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

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

**(Stock code: 995)**

**2016 Annual Results Announcement**

The board of directors of Anhui Expressway Company Limited (the “Company”) together with its subsidiaries (the “Group”) is pleased to present the audited results of the Group for the financial year ended 31 December 2016 prepared in accordance with Hong Kong Financial Reporting Standards, together with the comparative figures of 2015. They are as follows. The audit committee of the Company has reviewed the annual results for the financial year 2016:

## I. Financial highlights

(All amounts in Renminbi thousand unless otherwise stated)

### Consolidated income statement

#### For the year ended 31 December 2016

(All amounts in Renminbi thousand unless otherwise stated)

		Year ended 31 December	
	Note	2016	2015
<b>Revenue</b>	2	3,063,632	3,158,404
Cost of sales		<u>(1,686,456)</u>	<u>(1,800,738)</u>
<b>Gross profit</b>		1,377,176	1,357,666
Other gains - net		60,770	68,371
Administrative expenses		<u>(107,659)</u>	<u>(128,693)</u>
<b>Operating profit</b>		1,330,287	1,297,344
Finance costs	3	(109,168)	(66,560)
Share of profit of an associate		<u>13,803</u>	<u>18,601</u>
<b>Profit before income tax</b>		1,234,922	1,249,385
Income tax expenses	4	<u>(334,032)</u>	<u>(290,500)</u>
<b>Profit for the year</b>		<u>900,890</u>	<u>958,885</u>
<b>Attributable to:</b>			
Owners of the Company		925,075	929,377
Non-controlling interests		<u>(24,185)</u>	<u>29,508</u>
		<u>900,890</u>	<u>958,885</u>
Basic and diluted earnings per share (expressed in RMB per share)		<u>0.5577</u>	<u>0.5603</u>

**Consolidated statement of comprehensive income****For the year ended 31 December 2016**

(All amounts in Renminbi thousand unless otherwise stated)

	Note	Year ended 31 December	
		2016	2015
<b>Profit for the year</b>		900,890	958,885
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in value of available-for-sale financial assets, net of tax		<u>10,406</u>	<u>(41,851)</u>
Total comprehensive income for the year		<u>911,296</u>	<u>917,034</u>
<b>Attributable to:</b>			
Owners of the Company		935,481	887,526
Non-controlling interests		<u>(24,185)</u>	<u>29,508</u>
		<u>911,296</u>	<u>917,034</u>

**Consolidated balance sheet****As at 31 December 2016**

(All amounts in Renminbi thousand unless otherwise stated)

	Note	As at 31 December	
		2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Concession intangible assets		9,236,927	9,245,876
Land use rights		10,493	11,450
Property, plant and equipment		954,173	1,046,208
Investment properties		338,391	354,011
Intangible assets		3,548	2,388
Investment in an associate		104,591	90,788
Deferred income tax assets		55,995	51,860
Available-for-sale ("AFS") financial assets		235,000	221,126
		<u>10,939,118</u>	<u>11,023,707</u>
<b>Current assets</b>			
Inventories		5,276	5,287
Trade and other receivables	9	260,073	310,835
Restricted cash		110,000	197,000
Cash and cash equivalents		1,900,812	709,246
		<u>2,276,161</u>	<u>1,222,368</u>
<b>Total assets</b>		<u>13,215,279</u>	<u>12,246,075</u>

**Consolidated balance sheet (Continued)****As at 31 December 2016**

(All amounts in Renminbi thousand unless otherwise stated)

	Note	As at 31 December	
		2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Ordinary share capital		1,658,610	1,658,610
Share premium		1,415,593	1,415,593
Other reserves		127,587	118,083
Retained earnings		5,542,709	4,998,212
		<u>8,744,499</u>	<u>8,190,498</u>
<b>Non-controlling interests</b>		<u>740,743</u>	<u>789,927</u>
<b>Total equity</b>		<u><u>9,485,242</u></u>	<u><u>8,980,425</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term payables		960,837	956,264
Borrowings		1,649,833	1,052,649
Deferred income tax liabilities		140,281	152,014
Deferred income		32,931	35,105
		<u>2,783,882</u>	<u>2,196,032</u>
<b>Current liabilities</b>			
Trade and other payables		671,382	632,538
Current income tax liabilities		124,083	67,397
Provision		22,069	6,896
Borrowings		128,621	362,787
		<u>946,155</u>	<u>1,069,618</u>
<b>Total liabilities</b>		<u><u>3,730,037</u></u>	<u><u>3,265,650</u></u>
<b>Total equity and liabilities</b>		<u><u>13,215,279</u></u>	<u><u>12,246,075</u></u>

## Notes:

### 1 Basis of preparation

The consolidated financial statements of the Company 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.

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 standard and amendments of HKFRS effective in 2016 adopted by the Group*

The following new standard and amendments of HKFRS have been adopted by the Group for the first time for its financial year beginning on 1 January 2016:

- HKFRS 14 “Regulatory Deferral Accounts”
- Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations
- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation
- Amendment to HKAS 27 on using equity method in separate financial statements
- Amendments from 2014 annual improvements, including:
  - Amendment to HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”
  - Amendment to HKFRS 7 “Financial Instruments: Disclosures”
  - Amendment to HKAS 19 “Employee Benefits”
  - Amendment to HKAS 34 “Interim Financial Reporting”
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 on applying the consolidation exception by investment entities
- Amendments to HKAS 1 on disclosure initiative

The adoption of above new standard and amendments of HKFRS did not have any significant impact on the consolidated financial statements.

**(b) New standards and amendments of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group**

A number of new standards and amendments of HKFRS which are relevant to the Group's operations are effective for the financial year beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. The Group is yet to assess the full impact of these new standards and amendments and intends to adopt them no later than the respective effective dates of these new standards and amendments. These new standards and amendments are set out below:

- Amendments to HKAS 12 "Income Taxes", effective for annual accounting periods beginning on or after 1 January 2017
- Amendments to HKAS 7 "Statement of Cash Flows", effective for annual accounting periods beginning on or after 1 January 2017
- HKFRS 15 "Revenue from Contracts with Customers", effective for annual accounting periods beginning on or after 1 January 2018
- HKFRS 9 "Financial Instruments", effective for annual accounting periods beginning on or after 1 January 2018
- HKFRS 16 "Leases", effective for annual accounting periods beginning on or after 1 January 2019
- Amendments to HKFRS 10 and HKAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture, effective for annual accounting periods beginning on or after 1 January 2019

## 2. Revenue

	Year ended 31 December	
	2016	2015
Toll income from toll roads operation	2,423,267	2,330,197
Revenue from construction or upgrade work under Service Concessions	564,496	731,399
Rental income	48,646	52,337
– from toll gas stations (a)	22,951	25,890
– from toll road service sectors (b)	9,768	10,080
– from other investment properties	15,927	16,367
Service income from roads emergency assistance	10,589	11,206
Service income from management of toll roads	14,814	22,866
Interest income from pawn loans to customers	—	9,387
Others	1,820	1,012
	<u>3,063,632</u>	<u>3,158,404</u>

- (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 the holding company. 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 2018.

- (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 the holding company. The Company’s toll road service sectors were leased to YTMC with annual rental fee of RMB8,280 thousand. The lease period was from 1 January 2014 to 31 December 2016. The lease period has been renewed to 31 December 2019 subsequently.

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.

### 3. Finance costs

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
Interest expenses on:		
– bank borrowings	73,730	39,045
– amortisation of long-term payables	35,438	27,515
	<u>109,168</u>	<u>66,560</u>

### 4. Taxation

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

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
Current taxation - CIT (a)	374,412	342,865
Deferred taxation credited to the consolidated income statement	(40,380)	(52,365)
	<u>334,032</u>	<u>290,500</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 2015 which was paid to foreign shareholders during 2016.

(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:

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
Profit before income tax	1,234,922	1,249,385
Tax calculated at domestic tax rates applicable to profits in the respective countries	308,731	312,351
Expenses not deductible for tax purpose	358	233
Income not subject to income tax	(20,845)	(22,094)
Tax adjustment made after tax filing by tax bureau	4,005	—
Utilisation of tax losses not recognised as deferred tax assets in the previous years	(10)	—
Tax losses not recognised as deferred tax assets during the year	41,793	10
Tax charges	<u>334,032</u>	<u>290,500</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.

	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
Profit attributable to equity holders of the Company	925,075	929,377
Weighted average number of ordinary shares in issue (thousand)	<u>1,658,610</u>	<u>1,658,610</u>
Basic earnings per share (expressed in RMB per share)	<u>0.5577</u>	<u>0.5603</u>

## 6. Dividends

The dividends paid during the years ended 31 December 2016 and 2015 were RMB381,480 thousand (RMB0.23 per share) and RMB381,480 thousand (RMB0.23 per share) respectively. A final dividend in respect of 2016 of RMB0.23 per share, amounting to a total dividend of RMB381,480 thousand will be proposed at the Annual General Meeting in May 2017. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2016	2015
Proposed final dividend of RMB0.23 (2015: RMB0.23) per ordinary share	<u>381,480</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 2016 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 2016, the retained earnings in the Company's financial statements prepared in accordance with HKFRS amounted to RMB5,083,002 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:

	Year ended 31 December	
	2016	2015
Contracted but not provided for		
– Concession intangible assets	2,806,213	398,386
– Property, plant and equipment	—	1,063
	<u>2,806,213</u>	<u>399,449</u>

## 9. Trade and other receivables

	As at 31 December	
	2016	2015
Pawn loans to customers (a)	175,573	182,487
Financial products	130,000	85,000
Toll roads income receivable (b)	41,725	103,523
Interest receivable	7,813	8,552
Dividends receivable	—	18,212
Others	19,688	11,797
	<u>374,799</u>	<u>409,571</u>
Less: Provision for impairment of pawn loans (a)	(112,732)	(97,119)
Provision for others (c)	(1,994)	(1,617)
	<u>260,073</u>	<u>310,835</u>

(a) Pawn loans to customers

At 31 December 2016 and 2015, the analysis of pawn loans to customers is as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Pawn loans to customers		
– Principal	175,573	182,487
– Interest	—	—
	<u>175,573</u>	<u>182,487</u>
Less: Impairment allowances		
– Individually assessed	(93,250)	(80,707)
– Collectively assessed	(19,482)	(16,412)
	<u>(112,732)</u>	<u>(97,119)</u>
Pawn loans to customers, net	<u>62,841</u>	<u>85,368</u>

Pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are from one to six months and bore fixed interest rates ranging from 21.60% to 26.40% for the year ended 31 December 2016 (31 December 2015 bore fixed interest rates ranging from 21.60% to 26.40%). The Group ceased interest accrual once pawn loans were over due.

As 31 December 2016, the Group's pawn loans to certain third party customers with carrying amounts of RMB20,143 thousand (31 December 2015: RMB20,743 thousand) were secured by their trade receivables of RMB83,230 thousand (31 December 2015: RMB83,230 thousand), which were due from Anhui Expressway Construction Headquarter (“安徽省高等級公路建設指揮部”, “AECH”) and Expressway Properties Group (Fuyang) Co., Ltd. (“高速地產集團阜陽有限公司”), who are subsidiaries of ATHC.

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

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Beginning of the year	(97,119)	(71,043)
Impairment loss recognised	(15,613)	(26,076)
End of the year	<u>(112,732)</u>	<u>(97,119)</u>

- (b) As at 31 December 2016, toll roads income receivables mainly represented receivable from AENO of RMB39,713 thousand (31 December 2015: RMB101,983 thousand) for uncollected toll roads income.
- (c) As at 31 December 2016, other receivables of RMB3,008 thousand (31 December 2015: RMB2,758 thousand) were impaired. The amount of the provision was RMB1,994 thousand (31 December 2015: RMB1,617 thousand). The ageing of these receivables is as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Up to 1 year	373	584
1 to 2 years	461	2,174
2 to 3 years	2,174	—
	<u>3,008</u>	<u>2,758</u>

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

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Beginning of the year	(1,617)	—
Impairment loss recognised	(377)	(1,617)
	<u>(1,994)</u>	<u>(1,617)</u>

- (d) As at 31 December 2016 and 2015, the ageing analysis of the trade and other receivables is as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
Up to 1 year	193,359	240,215
1 to 2 years	19,818	41,738
2 to 3 years	39,651	108,552
Over 3 years	121,971	19,066
	<u>374,799</u>	<u>409,571</u>

As at 31 December 2016 and 2015, all trade and other receivables balances were denominated in RMB. Except for pawn loans to customers and other related receivables which are analysed in Note 9 (a) and (c), all trade and other receivables balances were fully performing.

As at 31 December 2016 and 2015, the fair values of the trade and other receivables of the Group, except for the prepayments which are not financial assets, 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 2016 to all shareholders.

The final dividend is subject to the approval of shareholders at the 2016 Annual General Meeting and will be distributed on or before 19 July 2017.

## III. 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, in accordance with PRC Accounting Standards, the Group achieved an operating income of RMB2,499,136 thousand (2015: RMB2,427,005 thousand), representing an increase of 2.97% over the corresponding period of the previous year; total profit of RMB1,245,920 thousand (2015: RMB1,260,870 thousand), representing a decrease of 1.19% over the corresponding period of the previous year; net profit attributable to shareholders of the Company of RMB933,258 thousand (2015: RMB937,867 thousand), representing a decrease of 0.49% over the corresponding period of the previous year; basic earnings per share of RMB0.5627 (2015: RMB0.5655), representing a decrease of 0.49% over the corresponding period of the previous year. The decrease in net profit was mainly because the Ningqian Section began to depreciate and amortize and expenses the loan interests since it has been opened to traffic in December 2015.

(Unit: RMB)

In terms of industries	Principal businesses in terms of industries			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) (%)
	Operating income	Operating cost	Gross profit rate (%)			
Toll highway business	2,454,184,885.42	1,033,448,715.41	57.89	3.39	10.52	A decrease of 2.56 percent point
Pawn business	0	0	NA	-100	NA	NA

In terms of products	Principal businesses in terms of products					
	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) (%)
Hening Expressway	937,506,047.86	345,218,172.34	63.18	-2.88	-2.82	A decrease of 0.02 percent point
New Tianchang Section of National Trunk 205	55,818,991.20	38,112,712.95	31.72	6.49	3.98	An increase of 1.59 percent point
Gaojie Expressway	562,147,297.98	172,274,140.55	69.35	10.76	14.15	A decrease of 0.91 percent point
Xuanguang Expressway	445,452,184.71	148,387,763.93	66.69	3.45	-2.53	An increase of 2.05 percent point
Lianhuo Expressway Anhui Section	216,205,088.44	105,604,116.50	51.16	3.16	7.10	A decrease of 1.79 percent point
Ninghuai Expressway Tianchang Section	106,392,926.67	36,206,997.79	65.97	4.26	13.93	A decrease of 2.89 percent point
Guangci Expressway	77,033,010.13	19,331,104.58	74.91	11.07	0.97	An increase of 2.51 percent point
Ningxuanhang Expressway	53,629,338.43	168,313,706.77	-213.85	94.75	85.88	An increase of 14.97 percent point
Wantong Pawn	0	0	NA	-100	NA	NA
Total	2,454,184,885.42	1,033,448,715.41	57.89	3.39	10.52	A decrease of 2.71 percent point

In terms of regions	Principal businesses in terms of regions					
	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)
Anhui Province	2,454,184,885.42	1,033,448,715.41	57.89	3.39	10.52	A decrease of 2.71 percent point

## **(II) Operations of toll highways**

During the reporting period, the Group achieved a toll income of RMB2,423,267 thousand in total, representing an increase of 3.99% over the corresponding period of the previous year.

The principal factors affecting our Group's toll income remain to be economic downturn, exemption policies and road networks's effects.

In 2016, China's GDP amounted to RMB74,412.7 billion, representing an increase of 6.7% year on year, which continued to increase at relatively low rate; Anhui province's GDP in 2016 amounted to RMB2,411.787 billion, representing an increase of 8.7% year on year.

In addition, starting from 12 July, truck drivers holding an Anhui transportation cards to travel via the expressways in the province would be entitled to 15% off, which attracted some truck drivers to choose to travel via expressway; starting from 21 September, control measures on trucks travelling within the province which were overloaded had become effective, causing impacts on the expressway truck traffic. The mode of transport gradually changed from "single-car transport exceeding load limits" into "multi-car transport in a lawful manner", and the truck traffic increased significantly.

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 RMB719 million (2015: RMB593 million), increasing by 21.25% against the same period of the previous year, of which:

The amount of exemption in Green Channel was about RMB399 million (2015: RMB347 million), representing an increase of 14.99% year on year, with over 1,158.7 thousand vehicles being exempted;

The amount of exemption on holidays was RMB218 million (2015: RMB179 million), representing an increase of 21.79% year on year, with over 5,457.2 thousand vehicles being exempted;

In response to the demand for the national reform on "supply-side", our province launched a preferential policy which offers a 15% discount for Anhui transportation card holders and the discounted amount regarding Anhui transportation card increased rapidly. The amount of exemption for Anhui transportation card discounts amounted to approximately RMB 74 million (the corresponding period of 2015: RMB 35 million), representing an increase of 111.43% year on year;

Other amounts of exemption amounted to approximately RMB28 million (2015: RMB32 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 2016 were as follows:

Items	Equity interests ratio	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		2016	2015	Change	2016	2015	Change
		Hening Expressway	100%	25,207	24,571	2.59%	938,056
New Tianchang Section of National Trunk 205	100%	5,275	4,913	7.37%	57,697	52,420	10.07%
Gaojie Expressway	100%	13,910	11,634	19.56%	561,729	495,808	13.30%
Xuanguang Expressway	55.47%	20,771	18,779	10.81%	454,033	430,593	5.44%
Lianhuo Expressway Anhui Section	100%	13,000	11,259	15.46%	218,284	207,274	5.31%
Ninghuai Expressway Tianchang Section	100%	34,487	30,489	13.03%	108,170	99,618	8.58%
Guangci Expressway	55.47%	21,322	17,932	18.90%	78,526	69,356	13.22%
Ningxuanhang Expressway	51%	5,399	3,026	78.42%	54,808	27,537	99.03%

Items	Equity interests ratio	Ratio of passenger vehicles to goods vehicles		Daily toll income per kilometer (RMB)		
		2016	2015	2016	2015	Change
		Hening Expressway	100%	74:26	72:28	19,179
New Tianchang Section of National Trunk 205	100%	31:69	34:66	5,269	4,788	10.05%
Gaojie Expressway	100%	61:39	61:39	13,991	12,349	13.30%
Xuanguang Expressway	55.47%	75:25	74:26	14,809	14,044	5.45%
Lianhuo Expressway Anhui Section	100%	71:29	69:31	11,075	10,516	5.32%
Ninghuai Expressway Tianchang Section	100%	80:20	79:21	21,168	19,495	8.58%
Guangci Expressway	55.47%	79:21	77:23	15,367	13,572	13.23%
Ningxuanhang Expressway	51%	79:21	75:25	1,743	1,822	-4.34%

Notes:

1. Ningqian Expressway was opened to trial operation on 19 December 2015.
2. The traffic volume data above do not include the data on small passenger vehicles which were exempt from toll on holidays.
3. The toll income data above include tax.

During the reporting period, due to continuing influence of the diversion of Ma'anshan Yangtze River Bridge and the expressway from Ma'anshan to Chaohu and the diversion caused by the opening of Chuma Expressway, the toll revenue of the entire Hening Expressway decreased by 1.01% year on year.

During the reporting period, the development of regional industry and logistics business were sped up by "Nanjing one hour work zone", which caused the toll revenue of National Trunk 205 to increase 10.07% year on year and that of Ninghuai Expressway to increase 8.58% year on year.

During the reporting period, National Trunk 310 was closed for construction on alternation and expansion which had made transportation inconvenient, so some trucks and passenger cars detoured to Lianhuo Expressway and its toll revenue increased by 5.31% year on year.

Ningxuanhang Expressway was newly opened to traffic and was in its growth stage. Also, under the positive influence of the opening of Tongnanxuan Expressway and diversion of vehicles due to maintenance of Provincial Road S104, the toll revenue of Ningxuanhang Expressway increased by 99.03% year on year.

During the reporting period, under the positive influence of the opening of Liguang Expressway and Tongnanxuan Expressway, the toll revenue of Xuanguang Expressway increased by 5.44% and that of Guangci Expressway increased by 13.22% year on year.

During the reporting period, under the positive influence of the improvement of the regional economy and the transformation of the entire pound of Changlingguan toll station, some vehicles originally transported via Liuwu Expressway detoured to Gaojie Expressway, the total revenue of Gaojie Expressway increased by 13.30% year on year.

### **(III) General achievements of the pawn business**

In June 2012, the Company and Hefei Huatai Group Corporation Limited ("Huatai Group") jointly set up Hefei Wantong Pawn Company Limited, 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 of RMB52.50 million of Hefei Wantong Pawn Company Limited by the same proportion, and the current registered capital of Wantong Pawn is RMB157.50 million.

During the reporting period, the provision for impairment for the year reached RMB15.99 million, and the accumulated provision reached RMB115 million, which is the main cause of the loss of the Wantong Pawn. Wantong Pawn achieved a total profit of RMB-17.90 million, and achieved a loss-mitigation of RMB2,230 thousand year-on-year. The net profit was RMB- 13.93 million, and achieved a loss-mitigation of RMB1.25 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 2016		2016		Main business
			Total assets	Net assets	Operating income	Net profit	
Xuanguang Company	55.47%	111,760	1,071,709	622,678	448,138	187,934	The construction, management and operation of Xuanguang Expressway
Ningxuanhang Company	51%	300,000	4,582,483	733,845	54,281	-250,452	Highway's construction, design, supervision, toll, maintenance, management, technology consultation and related advertisement service
Guangci Company	55.47%	56,800	242,325	231,686	78,833	42,211	The construction, management and operation of Guangci Expressway
Expressway Media	38%	50,000	337,879	275,239	146,700	57,664	Design, making, publication of and agency for domestic advertisements
Xin'an Financial	6.62%	1,900,000	3,664,164	2,480,778	250,205	238,152	Financial investment, equity investment, management consulting
Xin'an Capital	6.62%	1,120,000	1,883,216	1,285,995	80,678	165,315	Internet financial services, network information services, pawn business, etc.
Wantong Pawn	71.43%	157,500	110,611	107,759	0	-13,927	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
Wantong MicroCredit	10%	150,000	132,257	130,030	5,832	1,503	Distributing petty loans, small size enterprises management consulting and financial advisory
AEHK	100%	1,981	2,057	2,005	0	85	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

#### (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 needed to be further disclosed.

## (VI) Investment Analysis

### Overall analysis of external equity investments of the Company

During the reporting period, the Company had no external equity investment.

#### (1) Material equity investments

During the reporting period, there was no equity investment by 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
Ningxuanhang Expressway Liqiao-Xuancheng Section	about 31 km in length	21.33	The construction of the project began in January 2015.	3.21	6.81	under construction
The construction project to expand Hening Expressway from four-lane to eight-lane	about 87 km in length	63.75	The construction of the project began in November 2016.	2.70	2.70	under construction
Total		<u>85.08</u>	/	<u>5.91</u>	<u>9.51</u>	/

#### (3) Material disposal of assets and equity interest

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

#### IV. Material Litigation and Arbitration

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

#### V. Guarantee

(RMB' 00,000,000)

##### **Guarantees provided by the Company for subsidiaries it controlled**

Total amount of guarantees provided for the subsidiaries by the Company during the reporting period	-0.03
Total balance of guarantees provided for the subsidiaries as at the end of the reporting period	1.74
<b>Total amount of guarantees provided by the Company</b> (including guarantees provided for subsidiaries it controlled)	
Total guarantee amount	1.74
Total guarantee amount as a percentage of net asset value (%)	2.01

## VI. Entrusted Wealth Management

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	Method to determine return	Principal amount actually recovered	Income actually received	Through a legal procedure or not
Bank of China, Hefei High-tech Sub-branch	Returns guaranteed	90,000,000	1 February 2016	22 February 2016	by agreement	90,000,000	129,452.05	Yes
Bank of China, Hefei Xinqiao Sub-branch	Returns guaranteed	20,000,000	2 February 2016	23 February 2016	by agreement	20,000,000	34,520.55	Yes
Bank of China, Hefei Changfeng South Road Sub-branch	Returns guaranteed	30,000,000	2 February 2016	23 February 2016	by agreement	30,000,000	50,054.79	Yes
Bank of China, Hefei Beicheng Sub-branch	Returns guaranteed	10,000,000	2 February 2016	23 February 2016	by agreement	10,000,000	16,684.93	Yes
Bank of Jiujiang, Hefei Branch	Returns guaranteed	52,000,000	3 February 2016	9 March 2016	by agreement	52,000,000	174,520.55	Yes
Bank of China, Hefei Changfeng South Road Sub-branch	Returns guaranteed	30,000,000	26 February 2016	28 March 2016	by agreement	30,000,000	63,698.63	Yes
Bank of China, Hefei Xinqiao Sub-branch	Returns guaranteed	40,000,000	29 February 2016	28 March 2016	by agreement	40,000,000	76,712.33	Yes
Bank of China, Hefei Beicheng Sub-branch	Returns guaranteed	10,000,000	29 February 2016	4 May 2016	by agreement	10,000,000	48,082.19	Yes
Bank of China, Hefei High-tech Sub-branch	Returns guaranteed	90,000,000	1 March 2016	22 March 2016	by agreement	90,000,000	129,452.05	Yes
Bank of Jiujiang, Hefei Branch	Principal guaranteed with floating returns	5,000,000	2 March 2016	7 April 2016	by agreement	5,000,000	18,739.73	Yes
China CITIC Bank, Hefei Branch	Principal guaranteed with floating returns	20,000,000	4 March 2016	8 April 2016	by agreement	20,000,000	52,739.73	Yes
China CITIC Bank, Meitun Branch	Principal guaranteed with floating returns	10,000,000	4 March 2016	8 June 2016	by agreement	10,000,000	77,589.04	Yes
Bank of Jiujiang, Hefei Branch	Principal guaranteed with floating returns	50,000,000	22 March 2016	27 May 2016	by agreement	50,000,000	330,000.00	Yes
Bank of Jiujiang, Hefei Branch	Principal guaranteed with floating returns	25,000,000	8 April 2016	23 May 2016	by agreement	25,000,000	89,863.01	Yes
Bank of China, Hefei Xinqiao Sub-branch	Returns guaranteed	40,000,000	11 April 2016	11 July 2016	by agreement	40,000,000	269,260.27	Yes
Bank of China, Hefei High-tech Sub-branch	Returns guaranteed	140,000,000	25 April 2016	29 June 2016	by agreement	140,000,000	711,890.41	Yes
Bank of Jiujiang, Hefei Branch	Principal guaranteed with floating returns	28,000,000	26 May 2016	30 June 2016	by agreement	28,000,000	85,917.81	Yes
China CITIC Bank, Hefei Branch	Principal guaranteed with floating returns	40,000,000	29 April 2016	1 June 2016	by agreement	40,000,000	97,643.84	Yes
Bank of Jiujiang, Hefei Branch	Principal guaranteed with floating returns	50,000,000	1 June 2016	11 July 2017	by agreement	50,000,000	164,383.56	Yes
Industrial and Commercial Bank of China, Hefei Changjiang East Road Sub-branch	Principal guaranteed with floating returns	70,000,000	3 June 2016	7 July 2017	by agreement	70,000,000	181,232.88	Yes

Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Principal amount actually recovered	Income actually received	Through a legal procedure or not
Bank of China, Hefei Changfeng South Road Sub-branch	Returns guaranteed	20,000,000	28 June 2016	2 August 2016	by agreement	20,000,000	57,534.25	Yes
China CITIC Bank, Hefei Branch	Principal guaranteed with floating returns	30,000,000	1 July 2016	3 August 2016	by agreement	30,000,000	73,232.88	Yes
Industrial and Commercial Bank of China, Hefei Changjiang East Road Sub-branch	Principal guaranteed with floating returns	80,000,000	29 June 2016	4 August 2016	by agreement	80,000,000	207,123.29	Yes
Bank of China, Hefei Xinqiao Sub-branch	Returns guaranteed	40,000,000	27 July 2017	31 August 2016	by agreement	40,000,000	99,726.03	Yes
Industrial and Commercial Bank of China, Hefei Changjiang East Road Sub-branch	Principal guaranteed with floating returns	80,000,000	29 July 2017	1 September 2016	by agreement	80,000,000	199,452.05	Yes
Bank of Jiujiang, Hefei Branch	Principal guaranteed with floating returns	30,000,000	1 August 2016	5 September 2016	by agreement	30,000,000	90,616.44	Yes
Bank of China, Hefei Xinqiao Sub-branch	Returns guaranteed	40,000,000	1 September 2016	3 November 2016	by agreement	40,000,000	186,410.96	Yes
Industrial and Commercial Bank of China, Hefei Changjiang East Road Sub-branch	Principal guaranteed with floating returns	80,000,000	6 September 2016	10 October 2016	by agreement	80,000,000	191,780.82	Yes
Bank of Jiujiang, Hefei Branch	Principal guaranteed with floating returns	30,000,000	7 September 2016	7 November 2016	by agreement	30,000,000	150,410.96	Yes
Industrial and Commercial Bank of China, Hefei Changjiang East Road Sub-branch	Principal guaranteed with floating returns	100,000,000	9 September 2016	13 October 2016	by agreement	100,000,000	215,397.27	Yes
Industrial Bank, Hefei Branch	Principal guaranteed with floating returns	50,000,000	13 October 2016	11 January 2017	by agreement	50,000,000	369,863.01	Yes
China CITIC Bank, Hefei Branch	Principal guaranteed with floating returns	50,000,000	13 October 2016	12 January 2017	by agreement	50,000,000	361,506.85	Yes
Bank of Jiujiang, Hefei Branch	Principal guaranteed with floating returns	50,000,000	4 November 2016	30 December 2016	by agreement	50,000,000	226,301.37	Yes
Bank of China, Hefei High-tech Sub-branch	Returns guaranteed	50,000,000	7 November 2016	30 December 2016	by agreement	50,000,000	188,767.12	Yes
Bank of China, Hefei High-tech Sub-branch	Returns guaranteed	30,000,000	21 December 2016	11 January 2017	by agreement	30,000,000	60,410.96	Yes
Total	/	1,610,000,000	/	/	/	1,610,000,000	5,480,972.61	/

Accumulated amounts of principal and returns overdue but yet to recover (yuan)

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Explanations on entrusted wealth management

The above entrusted wealth management did not involve connected transactions and litigations, and the principal and returns of all wealth management products have been fully recovered on schedule.

Note: The “Proposal Regarding Purchase of Bank Wealth Management Products with Self-owned Pool of Funds” was considered and approved at the 18th Meeting of the Seventh Session of the Board of the Company held on 19 August 2016. By which, on the premise of ensuring the fund safety, the Company was permitted to purchase in the next year short-term principal-guaranteed bank financial products of high earnings, with their balance amounts during the same period not exceeding RMB 0.5 billion, and the senior management of the Company was authorized to deal with the above matters.

## VII. Entrusted Loans

Unit: '0,000 Currency: RMB

Names of Borrowers	Amount of entrusted loan	Loan Period	Lending Rates	Use of the loan	Securities or Guarantor	Whether it has fallen due	Whether it is a connected transaction	Whether there is roll-over	Whether there is relevant litigation	Association	Whether the investment results in a profit or loss
											owned subsidiary
Ningxuanhang Company	1,009	10 years	4.9%	construction of Ningxuanhang Expressway	None	No	No	No	No	owned subsidiary	profit
Ningxuanhang Company	3,825	10 years	4.41%	construction of Ningxuanhang Expressway	None	No	No	No	No	owned subsidiary	profit
Ningxuanhang Company	1,428	10 years	4.41%	construction of Ningxuanhang Expressway	None	No	No	No	No	owned subsidiary	profit
Ningxuanhang Company	3,213	10 years	4.41%	construction of Ningxuanhang Expressway	None	No	No	No	No	owned subsidiary	profit
Ningxuanhang Company	1,989	10 years	4.41%	construction of Ningxuanhang Expressway	None	No	No	No	No	owned subsidiary	profit
Ningxuanhang Company	3,009	10 years	4.41%	construction of Ningxuanhang Expressway	None	No	No	No	No	owned subsidiary	profit

### Details of the entrusted loans

According to the 2016 investment plan of the third phase project of Ningxuanhang Company (i.e. Liqiao-Xuancheng Section), which was approved by the Company at the 14th meeting of the Seventh Session Board held on 25 March 2016, in respect of the Company’s share in the difference between the total amount of investment and the total amount of project capital, the Company will invest up to RMB250 million in 2016 in the form of entrusted loans into Ningxuanhang Company for the construction of the Liqiao-Xuancheng Section. The entrusted loan capital would be funded by the Company’s own capital, the term of the loans must not be more than 10 years.



During the reporting period, the Company provided entrusted loan capital amount of RMB144,730 thousand to Ningxuanhang Company. The aggregate amount of entrusted loans provided to by the Company amounted to RMB812,962.3 thousand.

### **VIII. Purchase, Sale and Redemption of the Company's Listed Securities**

During the reporting period, the Company or its subsidiaries of its joint ventures did not purchase, sell or redeem any listed securities of the Company.

### **IX. Corporate Governance Code**

The Board confirmed that, save with one exception, the Company had been in compliance with the Corporate Governance Code during the period under review and strived to maintain a corporate governance system of high standard to enhance corporate transparency and protect the interests of shareholders. The exception is the functions of the remuneration committee and the nomination committee were both carried out by the Human Resources Management and Remuneration Committee. This arrangement was in place because the Company believes that this arrangement has always been effective and it suits the needs of the Company better. Majority of the members of the Human Resources Management and Remuneration Committee are independent non-executive directors. Such composition of the committee can effectively protect the interests of the shareholders.

During the reporting period, the Company strictly complied with the Company Law, the Securities Act and the requirements of the relevant laws, regulations and regulatory documents of the CSRC (China Securities Regulatory Commission) and continued to improve the corporate governance structure, vigorously promoting the internal control and regulation. The Company duly complied with its obligation of disclosure and enhanced its management of investors' relations and the level at which its operations are regulated.

### **X. Audit Committee**

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

As at 31 December 2016, the Audit Committee of the Company composed of Mr. Yang Mianzhi (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 2016, the Audit Committee held 4 meetings. Details of attendance of the meetings of the Audit Committee are as follows:

<b>Member's name</b>	<b>Attendance at meetings (times)</b>	<b>Number of meeting (times)</b>	<b>Attendance rate</b>
Yang Mianzhi	4	4	100%
Du Jian (appointed on 20 May 2016)	2	2	100%
Jiang Jun (appointed on 14 October 2016)	1	1	100%
Ni Shilin (resigned on 20 May 2016)	1	1	100%
Hu Bin (resigned on 14 October 2016)	3	3	100%

The Audit Committee held 4 meetings during the reporting period and had ample communication with the Company and the auditors. It reviewed the 2015 annual, 2016 first quarterly, interim and third quarterly financial statements of the Company. It submitted for the Board's approval the audited report, the internal control work summary and the internal control self evaluation report and its recommendation for PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers to be re-appointed as the audit institutions in the forthcoming year. Moreover, it also put forward suggestions on the daily connected transaction of 2017. Please refer to the "2016 Report on How the Audit Committee Discharged its Duties" for details of the Audit Committee's work.

## **XI. Major events after the reporting period**

Invest in fund management company and establish industrial investment fund

In order to implement the Company's diversified development strategy, enhance the capital operation ability and cultivate new profit growth point, promote the Company to do stronger and better and promote healthy sustainable development of the Company, the Company proposed to jointly establish Anhui Transportation China Merchants Investment Management Co., Ltd. (proposed name which is subject to registration as approved by the Administration for Industry and Commerce, the "Fund Management Company") with China Merchants Zhiyuan Capital Investment Co., Ltd. ("China Merchants Zhiyuan") and Anhui Transportation Holding Capital Investment Co., Ltd. ("Transportation Holding Capital"), and to jointly establish Anhui Transportation China Merchants Industrial Fund (Limited Partnership) (proposed name) with Transportation Holding Capital, Anhui Anlian Expressway Company Limited, China Merchants Zhiyuan and the Fund Management Company. The amount of investment responsible by the Company will be RMB200,000,000. The above proposals had been considered and approved at the 22nd meeting of the Seventh Session of the Board of the Company held on 17 March 2017. Such external investment is currently in its preparation stage and this project is subject to

approval by Anhui Transportation Group. As at the date of this announcement, the Company has not made any actual contribution. The specific terms of this transaction shall only finalise after the signing of formal legal document(s). The Board of the Company has authorised the senior management to manage, revise and sign related legal document(s) involved in this investment matter. The Company will adopt disclosure principle to disclose stage by stage and will timely disclose the specific progress of the industry fund.

## **XII. Prospects and Outlook**

### **1. The development for road industry is broad and policies is becoming clear**

With the promotion and implementation of a series of policy measures of the government, namely “steady growth, structure adjustment, promoting reform, benefiting people, risk prevention,” the macro-economy of the PRC will gradually stabilise and the economic development would be of higher quality, more robust and more sustainable. Economic growth is a key factor in determining the growth of traffic demand. The future development and opportunities for road industry are still broad. In terms of industry policy, transportation is still an important support for the development of national economy. There will be no significant change in the transport infrastructure policy in the country. From the perspective of project reserve, start-up and capital protection, it is expected that the future investment in road infrastructure would be maintained at a relatively strong growth rate, the driving effect of economic growth would be further apparent. Taking into account the road network structure, with the rise of the central and western development strategy, there would be greater investment and construction opportunities across the road network in central and western provinces.

## **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, the proportion of trucks continued to decline as compared to all types of vehicles, resulting in a continuous decline in the growth rate of toll revenue; secondly, land acquisition and demolition costs, labour costs and other costs continued to rise, and the toll road construction costs were increasing, while the safety monitoring facilities, environmental protection, road conditions and other standards continued to increase, leading to a continuous rise in operation and maintenance costs; thirdly, the opening time to traffic of most of the quality roads was long, 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 motor vehicles, high-speed rails, air transport and other means of transport and the changes in road network structure continued to affect the diversion of traffic away from 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 mature road assets, the road sections with better performance tend to be greatly appreciated in valuation, and under the current market environment with ample liquidity, competition for quality road assets has directly led to soaring transaction prices, causing 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 all 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".

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 real meaning of the state-owned enterprises to be strong, be excellent, be large. It has explicitly pointed out that in order for state-owned enterprises to be strong, be excellent, be large, 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, more local state-owned enterprise reform programs have confirmed that listed highway companies and their controlling shareholders will embark on subsequent equity incentive, asset securitization, restructuring and upgrading and other kinds of reform plans.

#### **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 have basically achieved ETC network. For the first half of 2016, the highway mileage of the ETC networks in the country reached 124,000 km, the number of ETC users reached 35,470,000, non-cash payments amounted to about 26%, the number of ETC lanes was 13,500, the ramp charges ETC lanes coverage was 90.7%, and the main charge station ETC lanes coverage was 99%. With the continuous strengthening of the degree of informatization in the industry, as the developed trend of industrialization of information based on technologies such as mega data and cloud computing, the exploration of information and expansion in application is widening and deepening.

Apart from the growth in volume, future development of ETC will present new trends including realization of ETC pre-installation (ETC前装), strengthening data integration and multi-dimensional applications, and leading vehicle networking applications. 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 excavation to provide customers with more useful information prediction is the focus and breakthrough for the next stage of development of highway informatization.

With the development of communications technology and Internet technology as well as the popularity of application such as Beidou, real-time navigation and precise positioning based on the vehicle system had been achieved, and the intelligent traffic information system and car network concept had been derived. The vehicle network could maximize the collection, processing, storage and sharing of traffic information by strengthening the information communication between vehicles, roads, drivers and expressway management companies, and could facilitate information exchange and sharing between vehicles, and between vehicles, environment and surrounding facilities, so as to completely change the current mode of single, passive information supply, and to fill the gap of the current stage of the car navigation system on the diversified service needs of the expressway. In the future, the expressway industry in car network, big data, map navigation, security monitoring and other areas will be promising.

By order of the Board

**Qiao Chuanfu**

*Chairman*

Hefei, the PRC, 24 March 2017

*As at the date of this announcement, the board of directors of the Company comprises: Qiao Chuanfu, Chen Dafeng, Xu Zhen, Xie Xinyu, Wang Xiufeng, Du Jian, Jiang Jun, Yang Mianzhi and Kong Yat Fan.*

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