction, management and operation of Xuanguang Expressway
Anhui Ningxuanhang Expressway Investment Company Limited* (安徽寧宣杭高速公路投資 有限公司) ("Ningxuanhang Company")	51%	300,000	4,736,250	818,105	154,031	-368,972	Highway's construction, design, supervision, toll, maintenance, management, technology consultation and related advertisement service
Xuancheng City Guangci Expressway Limited Liability Company* (宣城市廣祠高速公路有限責任 公司) ("Guangci Company")	55.47%	56,800	275,130	258,354	109,153	66,888	The construction, management and operation of Guangci Expressway
Anhui Expressway Media Company Limited* (安徽高速傳媒有限公司)	38%	50,000	481,148	348,626	148,805	67,437	Design, making, publication of and agency for domestic advertisements
Anhui Xin'an Financial Group Company Limited* (安徽新安金融集團股份有限公司)	6.62%	1,900,000	3,407,296	2,851,282	210,132	104,325	Financial investment, equity investment, management consulting
Anhui Xin'an Capital Operation Management Company Limited* (安徽新安資本運營管理 股份有限公司)	6.62%	1,120,000	2,808,223	1,040,107	603,919	80,517	Internet financial services, network information services, pawn business, etc.
Wantong Pawn	71.43%	157,500	81,902	73,071	4,226	2,929	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
Hefei Wantong MicroCredit Company Limited* (合肥市皖通小額貸款有限公司)	10%	150,000	117,857	115,026	8,211	522	Distributing petty loans, small size enterprises management consulting and financial advisory
Anhui Expressway (H.K.) Limited ("AEHK")	100%	1,981	1,943	1,877	0	12	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 (Limited Partnership)* (安徽交控招商產業投資基金 (有限合夥))	6.64%	3,000,000	1,546,872	1,531,746	45,713	16,372	Investment in areas such as energy conservation, environmental protection, transportation and service

Name of company	Equity capital the Group possesses	Registered Capital	31 December 2019		2019		Main business
			Total assets	Net assets	Revenue	Net profit	
Anhui Transportation Jinshi Merger and Acquisition Fund (Limited Partnership)* (安徽交控金石併購基金合夥企業(有限合夥))	6.64%	3,000,000	1,556,158	1,556,158	77,201	52,042	Equity investment, asset management, enterprise management consulting
Anhui Transportation Zhaoshang Private Fund Management Co., Ltd.* (安徽交控招商私募基金管理有限公司)	2.5%	30,000	31,249	31,237	13,632	2,323	Daily management and investment consultation of Anhui Transportation China Merchants Industrial Fund
Anhui Transportation Goldstone Private Fund Management Co., Ltd.* (安徽交控金石私募基金管理有限公司)	2.5%	30,000	54,531	49,065	23,504	16,880	Daily management and investment consultation of Anhui Transportation Jinshi Merger and Acquisition Fund
Anhui Transportation Information Industry Co., Ltd.* (安徽交控信息產業有限公司)	10%	60,000	36,237	30,640	15,018	640	Construction, operation and service of traffic charging system; Computer software development; Information system integration services, etc.

(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 had new equity investment of RMB3 million (same period of 2018: nil).

For the implementation of the strategic plan under the "13th Five-Year Plan" of the Company to capture the opportunities of development in the information industry, the Company planned to invest RMB6 million in capital contribution to Anhui Transportation Information Industry Co., Ltd.* (安徽交控信息產業有限公司), which was jointly invested and established by ATHC. and its subsidiaries Anhui Transport Consulting & Design Institute Co., Ltd.* (安徽省交通規劃設計研究總院股份有限公司) and Anhui Expressway Network Operations Co., Ltd.* (安徽省高速公路聯網運營有限公司), China Merchants New Intelligence Technology Company Limited* (招商新智科技有限公司) (a subsidiary of China Merchants Expressway Network & Technology Holdings Co., Ltd.* (招商局公路網絡科技控股股份有限公司) ("China Merchants Expressway")) and Shanghai Lianyin Venture Capital Co., Ltd.* (上海聯銀創投有限公司) (a subsidiary of China UnionPay), in which Company had an equity interest of 10%. The matter was considered and passed by the 12th meeting of the Eighth

Session of the Board convened on 22 March 2019. Business registration procedures of the company was completed in June 2019. In August 2019, the Company completed the initial capital contribution of RMB3 million.

(1) *Material equity investments*

The Company participated the investment consortium led by China Merchants Expressway to acquire 51% of the shares and shareholder loans of the Third Bridge and the Northern Motorway in Istanbul, Turkey and its operation and maintenance company. The Company would contribute US\$48,195 thousand and hold 7% of the shares of the Consortium Hong Kong SPV. As at the date of this announcement, the Company has not paid the contribution amount. For details, please refer to the Company’s announcement dated 23 December 2019 and headed “Joint Announcement – Connected Transaction: Formation of Joint Venture”.

(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.	17.19	36.49	The project was officially open for operational in the end of 2019

(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

Unit: ‘00,000,000 Currency: RMB

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	-0.06
Total balance of guarantees provided for the subsidiaries as at the end of the Reporting Period	1.60
Total amount of guarantees provided by the Company (including guarantees provided for its subsidiaries)	
Total guarantee amount	1.6
Total guarantee amount as a percentage of net asset value (%)	1.39

Including:

Guarantee provided to shareholders and the actual controller	0
The amount of direct or indirect guarantee for guarantees with over 70% debt to asset ratio	0
The amount of guarantee that exceeds 50% of the net assets	0
Total above	0

Potential risk of unexpired guarantee

Overview The Company provided a guarantee of RMB500 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 RMB160 million.

VII. Entrusted Investment

During the Reporting Period, there was no entrusted investment of the Company.

VIII. Entrusted Loans

1. Overview of 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 RMB1.214 billion by way of entrusted loans.

2. Details of 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 loans	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

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted loans	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	1,875	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

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted loans	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	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

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted loans	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	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

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted loans	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
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, 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 special committees under the Board, the supervisory committee and the operation management of the Company conscientiously studied and learned newly revised laws and regulations, including the PRC Company Law, the PRC Securities Law and the Administrative Measures for Reorganization of Major Assets of Listed Companies, for actively adapting to the new regulatory requirements in the PRC and overseas. The Company strictly complied with the relevant laws and regulations, including the Code of Corporate Governance for Listed Companies in the PRC and the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Corporate Governance Code") and the provisions of the Articles of Association, comprehensively improved the modern enterprise system and corporate governance structure, further optimized the compliance and risk control system and internal control management system, and continuously enhanced the corporate governance level. Meanwhile, the working plans of the regulatory authorities were strictly and consistently implemented, the working methods in the Company were constantly improved and the workflow process of the Company was optimized according to the latest laws and regulations and the relevant rules to increase the operation and management efficiency of the Company. A favourable atmosphere was developed for learning laws and regulations, the value, culture and concept of legal compliance were promoted to enhance the knowledge and understanding of the directors, supervisors and senior management of the Company in relation to the securities regulations and the securities market developments to avoid the occurrence of illegal and non-compliance acts. Daily preventive and control measures were strengthened for key regulatory issues such as insider dealing, appropriation of funds and connected transactions to strictly control various non-compliance risks and further enhance the self-governance capabilities of the Company.

During the Reporting Period, the Company revised the relevant provisions in the written Terms of Reference of the Human Resources and Remuneration Committee of the Board and the Working Rules and Procedures of the Audit Committee of the Board in accordance with the amendments to the Listing Rules and the Corporate Governance Code by the Stock Exchange of Hong Kong, which were considered and approved at the 12th Meeting of the Eighth Session of the Board. There was no difference between the actual governance conditions of the Company and the requirements of the Code of Corporate Governance for Listed Companies issued by the China Securities Regulatory Commission and the relevant laws and regulations, all the Code Provisions of the Corporate Governance Code were fully adopted.

The Board confirms 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 all of the members of the human resources and remuneration committee are non-executive director or independent non-executive directors, which can ensure the protection of the interests of shareholders of the Company), the Company has always complied with the Corporate Governance Code 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 interest of investors and further standardize and improve the corporate governance structure, the State Council issued the Official Reply regarding Adjusting the Application of Provisions to Matters Including the Notice Period of Overseas Listed Companies for Convening Shareholders' Meetings, pursuant to which it was agreed that the requirements of the Company Law of the People's Republic of China should be applicable uniformly in respect of the notice period, motions from shareholders and convening procedures for shareholders' general meeting of overseas listed joint stock limited companies registered in the PRC. The Company will consider its own actual conditions and plans to amend the relevant parts in the Articles of Association in the near future.

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 2019, the audit committee of the Company was comprised 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 2019, 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 2018 annual, 2019 first quarterly, interim and third quarterly financial statements of the Company. It submitted the audited report, summary of internal control works 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 2020. Please refer to the 2019 Report on How the Audit Committee Discharged its Duties for details of the Audit Committee's work.

XII. major events during and after the Reporting Period

Adjustment of Preferential Period for Truck Toll

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.

Preferential Policy of 5% Discount for All ETC Users

According to the requirements of the Notice on Implementing Preferential Policy for Tolls of ETC Vehicles on Toll Roads issued by the Transport Department of Anhui Province and the Anhui Development and Reform Commission, with effect from 1 July 2019, vehicles using electronic payment cards of other provinces for toll payment on toll roads in Anhui Province will be entitled to 5% discount on toll payment under the preferential policy.

Adjustment to Calculation Method and Standard of Toll Payment

According to the Notice on the Publication of the Adjustment Plan for Calculation Method of Toll Payment by Vehicles Using Toll Roads in Anhui Province jointly issued by the Transport Department of Anhui Province, the Anhui Development and Reform Commission and the Finance Department of Anhui Province (Wan Jiao Lu [2019] No. 144) and the Notice on the Publication of the Adjustment Plan for Toll Standards for Vehicles Using Toll Roads in Jiangsu Province jointly issued by the Transport Department of Jiangsu Province, the Jiangsu Development and Reform Commission and the Finance Department of Jiangsu Province (Su Jiao Cai [2019] No. 124), and pursuant to these documents, the expressways owned by the Company shall collect tolls according to the new toll standards with effect from 00:00 midnight on 1 January 2020. For details, please refer to the “Announcement on Adjustment to Calculation Method and Standards of Toll Payment” (Lin 2019-017) published by the Company.

Toll-Free Policy During Chinese New Year Holidays and Containment of Novel Coronavirus Disease

During the Chinese New Year holidays of 2020, toll-free policy for small passenger vehicles continued to be implemented. Due to the needs for containment of the COVID-19 disease, the toll-free period for small passenger vehicles was extended until 8 February for a total of 16 days.

On 15 February 2020, according to the requirements of the document “Notice on Exemption of Toll Payment for Vehicles Using Toll Roads During the Containment Period of Novel Coronavirus Disease” (Jiao Gong Lu Ming Fa [2020] No. 62) issued by the Ministry of Transport, with effect from 00:00 midnight on 17 February until the end of the containment measures, toll payment will be exempted on all toll roads across the nation, the actual ending time will be notified separately by further announcement.

Application for Approval of Toll Collection Period of Hening Expressway

The expansion of Hening Expressway has been completed and opened to traffic at the end of 2019, and the Company has applied to the provincial government for approval of its toll collection period, which has been considered and approved at the executive meeting of the provincial government as of the date of this announcement. The temporary toll collection period for this project is 5 years from the expiry of the toll collection period of Hening Expressway. The official concession period shall be determined through relevant procedure in accordance with the relevant laws and regulations, after its completion accounting are completed. The Company will make further announcement upon receiving the formal approval from the provincial government.

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 being 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 not satisfactory, 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, high-speed rails, air transport and other means of transport and the changes in road network structure continued to have diversion effect on the traffic of the road sections.

At present, 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 shareholders and holding listed companies have the feature of "large groups, small companies".

The Report of the 19th CPC National Congress emphasized on the continuing and deepened 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 enterprise 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
安徽皖通高速公路股份有限公司
Anhui Expressway Company Limited
Xiang Xiaolong
Chairman

Hefei, Anhui, the PRC
27 March 2020

As at the date of this announcement, the board of directors of the Company comprises: Xiang Xiaolong (Chairman), 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.

* *translation for identification purpose only*