



# Anhui Expressway Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code : 0995)

## ANNUAL REPORT 2017

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## Important Notice

1. The Board of the Directors, the Supervisory Committee and the Directors, Supervisors and the Senior Management of the Company hereby warrant that the contents of the annual report are true, accurate and complete, and that there are no false accounts, misleading statements or significant omissions of information and jointly and severally accept the legal responsibility.

### 2. Absence of Directors

Role of the absent director	Name of the absent director	Reason of absence	Name of alternate director
Non-executive director	Yang Xudong	Business commitment	Du Jian
Independent non-executive director	Jiang Jun	Business commitment	Kong Yat Fan

3. PricewaterhouseCoopers Zhong Tian LLP (PRC Accountant) and PricewaterhouseCoopers (Hong Kong Accountant) have issued standard unqualified audit opinions on the consolidated financial statements of the Company.
4. Mr. Qiao Chuanfu, the Chairman, Mr. Xu Zhen, responsible person for the accountant work and Mr. Xiao Guangzhuo, manager of the Financial Department of the Company hereby confirm that the financial statements contained in this annual report are true, accurate and complete.
5. **The profit appropriation plan or transfers of share capital from capital reserves plan for the period under review approved by the Board of Directors:**

The Company's net profit as shown on the 2017 financial statements prepared in accordance with the PRC accounting standards was RMB 1,185,197 thousand. The Company's net profit as shown on the 2017 financial statements prepared in accordance with the Hong Kong accounting standards was RMB 1,156,494 thousand. As the statutory reserve fund has reached over 50% of the total capital, no appropriation is required this year. Consequently, the profit from year 2017 available for distribution to shareholders was RMB1,185,197 thousand and RMB 1,156,494 thousand in accordance with the PRC accounting standards and the Hong Kong accounting standards respectively. The board of directors of the Company recommended the payment of a final dividend of RMB 381,480.30 thousand on the basis of RMB 2.30 for every 10 shares (tax included) based on the total issued share capital of 1,658,610,000 shares at the end of 2017. In 2017, no transfers of share capital from capital reserves were made.

**6. The forward-looking risk statement**

The major risks have been concretely described in the report, please refer to Section IV Report of the Board of Directors. The related future plan, development strategy and other forward-looking descriptions do not constitute commitments to the investors. The investors should invest rationally and pay attention to the investment risk.

**7. Was there extraordinary use of funds by the controlling shareholder and its related parties?**

No

**8. Was there provision of guarantees in violation of specified decision-making procedure?**

No

**9. Major Risk Notice**

The major risks have been concretely described in the report, please refer to Section IV Report of the Board of Directors for the possible risk factors and the corresponding tackling measures as set out in the discussion and analysis in respect of the future development of the Company.

**10. Other**

In addition to special instructions, the amount in this report is RMB.

In this report, if the sum of the sub-item value is inconsistent with the total number, it is due to rounding.

## Section I Definitions

### I. Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“the Company”, “Company”	Means	Anhui Expressway Company Limited
“the Group”	Means	Collectively the Company, its subsidiaries and associated companies
“Director(s)”	Means	The director(s) of the Company
“Board” or “Board of Directors”	Means	The board of directors of the Company
“Supervisor(s)”	Means	The supervisor(s) of the Company
“Supervisory Committee”	Means	The supervisory committee of the Company
“Articles of Association”	Means	The Articles of Association of the Company, as may be amended, supplemented or otherwise modified from time to time
“ATHC” or “Anhui Transportation Group”	Means	Anhui Transportation Holding Group Company Limited (formerly known as Anhui Expressway Holding Group Company Limited and Anhui Expressway Holding Corporation)
“China Merchants Highway”	Means	China Merchants Highway Network Technology Holding Company Limited (formerly known as China Merchants Hua Jian Highway Investment Company Limited)
“SSE”	Means	Shanghai Stock Exchange
“SEHK” or “Hong Kong Stock Exchange”	Means	The Stock Exchange of Hong Kong Limited
“Xuanguang Company”	Means	Xuanguang Expressway Company Limited
“Expressway Media”	Means	Anhui Expressway Media Company Limited
“Xin’an Financial”	Means	Anhui Xin’an Financial Group Company Limited
“Xin’an Capital”	Means	Anhui Xin’an Capital operation management Company Limited
“Xuancheng Transportation”	Means	Xuancheng Transportation Investment Company Limited (formerly known as Xuancheng Highway Construction Management Company Limited)
“Ningxuanhang Company”	Means	Anhui Ningxuanhang Expressway Investment Company Limited
“Guangci Company”	Means	Xuancheng City Guangci Expressway Limited Liability Company
“Wantong Pawnshop” or “Wantong Pawn”	Means	Hefei Wan Tong Pawnshop Co., Limited
“Wantong Micro Credit”	Means	Hefei Wantong MicroCredit Company Limited

“Huatai Group”	Means	Hefei Huatai Group Corporation Limited
“HK Subsidiary”	Means	Anhui Expressway (H.K.) Limited
“China Merchants Fund Management Company”	Means	Anhui Transportation China Merchants Investment Fund Management Company Limited
“China Merchants Fund”	Means	Anhui Transportation China Merchants Industrial Fund (Limited Partnership)
“Jinshi Fund Management Company”	Means	Anhui Transportation Jinshi Fund Management Co., Ltd.
“Jinshi Merger and Acquisition Fund”	Means	Anhui Transportation Jinshi Merger and Acquisition Fund (Limited Partnership)
“Bangning Property”	Means	Hefei Bangning Property Management Limited
“Expressway Construction”	Means	Anhui Expressway Construction Company Limited
“Expressway Petrochemical”	Means	Anhui Expressway Petrochemical Company Limited
“Huanyu Company”	Means	Anhui Huanyu Highway Construction Development Company Limited
“Swift Logistics”	Means	Anhui Swift logistics Company Limited
“Qixing Company”	Means	Anhui Provincial Qixing Construction Testing Company Limited
“Zhongxing Construction”	Means	Anhui Province Zhongxing Construction Supervision Company Limited
“Wangqian Company”	Means	Anhui Wangqian Expressway Company Limited
“Liguang Company”	Means	Anhui Liguang Expressway Company Limited
“Yangji Company”	Means	Anhui Yangji Expressway Company Limited
“Anqing Company”	Means	Anhui Anqing Yangtzi Highway Bridge Company Limited
“Yida Company”	Means	Anhui Province Yida Expressway Service Area Operating Management Company Limited
“Anhui Expressway Network Operations”	Means	Anhui Expressway Network Operations Company Limited
“Anhui Transport Planning and Design Institute”	Means	Anhui Transport Planning and Design Institute Company Limited
“Transportation Capital”	Means	Anhui Transportation Capital Investment Management Company Limited
“Anlian Expressway”	Means	Anhui Anlian Expressway Company Limited

## Section II Corporate Profile and Main Financial Indicators

### 1. Company Information

Official Chinese name of the Company	安徽皖通高速公路股份有限公司
Abbreviation (in Chinese)	皖通高速
English name of the Company	Anhui Expressway Company Limited
Abbreviation (in English)	Anhui Expressway
Legal representative of the Company	Qiao Chuanfu

### 2. Contact Person and Contact Details

	<b>Secretary to the Board of the Company</b>	<b>Representative of Securities Affairs</b>
Name	Dong Huihui	Ding Yu
Contact address	520 Wangjiang West Road, Hefei, Anhui, the PRC	520 Wangjiang West Road, Hefei, Anhui, the PRC
Telephone	0551-65338697	0551-63738923, 63738922, 63738989
Fax	0551-5338696	0551-5338696
Email Address	wtgs@anhui-expressway.net	wtgs@anhui-expressway.net

### 3. Introduction of Basic Information

Registered address of the Company	520 Wangjiang West Road, Hefei, Anhui, the PRC
Postal code of registered address	230088
Office address of the Company	520 Wangjiang West Road, Hefei, Anhui, the PRC
Postal code of office address	230088
Website of the Company	<a href="http://www.anhui-expressway.net">http://www.anhui-expressway.net</a>
E-mail address of the Company	wtgs@anhui-expressway.net

### 4. Information Disclosure and Addresses for Keeping Report

Newspapers designated for publishing report	China Securities Post, Shanghai Securities Post
Websites designated for disclosure of annual report assigned by CSRC	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> <a href="http://www.anhui-expressway.net">http://www.anhui-expressway.net</a>
Addresses designated for keeping annual report	Shanghai Stock Exchange, 528 Pudong South Road, Shanghai Hong Kong Registrars Limited, 46th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong Company's head office at 520 Wangjiang West Road, Hefei, Anhui, the PRC



### 5. Company Stock Information

#### Company Stock Information

Stock Category	Stock Exchange	Stock Abbreviations	Stock Code	Stock Abbreviations before alteration
A Shares	Shanghai Stock Exchange	Anhui Expressway	600012	—
H Shares	The Stock Exchange of Hong Kong Limited	Anhui Expressway	0995	—

### 6. Other Related Information

PRC Accountant (domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office Address	11th Floor, PricewaterhouseCoopers Center, 202 Hubin Road, Shanghai
	Signing Accountant	Huang Zhejun, Shen Jie
Hong Kong Accountant (overseas)	Name	PricewaterhouseCoopers
	Office Address	22nd Floor, Prince's Building, Central, Hong Kong
PRC Legal Adviser	Name	Anhui Antaida Lawyer's Office
	Office Address	7th Floor, Chengjian Mansion, Yingshang Road, Hefei, Anhui, the PRC
Hong Kong Legal Adviser	Name	Gallant
	Office Address	5th Floor, Jardine House, 1 Connaught Place, Hong Kong
Domestic share registrar	Name	China Securities Central Clearing and Registration Corporation, Shanghai Branch
	Office Address	36th Floor, China Insurance Mansion, 166 Lujiazui East Road, Shanghai
Overseas share registrar	Name	Hong Kong Registrars Limited
	Office Address	Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong



## Section II Corporate Profile and Main Financial Indicators

### 7. Main Accounting Data and Financial Indicators over the past three years

Prepared in accordance with accounting principles generally accepted in the PRC (“the PRC Accounting Standards”)

#### (1) Main Accounting Data

Main Accounting Data	Unit: yuan Currency: RMB			
	2017	2016	Change of the current period over the same period of last year (%)	2015
Operating income	2,861,411,105.06	2,499,135,630.47	14.50	2,427,004,934.21
Net profit attributable to shareholders of the Company	1,091,343,092.28	933,257,550.08	16.94	937,866,859.94
Net profit after extraordinary items attributable to shareholders of the Company	1,101,477,260.50	931,530,732.81	18.24	939,137,601.33
Net cash flows from operating activities	1,882,799,767.78	1,752,401,524.95	7.44	1,520,718,342.55
	<b>As at the end of 2017</b>	<b>As at the end of 2016</b>	<b>Change of the current period over the same period of last year (%)</b>	<b>As at the end of 2015</b>
Net assets attributable to shareholders of the Company	9,379,097,885.86	8,678,962,620.04	8.07	8,116,573,929.83
Total assets	14,176,003,506.16	13,120,801,927.91	8.04	12,140,702,151.14
Ordinary share capital at the end of the reporting period	1,658,610,000.00	1,658,610,000.00	0	1,658,610,000.00

#### (2) Main Financial Indicators

Financial indicators	2017	2016	Change of the current period over the same period of last year (%)	2015
Basic earnings per share (RMB/share)	0.6580	0.5627	16.94	0.5655
Diluted earnings per share (RMB/share)	0.6580	0.5627	16.94	0.5655
Basic earnings per share after extraordinary items (RMB/share)	0.6641	0.5616	18.25	0.5662
Returns on net assets (weighted average) (%)	12.12	11.16	An increase of 0.96 percentage point	11.95
Returns on net assets after extraordinary items (weighted average) (%)	12.24	11.14	An increase of 1.10 percentage point	11.97

## Section II Corporate Profile and Main Financial Indicators



Prepared in accordance with accounting principles generally accepted in Hong Kong (“the Hong Kong Accounting Standards” or “HKFRS”)

### Summary of Results

For the year ended 31 December

Unit: '000 yuan Currency: RMB

	2017	2016	2015	2014	2013
Revenue	4,308,759	3,063,632	3,158,404	3,036,589	3,403,817
Profit before income tax	1,529,639	1,234,922	1,249,385	1,159,629	1,196,666
Profit attributable to owners of the Company	1,083,235	925,075	929,377	852,105	839,142
Basic earnings per share (yuan)	0.6531	0.5577	0.5603	0.5137	0.5059

### Summary of assets

As at 31 December

Unit: '000 yuan Currency: RMB

	2017	2016	2015	2014	2013
Total assets	14,234,303	13,215,279	12,246,075	11,630,793	12,299,277
Total liabilities	4,147,710	3,730,037	3,265,650	3,098,728	4,314,268
Total net assets (deducting minority shareholders' interests)	9,436,203	8,744,499	8,190,498	7,684,452	7,150,796
Net assets per share (deducting minority shareholders' interests) (yuan)	5.6892	5.2722	4.9382	4.6331	4.3113

## Section II Corporate Profile and Main Financial Indicators

### 8. Major difference between financial statements prepared in accordance with domestic and overseas accounting standards

(1) Difference of net profit and net assets attributable to shareholders of the Company between international accounting standards and the PRC Accounting Standards

Applicable  Not applicable

(2) Difference of net profit and net assets attributable to shareholders of the Company between the Hong Kong Accounting Standards and the PRC Accounting Standards

Unit: '000 yuan currency: RMB

	Net profit		Net assets attributable to shareholders of the listed company	
	Amount of current period	Amount of previous period	Amount at the end of period	Amount at the beginning of the period
PRC Accounting Standards	1,091,343	933,258	9,379,098	8,678,963
Items and amount adjusted according to Hong Kong Accounting Standards: Valuation, depreciation/ amortization and related deferred taxes	<u>-8,108</u>	<u>-8,183</u>	<u>57,105</u>	<u>65,536</u>
Hong Kong Accounting Standards	<u>1,083,235</u>	<u>925,075</u>	<u>9,436,203</u>	<u>8,744,499</u>



### (3) Explanation on the major difference between financial statements prepared in accordance with PRC Accounting Standards and Hong Kong Accounting Standards

In order to issue and list H shares in Hong Kong, the toll roads, fixed assets and related land use rights were valued by a PRC certified public valuer and an international certified public valuer on 30 April and 15 August 1996 respectively and the results were included in the relevant prescribed statements and the financial statements prepared in accordance with HKFRS. As per the said valuation, the fair value valued by the international certified public valuer is higher than the PRC certified public valuer's result by RMB 319,000,000. Such differences have impacts on the business performance (i.e. the depreciation and amortization figures of the highway franchise, fixed assets, and land use rights) and the related deferred tax effect of the Group and the Company, which have resulted in the above adjustments.

## 9. Main Financial Statistics of 2017 on a quarterly basis

Unit: yuan Currency: RMB

	the first quarter (Jan.-Mar.)	the second quarter (Apr.-Jun.)	the third quarter (Jul.-Sep.)	the fourth quarter (Oct.-Dec.)
Revenue	716,672,820.56	681,517,823.60	749,244,321.77	713,976,139.13
Net profit attributable to shareholders of the Company	293,545,766.39	230,777,210.16	301,659,427.16	265,360,688.57
Net profit after extraordinary items attributable to shareholders of the Company	290,297,920.26	230,506,733.02	301,628,700.48	279,043,906.74
Net cash flows from operating activities	480,197,930.55	449,530,493.02	525,961,687.25	427,109,656.96

### Explanation on the difference between quarterly information and information disclosed in regular reports

Applicable     Not applicable

## Section II Corporate Profile and Main Financial Indicators

### 10. Extraordinary items of profit/loss deducted and amounts involved:

Unit: yuan Currency: RMB

Extraordinary items	Amount of 2017	Note (if applicable)	Amount of 2016	Amount of 2015
Gains and losses from disposals of non-current assets	-2,462,459.48		-334,638.25	-4,094,019.97
Government subsidies charged to the current gains/losses, (excluding those closely related to the Company's normal operations, subsidized continuously in accordance with the applicable standards and in compliance with the government policies or regulations)	5,474,674.48	Being the income amount of construction funds subsidies of Ninghuai Expressway (Tianchang Section) provided by Jiangsu Provincial Expressway Construction Head quarter (attached to the Transportation Department of Jiangsu Province) in 2007, and the income amount of construction funds subsidies of Hening Expressway and Gaojie Expressway provided by Anhui Provincial Expressway Construction Headquarter (attached to the Transportation Department of Anhui Province) received in 2010 amortised in the reporting period. the income related government grant includes the compensation for the demolition of Feidong petrol station that the Company received from Hefei City Government in the Reporting Period.	2,172,787.68	2,172,787.68
In addition to effective hedging business related to the normal business of the Company, investment returns from tradable financial assets, profit or loss from changes in the fair value of the tradable financial liabilities, and the disposal of trading financial assets, transactional financial liabilities and financial assets available for sale	-16,753,563.48		0	0
Other non-operating income	303,001.14		579,185.79	56,279.23
Other non-operating expenses				
Effects of minority shareholders' interests	-55,407.72		-86,184.14	127,973.41
Effect of income tax	3,359,586.84		-604,333.81	466,238.26
Total	<u>-10,134,168.22</u>		<u>1,726,817.27</u>	<u>-1,270,741.39</u>



## 11. Items in fair-value measurement

Unit: yuan Currency: RMB

Items	Amount at the beginning of the period	Amount at the end of the period	Change	Amount affecting profit
Financial assets available for sale	<u>235,000,000.00</u>	<u>404,845,417.06</u>	<u>169,845,417.06</u>	<u>-16,753,563.48</u>

## 12. Corporate Profile

Anhui Expressway Company Limited (the “Company”) was incorporated on 15 August 1996 as a joint stock limited company in Anhui Province, the People’s Republic of China (the “PRC”). The registered capital is RMB 1,658,610,000.

The Group is principally engaged in the operation and management of toll expressways and relevant business.

The Company is the first PRC highway company listed in Hong Kong. It is also the only listed highway company in Anhui Province. On 13 November 1996, H Shares issued by the Company were listed on The Stock Exchange of Hong Kong Limited (Stock code: 0995). On 7 January 2003, A Shares issued by the Company were listed on Shanghai Stock Exchange (Stock code: 600012).

The core business of the Group is the investment, construction, operation and management of toll roads. The Company owns the entire or partial equity interest of Hening Expressway (G40 Hushan Expressway Hening Section), New Tianchang Section of National Trunk 205, Gaojie Expressway (G50 Huyu Expressway Gaojie Section), Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section), Guangci Expressway (G50 Huyu Expressway Xuanguang Section), Ninghuai Expressway Tianchang Section, Lianhuo Expressway Anhui Section (G30 Lianhuo Expressway Anhui Section) and Ningxuanhang Expressway, which are toll highways in Anhui Province. As of 31 December 2017, the operation mileage which the Group managed had reached 557km (Among which the Expressway mileage that the Group invested are 104 km, entrusted management Expressway mileage are 453km) and the total assets was about RMB 14,176,004 thousands.

## Section II Corporate Profile and Main Financial Indicators

As of 31 December 2017, the structure of the Company, its subsidiaries and associated companies (the “Group”) is as follows:





### I. Explanation on the principal business engaged by the Group, business model and industry information during the reporting period

#### 1. Principal business engaged by the Group during the reporting period

The Company was incorporated in Anhui province on 15 August 1996, and the principal business of the Group include investment, construction, operation and management of toll roads within Anhui province. The Group acquires operating expressway assets through various means such as investment and construction, acquisition or co-operative operation. The Group provides toll service for vehicles, collects vehicles toll free according to the charging standard and maintains, repairs and carries out safety maintenance for the operating expressways. The Group is in the industry of highway transport industry. Toll roads are large-scale transportation infrastructures with long payback cycle. At present, the charging period of toll roads in China is generally not more than 30 years, and the investment return period is long and the income is relatively stable.

As of the end of the Reporting Period, there were a total of 7 highway projects (6 expressways and 1 national highway trunk line) invested, operated and managed by the Group. The total mileage of toll roads managed by it amounted to 557km, of which the mileage of expressway amounted to 527km, accounting for 11.28% of the total mileage of expressways of 4,673km open to traffic in Anhui Province. Moreover, as expressways showed the features of network operations, the Group also provided entrusted management services (including the management of toll service, maintenance and repair, information and technology, safety of road assets, human resources, etc.) for some road sections to Anhui Transportation Group and its subsidiaries. Currently, the total mileage of toll roads under the entrusted management amounted to 453km.

Based on the main business, the Group has embarked on the exploration of diversified development in combination with economic environment and policy situation in the process of development.



## Section III Corporate Business Summary

### 2. Operating model

The construction and operation of expressways in the PRC are broadly categorized into two models, i.e. operating toll road and expressway built with loans to be repaid by the government. We adopt the operating toll road model.

### 3. Explanation on industry

Expressway construction in China is fast-growing and there is still a need for the construction of expressway in the future, but the overall growth rate is expected to slow due to the close improvement of the national expressway network. Currently, the expressway industry has progressed beyond the stage of extensive construction and has gradually moved to a stage of quality enhancing and network improving. The expressway construction will focus on intensification of parallel sections, connection of regional expressways, popularization of smart and intelligence traffic and industrialization of traffic information in the future. From a policy perspective, the Regulation on the Administration of Toll Roads has not been formally introduced, the industry policy still remains uncertain. In terms of distribution, the difference in regional economies and the structure of passengers and cargo sources result in the difference in vehicle flowrate and toll revenues among different listed highway companies. In terms of degree of development, the principal businesses of listed expressway companies are generally in the mature stage with stable performance growth. In terms of the road network structure, road networks of the Eastern provinces are more modernized, while there are still spaces for increasing routes and construction investment in the Central and Western provinces. In terms of the progress of diversification, all listed expressways are facing the issue of shortening of the toll period year by year, while there is significant difference in the reform progress of the state-owned enterprises and direction for transition of diversification in different provinces.



The major listed companies in the same industry and their financial indicators are shown in the following table:

**Table of financial information of major listed companies in the same industry**

Unit: '0,000 Currency: RMB

Stock code	Paper titles	Total assets	Net assets	Asset-liability ratio (%)	Operating revenue	Year-on-year growth of revenue (%)	Net profit	Year-on-year Growth of net profit (%)	Return on net assets (%)	Price earning ratio
600012.SH	Anhui Expressway	1353781.43	967548.04	27.79	214743.50	14.39	82517.01	19.81	9.28	16.28
600020.SH	Zhongyuan Expressway	5218162.21	1153478.31	74.97	445458.02	57.78	110098.50	71.11	8.60	7.51
600033.SH	Fujian Expressway	1779385.13	662986.90	41.29	184694.11	-1.07	76288.46	8.61	6.91	12.46
600035.SH	Chutian Expressway	1060813.03	600880.15	44.05	181907.77	91.95	48068.02	49.73	9.43	11.83
600106.SH	Chongqing Road Bridge	672897.91	356086.58	47.08	17894.06	-22.16	23077.26	-5.49	6.55	13.40
600269.SH	Ganyue Expressway	3275347.48	1394277.21	51.25	326551.68	0.09	78128.72	-8.12	5.69	10.76
600350.SH	Shandong Expressway	4459653.37	2604898.52	39.06	517160.68	9.40	294923.74	21.77	10.32	8.14
600368.SH	Wuzhou Traffic	1111233.60	362402.12	70.46	118398.44	35.73	29501.94	68.08	9.47	11.24
600377.SH	Ninghu Expressway	4133524.08	2095460.18	38.69	699032.15	11.55	297719.56	18.61	12.82	12.75
600548.SH	Shenzhen Expressway	3631937.90	1085803.57	57.09	337064.27	6.00	130342.19	22.37	9.29	11.79
601107.SH	Sichuan Expressway	3679561.22	1334151.24	60.48	578444.15	15.18	97868.97	-9.12	6.72	10.25
601188.SH	Longjiang Traffic	593589.65	360761.42	32.99	39238.98	2.65	27503.72	7.23	7.26	14.21
601518.SH	Jilin Expressway	634299.36	291518.72	50.01	72593.68	33.31	22119.54	37.20	8.28	13.55
603032.SH	Dexin Transportation	49858.35	42682.86	13.73	15636.81	-22.02	2121.64	-49.75	5.02	254.13
000429.SZ	GPED A	1636852.76	884484.90	42.06	226274.90	9.05	143510.05	52.85	14.96	9.89
000548.SZ	Hunan Investment	204080.75	155859.08	19.17	90570.36	529.75	13183.43	152.46	8.65	17.00
000828.SZ	Dongguan Development	977526.52	517100.87	43.57	108218.45	19.03	71671.95	14.39	13.50	12.16
000886.SZ	Hainan Expressway	317288.60	255195.28	14.71	43636.11	203.93	11069.42	142.93	4.19	43.15
000900.SZ	Modern Investment	2323745.79	815136.63	62.84	764357.61	14.21	64823.48	18.24	8.16	10.85
001965.SZ	China Merchants Highway	5978384.66	4516484.87	24.45	372686.65	6.16	331908.78	16.42	7.34	17.51
Arithmetic mean		2154596.19	838984.87	42.79	267728.12	50.75	97822.32	32.47	8.62	25.94
Media		1495317.09	662986.90	42.81	199718.80	12.88	73980.21	19.21	8.44	12.31

Note: Source from Royalflush (同花順), and the information were as at 30 September 2017.

## Section III Corporate Business Summary

### II. Explanation on material change in major assets of the Group during the reporting period (in accordance with PRC Accounting Standards)

Unit: yuan Currency: RMB

Item	31 December 2017	31 December 2016	+/-	Explanation on change
Other receivables	<b>494,106,129.05</b>	252,085,840.49	96.01%	Mainly because the balance of bank wealth management product was increased at the end of the reporting period from the same period last year.
Available for sale financial assets	<b>404,845,417.06</b>	235,000,000.00	72.27%	Mainly due to the new increase of RMB 200 million to the fund investment during the reporting period;
Accounts payable	<b>765,351,783.89</b>	440,093,895.67	73.91%	Mainly because the estimated construction cost payable of the the reconstruction and expansion project of Hening Expressway was increased at the end of the reporting period from the same period last year;
Tax payable	<b>179,074,113.45</b>	144,184,073.78	24.20%	Mainly due to the increase of accrued corporate income tax payable of the Group accrual compared with last year during the reporting period;
Other current liabilities	<b>34,564,734.74</b>	22,069,299.14	56.62%	Mainly because the cost of road maintenance which according to the performance of the contract was expected to be increased in the future at the end of the reporting period compared with the same period last year;
Long-term account payable	<b>1,130,608,897.75</b>	960,837,193.21	17.67%	Mainly because the subsidiary of the Company, Ningxuanhang Company, received loans from the minority shareholder during the reporting period;
Other comprehensive income	<b>4,949,235.41</b>	15,000,000.00	-67.01%	Mainly due to the decrease of fair value of available-for-sale financial assets during the reporting period.

Among which assets of RMB1,936 thousands are in overseas, representing 0.01% of total assets.



### III. Analysis on core competency during the reporting period

The Company was founded in 1996, and is the first PRC expressway company listed in Hong Kong, and also the only listed expressway company of Anhui province.

1. The transportation infrastructure concession is the core business of the Group. Our operating region is located in Anhui province, having superior geographical location and the geographical advantages. Our road sections are major transit national trunks across Anhui regions. With the implementation of national development strategy of the “Yangtze River Economic Zone” and the basic strategy of “development towards the East and acceleration of integration into the Yangtze River Delta” of Anhui Province, the network economic efficiency of the roads managed by the Group shall become more apparent.
2. The performance of the Group remains outstanding and stable, with high credit rating, low debt to assets ratio and strong solvency. At the same time, the operation of the Group is steady, and the outcomes of management on relations with investors are significant with a higher degree of concern in the capital market, resulting in a sound guarantee for future development by equity financing, continuous improvement in financing structure, and further expansion with the help of capital market.
3. Good image and reputation. Since its listing, the Company has shown a corporate image of openness and integrity to investors with information disclosure that is sufficient, fair and in compliance with relevant regulations, and has gained a well social response and influence in the PRC and overseas through active investor relationship management. Our persisting long-term high cash dividend ratio policy also gains favor and support from market and investors. The Company has a stable investor foundation and good market image in the domestic and overseas capital market. The “smile culture” innovated by the Company and the unique corporate culture are highly appraised in expressway industry and traffic and transportation industry.

## Section IV Report of the Board of Directors

### I. Management Discussion and Analysis

During the reporting period, under the complicated domestic and international situation, the Company adhered to the development strategy of “Focus on principal businesses, diversified development, highly efficient management and significant brand effect” and closely followed the work plan set at the beginning of the year, i.e. seeking progress in stability for restless innovation. With the joint efforts of all staff, we have smoothly and successfully achieved all our work objectives and missions.

In 2017, under the overall environment that the world economy was recovered and the focus of China’s economic development has shifted to the new normality of improving quality and efficiency, the Company actively pushed forward the pace of diversified investment and business development. Meanwhile, the Company worked in line with the favorable changes in the policy for expressway industry and constantly leveraging the surpassing advantages of steady growth of regional economy and the car ownership to focus on the development of the principal business of expressway. By attaching equal importance to the internal and external development, the Group increased the investment construction for its principal business, and strengthened the operation management on the principal business, as well as planning the regional expansion and project reserves for the principal business in advance, so as to actively expand and strengthen the principal business. During the reporting period, the proportion of revenue of principal business (toll revenue) to operating revenue reached 93.50%, indicating that the asset base, profitability and sustainable development capacity of the principal business have further consolidated and enhanced.

#### 1. Lixuan Expressway was completed and opened to traffic.

During the reporting period, the construction of the Lixuan section of phase III of Ningxuanhang Expressway completed in November 2017 and was successfully opened for traffic on 30 December 2017. During the construction period, facing various difficulties such as complicated environment and heavy rains, the Company strengthened the coordination and essential protection, as well as paying attention to the compliance of capital use, so as to ensure the successful completion of Ningxuanhang Expressway. In 2017, Li-Xuan section of the phase III of Ningxuanhang Expressway realized an investment of RMB 650 million, with accumulated investment of RMB 1,331 million.



### **2. The reconstruction and expansion project of Hening Expressway was carried out in an orderly manner.**

Hening Expressway is the most core road assets of the Group with the highest quality, from which the toll revenue accounted for a larger proportion of the Group's operating revenue, playing a significant role in the performance of the Group. In order to alleviate the traffic pressure of Hening Expressway and to realize the sustainable development in the Company's road segment, the Company kicked off the construction project of reorganization and expansion of Zhouzhuang to Longxi Overpass section of Hening Expressway in 2016 upon the adoption of the resolution by the 18th meeting of the 7th session of the Board of Directors of the Company.

During the reporting period, faced with the adverse factors such as the changeable weather and the increasing costs of the flooring materials, the Company tightened the progress management, quality control, safety management, engineering change and settlement management, etc. to ensure the various projects to advance comprehensively and successfully completed the assigned task. During the reporting period, the project completed a total investment of RMB 770 million, amounting to 107% of the annual budget plan.

### **3. Diversified business for stable progress**

#### **a. Strict risk control on financing business**

During the reporting period, the Company continued to strengthen the risk control on its financing business, continuously supervised the joint stock companies and share holding companies to carry out works with emphasis on "comprehensive clearance, strengthening of risk control, improvement of system and enhancement of management", and comprehensively strengthened the handling of bad loans, improvement of system, risk control and other works. With various measures on the clearance, the Group actively promoted the disposal of undesirable projects and carefully carried out new businesses.

#### **b. A new breakthrough in fund investment**

During the reporting period, after adequate market survey and research and investment demonstration, the Company successfully invested in two funds, China Merchants Fund (招商產業基金) and Jinshi Merger and Acquisition Fund (金石併購基金), with initial capital contribution of RMB100 million for each fund. Both companies have completed registration and commenced normal operations.

#### **c. New result achieved in equity management**

During the reporting period, the Company constantly improved the decision-making process for the dispatched directors and supervisors, further strengthened the control of the participating companies, and strictly controlled investment risks. In 2017, the Group received share dividends of RMB 130 million, including dividends of RMB 104.25 million from Xuanguang Company, dividends of RMB 22.54 million from Guangci Company, and dividends of RMB 3.46 million from Expressway Media.

## Section IV Report of the Board of Directors

### 4. Corporate governance is improving

During the reporting period, the corporate governance structure of the Company is sound, with fulfillment of duties, mutual coordination and effective balance among the shareholders' general meeting, the Board of Directors, the supervisory committee and the management. The Company actively encouraged open-mindedness to cultivate market consciousness, so as to promote innovative reform in management structure in depth to arouse energy of the Company. During the reporting period, the Company held 2 general meetings, 9 meetings of the Board of Directors and 6 meetings of the Supervisory Committee. The Company held an extraordinary general meeting in August 2017 and held the general election of the Board of Directors and the Supervisory Committee. The Company regards "insisting the Party's leadership of the state-owned enterprise and does not waver" as general requirements, strengthens the party's leadership and discipline inspection and adheres to scientific and democratic decision-making and provide a strong political guarantee for the reform and development of the Company. By strengthening the management and control of the subsidiaries and management office under their control, the Group realized its main responsibility and streamlined the management mechanism, so that the separation of powers and responsibilities on management was clearer. With integration of changes of business development and adjustment of institutional responsibilities, optimization and elevation work of internal control was comprehensively promoted, with the emphasis on top design highlighting the professional transmission, risk prevention and control, so that the internal control system of the Company would be continuously optimized to gradually attain the professional business management and intensive and efficient resource management.

### 5. Advancement of basic management

#### a. Toll management is constantly intensifying

During the reporting period, the Company made full preparations such as institutional establishment, personnel allocation, construction of rules and regulations and toll maintenance management before the Lixuan Expressway was open to traffic, so as to effectively realize the orderly connection of construction and management, as well as the normalization and standardization of operation of the road sections. With serious fulfillment of the basic work of toll management, as well as implementing beneficial policies such as green channels and discounts for small cars on major holidays, the Group ensured smooth road traffic. In addition, it strengthened the management of smiling services by highlighting the service-oriented and people-oriented management, so that the services are more outstanding with quality improved steadily. The capacity for plugging loopholes and income enhancement was also increased continuously by innovative means of inspection and the carrying out of inspection activities to manage specifically. The innovative toll management model and the successful development of the road asset inspection system, the "green passage" inspection system and the passenger and cargo mixed multi-point toll collection system have greatly improved the toll collection, traffic efficiency and information management standards.



**b. Maintenance management is effectively improved**

During the reporting period, in order to have proper road maintenance, the Group carried out extensive field research with problem-oriented approach, aiming at issues related to the status and existence of maintenance management. It clearly defined the overall approach of “strengthening of coordination, standardization of management, reduction on costs and improvement in efficiency” in maintenance management, and formulated a practical plan for the maintenance, with accumulated maintenance expenses of approximately RMB 141.87 million for the whole year. Currently, the road sections, bridges and tunnels administered by the Group are in good technical condition, while the road conditions and road appearance continue to maintain smooth and pleasant.

**c. Safety management is increasingly strict**

During the reporting period, affected by work such as reconstruction and expansion and road construction, the probability of the occurrence of accidents on some road sections increased significantly. The production safety committee of the Company placed high emphasis on this and comprehensively guided, deployed and supervised the safety in construction and operation of the expressway, and established a safety production linkage system for each senior management member to supervise one road section. Through comprehensively strengthening the implementation of “Company-unit-employee”, the Group improved the three-tier responsibility system of employees at different positions in various units, so as to effectively realize the responsibility system in every details and aspects. It also strengthened the main responsibility of the production safety of each unit, and strictly implemented the mechanism of overall responsibilities for “top leaders” and “one post two responsibility” for the leading members, under which “safety production responsibility letter” has been signed by each level to reinforce the safety management foundation. The Group constantly strengthened the investigation and rectification of safety risks, and carried out comprehensive investigation for hidden risks on the operating roads, service areas, gas stations, with immediate examination and correction for the problems being found. By committing to rectification to the source, accidents and risk prevention, as well as improvement of emergency response capacity, the standard of safety management was effectively increased.



## Section IV Report of the Board of Directors

### d. **Conscientious strengthening of brand image management**

During the reporting period, the Company innovated its service concepts, improved its service quality, deepened its service content, and made every effort to build a “smile service” brand. The enhancement of the smile service has won unanimous praise from all sectors of the society. At present, “smile service” has become the primary brand of the top ten cultural brands in the transportation industry in China. To further strengthen brand publicity and maintain a good image of the Company in the capital market, in 2017, the Company organized business promotion in Hong Kong twice, holding press conference to introduce its operating results and strengthen interaction with fund managers or investment institutions.

In addition, the Company has done a lot of solid and effective works in strengthening the supervision and control of financial affairs, enhancing property right management, standardizing the management of related transactions, improving the management of information disclosure and investor relations management, improving the electromechanical and informative management, improving scientific and technological innovation moves and increasing funding for scientific research, and carrying out the standardization of the Party, so as to further improve the management and governance level to fully achieve the management effectiveness.

### **Analysis of the prevailing development trend**

The strategy of “strengthening the nation with traffic and transport” explicitly advocated by the 19th CPC National Congress and the strategy of “strengthening the province with traffic and transport” advocated by the provincial committee and provincial government of Anhui Province have opened up a period of great opportunities for the expressway industry. The stable and progressive, steady and upward economic operation trend of our nation has brought new momentum of development to the expressway industry, the demand for transportation infrastructure investments has increased, the expressway industry will definitely experience a peak period of construction in the future. Further implementation of the “One Belt One Road” strategy and the Yangtze Economic Belt strategy are great favorable news for the implementation of the five key development plans and the construction of the integrated elevated traffic corridor in Anhui Province.



At the same time, we also need to keep a clear mind to acknowledge the fact that our Company's development is still facing many constraints. Firstly, the impact of policies will increase operational risk. In the working report of the government for 2018, "deepen the reform of toll road system, reduce tolls for roads and bridges" have been mentioned and aroused public attention in general from society, however the policy to approve the extension of toll collection period is still uncertain. The toll collection periods of core road sections administered by the Company are gradually approaching their expiry, and the implementation of various types of toll reduction or toll free policy measures, the increase in preferential toll rate and the expanded scope of toll reduction or toll free measures have contributed to the rising amount of reduced toll or toll free amount on expressways. Secondly, the operating costs of the principal businesses are increasing. The principal road assets and resources of the Company are entering their mature periods, road defects and problems are increasing, and maintenance costs for subsequent operation will increase year by year. Some road sections are inside road networks, they will be subject to reconstruction or expansion successively and will involve relatively high investment amounts, which will in turn affect the operating results of the Company in future. Thirdly, the advantages of being a listed company are difficult to be fully exploited. The Company was the first listed company among all highway companies with first-mover advantages and sound foundation, however the small size of the Company's own assets has affected the expansion of the capital function of a listed company, the advantage of financial leverage due to relatively low gearing ratio has also not been fully utilized, the problem of sustainable development of the Company has become gradually more apparent.

### II. Major operation status during the reporting period

During the reporting period, in accordance with PRC Accounting Standards, the Group achieved a revenue of RMB 2,861,411 thousand (2016: RMB 2,499,136 thousand), representing an increase of 14.50% over the corresponding period of the previous year; total profit of RMB 1,540,423 thousand (2016: RMB 1,245,920 thousand), representing an increase of 23.64% over the corresponding period of the previous year; net profit attributable to shareholders of the Company of RMB 1,091,343 thousand (2016: RMB 933,258 thousand), representing an increase of 16.94% over the corresponding period of the previous year; basic earnings per share of RMB 0.6580 (2016: RMB 0.5627), representing an increase of 16.94% over the corresponding period of the previous year. The main reason for the increase in net profit is the increase in toll income.

During the reporting period, in accordance with the Hong Kong Accounting Standards, the Group achieved a revenue of RMB 4,308,759 thousand (2016: RMB 3,063,632 thousand), representing an increase of 40.64% over the corresponding period of the previous year; earnings before income tax of RMB 1,529,639 thousand (2016: RMB 1,234,922 thousand), representing an increase of 23.87% over the corresponding period of the previous year; profit attributable to the equity owners of the Company of RMB 1,083,235 thousand (2016: RMB 925,075 thousand), representing an increase of 17.10% over the corresponding period of the previous year; basic earnings per share of RMB 0.6531 (2016: RMB 0.5577), representing an increase of 17.11% over the corresponding period of the previous year.

## Section IV Report of the Board of Directors

### Summary of Performance of Toll Highway (in accordance with PRC Accounting Standards)

During the reporting period, the Group achieved a toll income of RMB 2,645,780 thousand in total, representing an increase of 9.18% over the corresponding period of the previous year.

The principal factors affecting our Group's toll income remain to be economic development, policy of exemption and road networks.

In 2017, China's gross domestic product ("GDP") amounted to RMB 82,712.2 billion, exceeding RMB 80,000 billion for the first time, representing an increase of 6.9% and an acceleration of 0.2 percentage points year on year. Anhui province's GDP in 2017 amounted to RMB 2,751.87 billion, representing an increase of 8.5% year on year.

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; starting from 21 September 2016, control measures on overloaded trucks travelling within the province had become effective, causing impacts on the expressway truck traffic. The mode of transport gradually changed from "single-run transport exceeding load limits" into "multi-run transport in a lawful manner", and the truck traffic increased continuously.

Under the comprehensive influence of the above factors, during the reporting period, the overall passenger traffic of the Company's roads increased by 14.29% and the volume of trucks increased by 19.19% year on year.

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 RMB 885 million (2016: RMB 719 million), increasing by 23.09% against the same period of the previous year, of which:

The amount of exemption in Green Channel was about RMB 451 million (2016: RMB 399 million), representing an increase of 13.03% year on year, with over 1,410.6 thousand vehicles being exempted;

The amount of exemption on holidays was RMB 244 million (2016: RMB 218 million), representing an increase of 11.93% year on year, with over 5,680 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 trucks with Anhui transportation card and the discounted amount regarding Anhui transportation card increased rapidly. The amount of Anhui transportation card discounts for the year is approximately RMB 164 million (for 2016: RMB 74 million), representing an increase of 121.62% year on year;



Other amounts of exemption amounted to approximately RMB 26 million (2016: RMB 28 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 road project.

Items	Interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		2017	2016	Change (%)	2017	2016	Change (%)
Hening Expressway	100%	<b>27,254</b>	25,207	8.12	<b>973,386</b>	938,056	3.77
New Tianchang Section of National Trunk 205	100%	<b>5,495</b>	5,275	4.17	<b>62,498</b>	57,697	8.32
Gaojie Expressway	100%	<b>15,893</b>	13,910	14.26	<b>631,298</b>	561,729	12.38
Xuanguang Expressway	55.47%	<b>23,642</b>	20,771	13.82	<b>505,445</b>	454,033	11.32
Lianhuo Expressway Anhui Section	100%	<b>14,721</b>	13,000	13.24	<b>257,896</b>	218,284	18.15
Ninghuai Expressway Tianchang Section	100%	<b>38,441</b>	34,487	11.47	<b>120,952</b>	108,170	11.82
Guangci Expressway	55.47%	<b>24,687</b>	21,322	15.78	<b>89,997</b>	78,526	14.61
Ningxuanhang Expressway	51%	<b>7,950</b>	5,399	47.25	<b>84,872</b>	54,808	54.85

Items	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per kilometer per day (RMB)		
		2017	2016	2017	2016	Change(%)
Hening Expressway	100%	<b>74:26</b>	74:26	<b>19,902</b>	19,179	3.77
New Tianchang Section of National Trunk 205	100%	<b>24:76</b>	31:69	<b>5,708</b>	5,269	8.32
Gaojie Expressway	100%	<b>60:40</b>	61:39	<b>15,723</b>	13,991	12.38
Xuanguang Expressway	55.47%	<b>75:25</b>	75:25	<b>16,485</b>	14,809	11.32
Lianhuo Expressway Anhui Section	100%	<b>68:32</b>	71:29	<b>13,085</b>	11,075	18.15
Ninghuai Expressway Tianchang Section	100%	<b>79:21</b>	80:20	<b>23,670</b>	21,168	11.82
Guangci Expressway	55.47%	<b>78:22</b>	79:21	<b>17,612</b>	15,367	14.61
Ningxuanhang Expressway	51%	<b>77:23</b>	79:21	<b>2,052</b>	1,742	17.80

Notes:

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

## Section IV Report of the Board of Directors

During the reporting period, firstly due to continuing diversion effect of Ma'anshan Yangtze River Bridge and the expressway from Ma'anshan to Chaohu and the diversion caused by the opening of Chuma Expressway, secondly due to the influence of "single-line double-run" on some construction sections under the "four-lane to eight-lane" work of Hening Expressway which results in some passengers choosing to travel via the railway or other roads, the toll revenue of entire Hening Expressway increased at a lower rate only by 3.77% year on year.

In May 2017, due to the establishment of width and height restriction in the County Road 101 (the previous 205 National Road) parallel to the 205 National Road, a large number of trucks returned to 205 National Road, the toll revenue of 205 national road increased 8.32% year on year.

During the reporting period, due to the opening of Tongnanxuan Expressway and platform scale renovation of Changlingguan toll station, some vehicles originally travelling from Liuwu Highway diverted to Gaojie Expressway, the toll revenue of Gaojie Expressway increased 12.38% year on year.

During the reporting period, due to the opening of Tongnanxuan Expressway, vehicles from direction of Hubei via Xuanguang Expressway and Guangci Expressway to/from Zhejiang and Shanghai increased significantly (some navigation software also recommend it as primary route), as a results of which the toll revenues of Xuanguang Expressway grew 11.32% and that of Guangci Expressway increased 14.61% year on year.

During the reporting period, due to the closure of 310 National Highway for construction work and Xiao Country local infrastructure materials transportation (construction of high-speed rail station, construction of Xiao Country to Huaibei section of 202 Province Highway), truck traffic of Lianhuo Expressway surged, and toll revenue of Lianhuo Expressway also increased 18.15% year on year.

During the reporting period, as the Nanjing Yangtze River Bridge was closed for maintenance and construction since the end of October 2016, some vehicles chose Ninghuai Expressway, toll revenue of Ninghuai Expressway increased 11.82% year on year.

During the reporting period, Ningxuanhang Expressway is newly opened and in the profit growth period. Its toll revenue increased 54.85% year on year.

### **General circumstances of the pawn business**

In June 2012, the Company and Huatai Group jointly set up Hefei Wantong Pawn Company Limited ("Wantong Pawn"), in which the Company injected capital in the sum of RMB 150 million, accounting for 71.43% of its registered capital; Huatai Group invested RMB 60 million, accounting for 28.57% of its registered capital. In 2015, both shareholders reduced capital in the total sum of RMB 52.5 million of Hefei Wantong Pawn Company Limited in proportion to their respective capital contribution, and the current registered capital of the company is 157.50 million.

The provision for impairment for the year reached RMB 9,118.6 thousand, and the accumulated provision reached RMB 124 million, which is the main cause of the loss of the Wantong Pawn. During the reporting period, Wantong Pawn incurred a gross loss of RMB 10,250 thousand, and achieved a loss-reduction of RMB 7,650 thousand year-on-year. The net loss was RMB 38,050 thousand, and incurred a loss-increment of RMB 24,120 thousand year-on-year.



## (a) Analysis of Principal Business (in accordance with PRC Accounting Standards)

*Analysis of changes in certain items in the consolidated income statement and the consolidated cash flow statement*

Unit: yuan Currency: RMB

Item	Amount for the reporting period	Amount for the same period of last year	Year-on-year increase/decrease (%)
Revenue	<b>2,861,411,105.06</b>	2,499,135,630.47	14.50
Cost of sales	<b>1,184,758,823.87</b>	1,062,488,940.53	11.51
Administrative expenses	<b>82,803,658.82</b>	84,138,186.72	-1.59
Finance costs	<b>29,581,720.45</b>	91,265,080.32	-67.59
Impairment loss of assets	<b>25,872,134.66</b>	15,989,378.99	61.81
Investment income	<b>23,883,072.20</b>	46,720,293.18	-48.88
Net cash flows from operating activities	<b>1,882,799,767.78</b>	1,752,401,524.95	7.44
Net cash flows used in investing activities	<b>-1,477,410,063.34</b>	-404,766,483.74	-265.00
Net cash flows used in financing activities	<b>-476,807,036.46</b>	-156,068,151.97	-205.51

## 1. Analysis on Revenue and Costs

The increase in revenue was mainly due to the increase in the toll revenue and mandatory administration revenue during the reporting period as compared with the corresponding period last year;

The increase in cost of sales was mainly due to the increase of miles and items for the expressways which delegated to be managed by the Group during the reporting period as compared with the corresponding period last year;

The decrease in administrative expenses was mainly due to strict control of business expenses by the management;

The decrease in finance costs was mainly due to the increase of gains from bank financing during the reporting period as compared with the corresponding period last year;

The increase in impairment loss of assets was mainly due to decreased fair value of financial assets which can be sold during the reporting period as compared with the corresponding period last year;

The decrease in investment income was mainly because the Group received the payment of cash dividends from Xin'an Financial last year while there is no such income this year;

The increase in cash flows from operating activities was mainly due to the increase of toll revenue during the reporting period as compared with the corresponding period last year;

The substantial increase in net cash flow used in investing activities was mainly because the expenditure project costs of the reconstruction and expansion project of Hening Expressway were increased during the reporting period from the same period last year and the net amount of financial products purchased and banking deposits were increased;

The substantial decrease in cash flows used in financing activities was because the Company obtained the CDB special fund loan of RMB 600 million last year while there was no such cash inflow this year.

## Section IV Report of the Board of Directors

### (1) Principal businesses in terms of industries, products and regions

Unit: yuan Currency: RMB

#### Principal businesses in terms of industries

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)
Toll highway business	2,674,849,221.28	1,036,154,010.73	61.26	8.99	0.26	An increase of 3.37 percent point
Pawn business	698,266.40	0	N/A	N/A	N/A	N/A

#### Principal businesses in terms of products

In terms of industries	Operating income	Operating cost	Gross profit rate (%)	Change in operating income (compared with the previous year) (%)	Change in operating cost (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year)
Hening Expressway	959,479,098.24	331,558,269.76	65.44	2.34	-3.96	An increase of 2.26 percent point
New Tianchang Section of National Trunk 205	59,521,493.33	40,132,642.12	32.57	6.63	5.30	An increase of 0.85 percent point
Gaojie Expressway	624,038,634.90	180,887,886.10	71.01	11.01	5.00	An increase of 1.66 percent point
Xuanguang Expressway	490,723,429.99	142,226,028.90	71.02	10.16	-4.15	An increase of 4.33 percent point
Lianhuo Expressway Anhui Section	252,568,007.18	112,880,556.07	55.31	16.82	6.89	An increase of 4.15 percent point
Ninghuai Expressway Tianchang Section	118,743,047.85	32,577,442.37	72.56	11.61	-10.02	An increase of 6.59 percent point
Guangci Expressway	87,375,296.50	19,172,290.02	78.06	13.43	-0.82	An increase of 3.15 percent point
Ningxuanhang Expressway	82,400,213.29	176,718,895.39	-114.46	53.65	4.99	An increase of 99.39 percent point
Wantong Pawn	698,266.40	0	N/A	N/A	N/A	N/A
<b>Total</b>	<b>2,675,547,487.68</b>	<b>1,036,154,010.73</b>	<b>61.27</b>	<b>9.02</b>	<b>0.26</b>	<b>An increase of 3.38 percent point</b>



### Principal businesses in terms of regions

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	2,675,547,487.68	1,036,154,010.73	61.27	9.02	0.26	An increase of 3.38 percent point

### Principal business in terms of industries, products and regions analysis

Applicable  Not applicable

(2) Production situation analysis

Applicable  Not applicable

(3) Cost analysis statement

Unit: yuan Currency: RMB

### In terms of industries

Industries	Cost structure items	Amount of current period	Percentage of amount of current period over the total cost (%)	Amount of the same period of the previous year	Percentage of amount of current period over the same period of the previous year (%)	Amount of current period compared with the same period over the last year	Presentation of condition
Toll highways business	Depreciation and amortization	676,013,810.12	57.06	677,065,605.08	63.72	-0.16	
	Roads repairing expenses	141,873,597.42	11.97	119,587,854.57	11.26	18.64	
	Other costs	366,871,416.33	30.97	265,835,480.88	25.02	38.01	
	<b>Total</b>	<b>1,184,758,823.87</b>	<b>100</b>	<b>1,062,488,940.53</b>	<b>100</b>	<b>11.51</b>	
Pawn business		0	0	0	0	N/A	
Total cost	Total	<b>1,184,758,823.87</b>	<b>100</b>	<b>1,062,488,940.53</b>	<b>100</b>	<b>11.51</b>	



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### In terms of products

Products	Cost structure items	Amount of current period	Percentage of amount of current period over the total cost (%)	Amount of the same period of the previous year	Percentage of amount of the same period of the previous year over the total cost (%)	Amount of current period compared with the same period over the last year (%)	Presentation of condition
Toll highways business	Depreciation and amortization	676,013,810.12	57.06	677,065,605.08	63.72	-0.16	
	Roads repairing expenses	141,873,597.42	11.97	119,587,854.57	11.26	18.64	
	Other costs	366,871,416.33	30.97	265,835,480.88	25.02	38.01	
	<b>Total</b>	<b>1,184,758,823.87</b>	<b>100</b>	<b>1,062,488,940.53</b>	<b>100</b>	<b>11.51</b>	
Pawn business		0	0	0	0	N/A	
Total cost	<b>Total</b>	<b>1,184,758,823.87</b>	<b>100</b>	<b>1,062,488,940.53</b>	<b>100</b>	<b>11.51</b>	

#### Other presentation of Cost Analysis

The increase of 38.01% compared with the same period last year of other costs in toll highways business was mainly because the production costs were increased for changes of miles and items of the expressways under the Company's entrusted management during the reporting period.

#### (4) Major customers and major suppliers

Applicable  Not applicable

The major customers of the Group are mainly users of our toll highways, there are also no significant major purchase in relation to our ordinary operation. Thus, the Group does not have major customers and suppliers that could be further disclosed.



### 2. Expenses

#### Administrative expenses

In 2017, the Group's administrative expenses were RMB 82,803,658.82, representing a decrease of 1.59% as compared to the same period last year (2016: RMB 84,138,186.72). Such decrease was mainly due to the slight decrease in the number of administrative staff of the Group as compared to that of the corresponding period last year and the strict control of business expenses by management.

#### Finance costs

In 2017, the Group's finance costs were RMB 29,581,720.45, representing a decrease of 67.59% as compared to the same period last year (2016: RMB 91,265,080.32). Such decrease was mainly because the Company used idle cash to obtain investment returns.

#### Income tax

During the year, except for HK Subsidiary, applicable income tax of the Company, the Company's subsidiaries and affiliates were 25% (HK Subsidiary: 16.5%).

In 2017, the Group's income tax expenses were RMB 454,797,898.10, representing an increase of 35% as compared to the corresponding period last year. The increase in income tax expenses was mainly due to the increased current income tax of the Group in this reporting period as compared with that of the corresponding period last year and the Pawn Company being unable to reasonably estimate a sufficient future taxable income to offset and write down the book value of the deferred income tax assets.

#### Value-added tax

Since 1 May 2016, the Group had fully implemented the levying of value-added tax in lieu of business tax. The Company, Xuanguang Company, Ningxuanhang Company and Guangci Company levied the value-added tax by 3% and 5% of the toll revenue by simple approach; 0% tax rate is applied to compensation income due to road damage; the sales tax rate of road rescue income, expressway entrusted management income, operating income of service areas was 6%; value-added tax was levied by simple approach based on 5% of the rental income; the sales tax rate of Wantong Pawnshop's pawning loan interest income was 6%.

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### 3. *Research input*

Research input statement

Applicable  Not applicable

Presentation of Condition

Applicable  Not applicable

### 4. *Cash flows*

In 2017, the Group's net cash inflows from operating activities were RMB 1,882,799,767.78, representing an increase of 7.44% as compared with that in 2016, mainly due to the increase of toll that the Group received compared with that of the corresponding period of last year;

In 2017, the Group's net cash outflows from investing activities were RMB -1,477,410,063.34, representing an increase of 265%, while that were RMB -404,766,483.74 in the same period last year, mainly due to the increased project costs expenditure of the reconstruction and expansion project of Hening Expressway during the reporting period as compared with the corresponding period last year;

In 2017, the Group's net cash outflows from financing activities were RMB -476,807,036.46, representing an increase of 205.51%, while that were RMB -156,068,151.97 with the same period last year, because of the sharp drop in the amount of the external loans obtained by the Company as compared with the same period last year. In 2017, the aggregated sum of external loans obtained by the Group was RMB 252,790,000.00. At the end of the reporting period, there was still outstanding bank loan of RMB 1,689,833,000.00, these are all long-term loans which mainly comprised a floating rate loan borrowed from a bank for the construction of Ningxuanhang Expressway and the CDB special fund loan of RMB 0.6 billion for the road widening construction work of Hening Expressway. The weighted average annual interest rate is 3.4603%. The principal will be repaid between 2018 and 2035.

The Group was awarded with good credit ratings. In 2017, the total credit facilities granted was RMB 7.259 billion, and the facilities not yet utilized amounted to RMB 6.296 billion.



## (b) Presentation of major changes in profits caused by non-core business

Applicable  Not applicable

## (c) Analysis of assets and liabilities (in accordance with the PRC Accounting Standards)

## 1. Assets and Liabilities

Unit: yuan Currency: RMB

Item	Amount at the end of the period	Amount as a percentage of the total assets at the end of the period (%)	Amount at the end of last period	Amount as a percentage of the total assets at the end of last period (%)	Change in the amount at the end of the period as compared to the amount at the end of the previous period (%)	Presentation of condition
Cash and cash equivalents	1,829,395,118.96	12.90	2,010,812,450.98	15.33	-9.02	
Other receivables	494,106,129.05	3.49	252,085,840.49	1.92	96.01	
Financial assets available for sale	404,845,417.06	2.86	235,000,000.00	1.79	72.27	
Fixed assets	944,514,977.80	6.66	882,952,666.97	6.73	6.97	
Intangible assets	9,935,269,068.57	70.09	9,156,140,794.35	69.78	8.51	
Accounts payable	765,351,783.89	5.40	440,093,895.67	3.35	73.91	
Tax payable	179,074,113.45	1.26	144,184,073.78	1.10	24.20	
Long-term payables	1,130,608,897.75	7.98	960,837,193.21	7.32	17.67	

## Section IV Report of the Board of Directors

Other explanations:

The decrease in cash and cash equivalents was mainly due to the increase of the investment expenditure of the the reconstruction and expansion project of Hening Expressway compared with the same period last year;

The increase in other receivables was mainly because the balance of bank investment products increased at the end of the reporting period from the same period last year.

The increase in financial assets available for sale was mainly due to the addition of RMB 200 million to the fund investment during the reporting period;

The increase in fixed assets was mainly because the assets were reclassified after Ningxuanhang Expressway Lixuan Section was opened to traffic during the reporting period;

The increase in intangible assets was mainly due to the increase of the investment expenditure of the the reconstruction and expansion project of Hening Expressway and Ningxuanhang project compared with the same period last year;

The increase in accounts payable was mainly because the construction cost payable of the the reconstruction and expansion project of Hening Expressway increased at the end of the reporting period from the same period last year;

The increase in tax payable was mainly due to the increase of the provision of outstanding enterprise income taxes payable during the reporting period;

The increase in long-term payables was mainly because the subsidiary of the Company, Ningxuanhang Company, received loans from the minority shareholder during the reporting period.

**2. Restrictions on assets as at the end of the Reporting Period**

Applicable  Not applicable

**3. Other Presentation**

Applicable  Not applicable



### (d) Analysis of operation information of the industry

#### 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 is 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 western 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 domestic expressway costs about RMB100 million per km at present.), while the standards in relation to safety monitoring facilities, environmental protection, road conditions, etc. continued to increase, leading to a continuous rise in operation and maintenance costs; thirdly, most of the quality roads have been in operation for a long time, and the road maintenance cost was high, while the cultivation period of the newly-built section was long, and the road network effect was poor, the depreciation amortization and interest costs affected the performance of the enterprise; fourthly, the amount of exemption of various types of policies continued to rise, while the management costs for implementation of green channel policy and major holiday payment free policy were also increasing; fifthly, the growing popularity of railways, highspeed rails, air transport and other means of transport and the changes in road network structure continued to affect the diversion of traffic away from road sections.

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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 real meaning of the state-owned enterprises to be stronger, be better, be larger. It has explicitly pointed out that in order for state-owned enterprises to be stronger, be better, be larger, deep reforms, with enhancement of vitality and improvements in management efficiency as the focus, would have to be carried out, so as to continuously increase the core competitiveness, dominance and influence of state-owned enterprises. The Anhui provincial government has also requested the state-owned enterprises in the province to strive towards the major direction of developing a mixed ownership system by pushing forward the overall listings, mergers and restructuring as the major forms, so as to further deepen the reform of state-owned enterprises, actively introduce strategic investors, improve corporate governance structures, and constantly enhance the vitality of enterprise development. In recent years, China has significantly accelerated its pace of capital market reform and innovation. A multi-level capital market system is initially formed with an expanding depth and breadth of the service entity economy. The reform of state-owned enterprises are in a period of better policies and market opportunities. In this context, many local state-owned enterprises have specified in their reform programs plans for the listing of highway companies, subsequent equity incentive for controlling shareholders, 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 had basically established an electronic toll collection (“ETC”) network. The national high-speed ETC traffic accounted for 26% in the first half of 2017, which showed a steady upward trend. 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.

Apart from the growth in volume, future development of ETC will present new trends including realization of ETC pre-installation, strengthened data integration and multidimensional applications, and leading vehicle networking applications. In addition, it is expected that the proposed entry of electronic payment platforms (such as Alipay) into the ETC field will have positive effect on the popularization and application of the ETC. 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.

With the development of communications technology and Internet technology as well as the popularity of application such as the BeiDou Navigation Satellite System, real-time navigation and precise positioning based on the vehicle system had been achieved, and the intelligent traffic information system and vehicle 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 bridge the gap between the current car navigation system and the diversified service needs of the expressway. In the future, the prospect of expressway industry in car network, big data, map navigation, security monitoring and other areas will be promising.



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### (e) Investment Analysis

#### 1. *Material equity investments*

During the reporting period, the new external equity investment amount of the Group was RMB 200 million (For the same period in 2016: Nil).

The Company held the 22nd meeting of the 7th Session of the Board of Directors on 17 March 2017, in which the “Resolution on Investment in Establishment of Fund Management Company and Proposed Establishment of Anhui Transportation China Merchants Industrial Investment Fund”(關於投資設立基金管理公司及發起成立安徽交控招高產業基金的議案) was considered and approved, and the operational management was authorized to handle, amend and sign the relevant legal documents involved, the Company’s investment amount was RMB 200 million. As of the end of the reporting period, the Company has contributed a total capital amount of RMB 100 million.

The Company convened the 3rd meeting of the 8th Session of the Board of Directors by way of communication on 22 September 2017, in which the “Resolution on Participation in Investment in Establishment of Fund Management Company and Proposed Establishment of Anhui Transportation Jinshi Merger and Acquisition Fund”(關於參股投資設立基金管理公司及發起成立安徽交控金石併購基金的議案) was considered and approved, and the operational management was authorized to handle, amend and sign the relevant legal documents involved, the Company’s investment amount was RMB 200 million. As of the end of the reporting period, the Company has contributed a total capital amount of RMB 100 million.

Further details are provided in the “notes on other major items” in “Section V Major Events” of this annual report.



## 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	Aggregate actual		Revenue from the project
				Amount of investment for the year	amount of investment	
Ningxuanhang Expressway Liqiao to Xuancheng Section	about 31 km in length	21.33	The project commenced operation at the end of 2017	6.5	13.31	opened to traffic on 30 December 2017
Expansion of Hening Expressway	about 87 km in length	63.75	The construction of the project began in November 2016	7.7	10.4	under construction
Total		85.08	/	14.2	23.71	/

## 3. Financial assets measured at fair value

Unit: yuan Currency: RMB

Name of project	Opening balance	Additions during this period	Changes in fair value	
			during this period	Ending balance
Measured at fair value				
–available for sale equity instruments				
–Xin'an Financial	137,000,000.00	0	-4,573,204.89	132,426,795.11
–Xin'an Capital	83,000,000.00	0	-25,581,378.05	57,418,621.95
–Wantong Micro Credit	15,000,000.00	0	0	15,000,000.00
– Anhui Transportation China Merchants Industrial Fund	0	99,625,000.00	0	99,625,000.00
– Anhui Transportation Jinshi Merger and Acquisition Fund	0	99,625,000.00	0	99,625,000.00
– Anhui Transportation China Merchants Investment Management Co., Ltd.	0	375,000.00	0	375,000.00
– Anhui Transportation Jinshi Fund Management Co., Ltd	0	375,000.00	0	375,000.00
Total	<u>235,000,000.00</u>	<u>200,000,000.00</u>	<u>-30,154,582.94</u>	<u>404,845,417.06</u>

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**(f) Material asset and equity disposal**

Applicable  Not applicable

**(g) Analysis of principal subsidiaries and associates (in accordance with PRC Accounting Standards)**

Unit: '000 Currency: RMB

Name of company	Equity capital the Group possesses	Registered Capital	31 December 2017		2017		Main business
			Total assets	Net assets	Operating income	Net profit	
Xuanguang Company	55.47%	111,760	1,052,714	669,200	511,998	234,233	The construction, management and operation of Xuanguang Expressway
Ningxuanhang Company	51%	300,000	5,231,888	533,086	116,201	-249,186	Highway's construction, design, supervision, toll, maintenance, management, technology consultation and related advertisement service
Guangci Company	55.47%	56,800	250,213	242,595	89,175	51,540	The construction, management and operation of Guangci Expressway
Expressway Media	38%	50,000	430,051	328,973	162,269	62,850	Design, making, publication of and agency for domestic advertisements
Xin'an Financial	6.62%	1,900,000	3,852,777	2,711,934	270,523	61,981	Financial investment, equity investment, management consulting
Xin'an Capital	6.62%	1,120,000	2,194,503	1,169,698	43,742	-45,313	Internet financial services, network information services, pawn business, etc.
Wantong Pawn	71.43%	157,500	73,392	69,708	698	-38,051	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
Wantong MicroCredit	10%	150,000	115,591	113,680	5,147	-16,350	Distributing petty loans, small size enterprises management consulting and financial advisory

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Name of company	Equity capital the Group possesses	31 December 2017			2017		Main business
		Registered Capital	Total assets	Net assets	Operating income	Net profit	
AEHK	100%	1,981	1,892	1,840	0	-165	Highway enterprises; its business covers relevant consultation and technology service for building, investment and operation of road abroad, and currently, the operation has yet to begin
Anhui Transportation China Merchants Industrial Fund	6.64%	3,000,000	1,496,449	1,496,181	14,203	-3,819	Investment in energy conservation and environmental protection in transportation services
Anhui Transportation Jinshi Merger and Acquisition Fund	6.64%	3,000,000	1,500,000	1,500,000	0	0	Not yet operational
Anhui Transportation China Merchants Investment Management Co., Ltd.	2.5%	30,000	32,858	27,519	16,968	12,519	Daily management and investment consultation of Anhui Transportation China Merchants Industrial Fund
Anhui Transportation Jinshi Fund Management Co., Ltd	2.5%	30,000	15,000	15,000	0	0	Daily management and investment consultation of Anhui Transportation Jinshi Merger and Acquisition Fund and it is not yet operational at present

**(h) Subjective condition of Controlled Structuralization of the Company**

Applicable     Not applicable

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### III. Discussion and Analysis on Future Development of the Company

#### (a) Industry landscape and development trend

##### 1. Competition landscape of the industry

Expressways are quasi-public products, the toll road industry is characterized by regionalized operations, clear influence of policies, large scale of investments and long payback period of investments, these characteristics will directly determine the competitive landscape and the future development trend of the expressway industry.

##### *(1) Relatively high barrier of entry for the industry*

The expressway industry is a capital-intensive industry, with long construction period, large and relatively concentrated initial investment, long payback period and poor liquidity of assets, which at a certain extent determine the relatively high barrier of competition for the expressway industry from the perspective of the market. The industry has certain features of a natural monopoly, with economies of scale and clear effect of highway network, while its quasi-public nature determines most of its construction and operating entities to be large local State-owned enterprises.

##### *(2) Repair and construction as planned with no direct competition among road sections*

All expressway constructions are subject to project creation and approval by the State government, and shall comply with national or regional road network construction plans, while the road network plans have fully taken into consideration factors such as synergies of, and competitiveness among, the road networks. Therefore, in general, there exists no strong competition among all road sections within the road networks.

##### *(3) Industry competition is mainly competition with other modes of transportation*

With the rapid advancement of national railway network construction, high-speed railway, locomotive and intercity rail transit will greatly shorten the transit time between two places, and have certain influence on highway passenger transport. However, the impact of railway and other transportation modes on expressway transportation is mainly reflected in passenger traffic and the operating revenue from passenger cars accounts for an insignificant proportion in toll revenue, expressway passenger transport still maintains its advantages in price and flexibility, thus the Company believes that high-speed railway and other modes of transportation will not cause great fluctuations of highway transport.



### 2. Development trends of the industry

The Company believes that future development of the expressway industry will mainly have the following trends and characteristics: 1) despite the slowdown in investment growth, the scale of overall investment is still large, there is room for growth in construction investments in the central and western regions, optimized connection and structural synergy and adjustment will be the focus of highway networks in future; 2) reforms of the investment and financing systems for the expressway industry will deepen continuously, expressway operating entities will emphasize more on attracting social capital for joint investments in the construction of new road sections and increase in reserves of highway projects, with bank loan, corporate bond, project yield bond and asset securitization under the PPP model becoming market hot spots; 3) the growth in revenue and freight volume of expressway companies are consistent with economic growth, and will be less affected by economic fluctuations in general; and 4) under the existing policies and economic environment, transformation is the development direction of the industry, with development of internal potential and external expansion being the two key development trends.

In summary, development of the expressway industry and performance of the Group are mainly affected positively or negatively by the following factors: 1) the development of national and regional economies; 2) the change in monetary policies and the level of interest rates; 3) the effects of adjustment and upgrade of industrial structures on the composition of passenger and freight sources; 4) the change in growth of car ownership; 5) the direction of future industry policies; 6) the effect of road network improvement on attraction or diversion of traffic flows; and 7) the competition from railway and air transport with road transport.

#### (b) Development strategy of the Company

During the “13th Five-year Plan” period, the Company will improve management structure and optimize asset allocation simultaneously to enhance capital operation capability, expand the path of development, expand and strengthen principal business and actively develop new profit growth points, building the Company into a well-known highway enterprise with “prominent principal business, diversified development channels, efficient operation and management as well as significant brand effect”.

**Prominent principal business.** With expansion of the principal business of highway operation as the starting point to expand the overall asset size of the Company to provide solid support for diversified development and capital operation. Through internal and external expansion of the highway industry to keep strengthening the competitiveness of the Company in the highway industry. Internal expansion includes actively seeking the support of the Anhui Transportation Group for acquisition of high-quality highways within the province to improve the proportion of high-quality assets; based on the highway development plans of China and Anhui Province to accelerate new construction and expansion of highways so as to increase the existing highway mileage. External expansion includes actively seeking policy support to acquire excellent toll road assets outside the province and in the world by various effective ways, so as to add new impetus to the development of principal business.

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While making expansion, focus will be put on enhancing service quality by continuous improvement and enhancement of the quality and level of operation of road assets; further enhancing highway operation and management with efforts on toll collection and ensuring smooth traffic; strengthening informatization infrastructure construction to improve the management level of informatization; enhancing road production management to keep road production facilities intact; strengthening the capability of ensuring road safety to improve the standards and efficiency of principal business.

**Diversified development channels.** On the basis of developing the highway principal business, the Company will realize horizontal industrial and geographical expansion. Firstly, for the purpose of enhancing our core competitiveness, we will adopt to new norm of economic environment and fully leverage our advantage in principal business development to keep identifying and nurturing new business modes, and further studying national development plans based on the principle of “market hot topics + advantage of the Company”. Under the premises of strict control and management of investment risks, we will explore the development of panoramic digital highways, develop highway big data application, financial investment and other diversified development projects to further enhance the level of diversification. Secondly, we will use remitted funds by way of foreign financing to implement operation under the trial filing system policy, and to obtain low cost foreign funds through the HK Subsidiary to explore markets outside the province and overseas markets for development of international business to cope with the State’s “One Belt, One Road” development strategy.

**Efficient operation management.** Efforts will be put on strengthening the Party’s political core role and improving corporate governance structure; further improving the management and control systems of the parent company so as to enhance the Company’s management and control capability and optimize the management procedures; strengthening construction of organization structure as well as re-designing and innovating the management organs starting from efficiency construction to achieve management objectives such as reasonable structure, resource optimization and management efficiency; optimizing and improving the system construction for functions such as financial management, human resources and operation management of the Company to cope its development strategies for forming a good environment of scientific management, free flow of information and efficient decision-making; and optimizing construction of talent personnel for a first-class team of capital operation and management.

**Remarkable brand effect.** We will form our own brand awareness for promotion of brand strategy; strengthen construction of corporate culture from the three major aspects of corporate spirit, corporate system and staff behavior to enhance internal cohesion and strengthen the soft power of corporate culture; and form an industry pattern with our own characteristics, forging “Anhui Expressway” into a well-known brand of expressway in China and abroad.



### (c) Business plan

Expecting no significant change in the operating environment, the Group has set the 2018 target for overall toll revenue of about RMB 2.792 billion (actual amount in 2017: RMB 2.645 billion); as the Lixuan Section was open to traffic at the end of 2017, the financial costs, maintenance costs, labor costs and administrative expenses for 2018 will record different degree of increase compared with 2017.

#### Measures for the plan

#### 1. *Implement operational management with focus on “safety”, “increasing revenue” and “reducing cost”*

##### (1) *Strictly ensure safety, consolidate the foundation of smooth and convenient traffic flow*

Firstly, the standardization of safe production will be further implemented to enhance the safety system and standardization of the management model so that safe production duties are performed in accordance with laws and regulations, and the safety and smooth traffic on road sections are secured. Secondly, deepening the establishment of “safety culture demonstration enterprise” and “safe transportation” by increasing the efforts to investigate and rectify potential hazards to safety and actively improving the handling and disposal of bad weather and traffic accident cases. Thirdly, reinforcing the emergency management standard by regulating and enhancing the operation model, proposal management and treatment process of the emergency system in order to effectively enhance the efficiency of handling incidents, rescuing and clearing obstacles. Fourthly, coordinating the arrangements of daily, special, emergency and preventive maintenance works, and reinforcing the technical management of major bridges, tunnels, high and large hillside slopes to further enhance the smooth traffic flow of road networks. Fifthly, consolidating the smile service achievements by increasing the efforts in training and exchange, reinforcing the appraisal of smile service and further improving on-site management of daily smile service to create warm and harmonious journeys on thousand miles of expressways.

##### (2) *Implement multiple measures to increase the effective collection rate of toll revenue*

Innovative auditing and management measures are adopted mainly through the information technology system to enhance the collection standard, plug loophole, increase revenue and enhance the ability to maintain good order in operation. By increasing investment in mechanical, electrical and information technology expenditure, and utilizing advanced technology to overcome defects and weaknesses in operational management, to increase the effective collection rate of toll revenue.



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(3) *Reduce cost effectively by using technological measures to increase labour productivity*

Technological measures are combined with operational management to increase labor productivity, and the number of labor positions are reduced to lower labor cost effectively and enhance the service standards. Firstly, the automation of road asset business, safety business and monitoring divisional center business will be further deepened, traditional manual operation will be replaced by IT system to increase the management efficiency. Secondly, toll site management, station management and monitoring the building of management information platform will be systematically enhanced to realize the format, process and standardization of the relevant business. Thirdly, increase the application of technologies such as automatic card issuance at the toll booth, ETC and mobile payment in both hardware and software level.

**2. Implement operational management with focus on “stability”, “improvement” and “innovation”**

(1) *By optimizing internal control and strengthening talent support to ensure stable and sound development of the Company*

Firstly, reinforce the establishment of the management and control system by following the objectives of simpler process, better application and higher efficiency to optimize the system, enhance information communication and internal control, and coordinate the progress of various tasks and targets. Secondly, increase training and nurturing efforts for professional talents and composite talents in severe shortage and actively explore the talent recruitment and deployment mechanism. Thirdly, formulate training schemes scientifically, adopt flexible and diversified forms of training such as online learning and off-production training, and improve the multi-level education and training system.

(2) *Increase project development, optimize structure of industry and enhance sustainable development capability*

Firstly, strive to “go global” and achieve breakthrough. Follow the orientation of the “One Belt One Road” national strategy to implement the “go global” strategy actively. Secondly, further enhance the supervision and control over investee companies, effectively participate in and promote the operation and efficient running of the investee companies in accordance with laws and normative standards. Thirdly, endeavor to maximize the effects of investment and financing by innovating financing channels, further exploiting the capital operation capability, adjusting the debt structure by following the changes in economic cycles and monetary policies to achieve financial leverage effect and provide financial support for the development of the Company.



### (d) Possible risks

In the future strategic development, the Company will pay close attention to the following risk issues and actively take effective responding measures:

#### ***Change in macroeconomic environment and industry policies***

The toll road industry is sensitive to change in macro-economy. Macroeconomic change directly affects the demand for highway transport, which in turn affects the traffic flow performance of all toll projects and results of operation of the Group. Economic downturn has become the “new normal” which results in weakened demand for goods logistics, a low proportion of trucks in the vehicle structure and slow toll growth. At the same time, as industrial policy failed to be in place, residents pay high attention to the highway tariff policy, thus, policy adjustments which are favorable for the Company may face greater pressure from the public. Due to the persistence and irreversibility of relief policies, the performance of the Company will be affected as a result of the constant increase in the amount of relief and growth in costs.

Measures to be taken: Protect the interests of the Company and its investors to the greatest extent possible through analysis and research on adjustment to relevant industry policies and active communication and coordination with government authorities; determine the impact of macroeconomic trends on road transportation demand through analyzing the current economic situation and the targets of regulation, and regularly collect information on the economic development in Anhui Province and the surrounding areas for analysis of the characteristics of change in traffic volume and vehicle structure in the road network so to minimize the negative impact of economic and environmental change on the operation of the Company; continue to summarize the management experience from previous toll-free arrangement for small vehicles during major holidays to improve the management model for emergency toll collection, enhance the capacity of traffic and to lower the management costs and expenses for executing the policies through fine management.

#### ***Diversified travel modes and road network changes***

With the rapid advance of construction of national railway networks, high-speed and intercity express trains will greatly shorten the transit time between two places, which will have certain influence on highway passenger transport. On the other hand, with the further perfected intensification of highway networks, parallel routes and alternative routes will continue to increase, and network diversion will have a negative impact on the growth of toll revenue of the Company. Meanwhile, reconstruction of roads surrounding toll road projects, reorganisation and expansion of self-owned roads, administration in relation to the overloading of surrounding road and bridge projects and restricted traffic on foreign vehicles will lead to change in traffic volume on the road network, hence having an impact on the operating results of the Group’s toll road projects.

## Section IV Report of the Board of Directors

Measures to be taken: All road sections of the Group were the trunk highway across the Anhui region. The Group will keep abreast of the network planning and project construction so as to conduct a special analysis of the highway network in advance and put a reasonable forecast for the impact of the relevant projects on the existing traffic flow of the Company. By making full use of regional traffic advantage in Anhui province, through the improvement of road signs, expansion and promotion of the routing publicity, we need to change the passive initiative and actively use the information advantage to carry out road marketing. We need also to join hands with service area and other road economic industry to carry out car camps and other self-driving travelling projects and attract traffic through effective publicity and guidance. It should continue to promote the smiling service, improve the charging efficiency, road capacity and service levels to enhance the competitiveness in sections under jurisdiction in the whole road network.

### ***The risk of the expiry of franchise***

Toll road assets have a relatively monopolistic nature due to their franchise mode of operation. However, their franchises are subject to a certain toll collection period after the expiration of which the road operation enterprises will face significant challenge in their sustainable development. The Company's major road resources have entered a mature period and all operational terms other than Ningxuanhang project have exceeded half of the total term. Meanwhile, as acquisition targets are hard to fulfill due to relatively lower investment return for newly constructed highways and a shortage of high quality road resources, and the higher risk in extra-provincial and foreign project or acquisition, the Company has a slow growth in the scale of road resources and the principal business income.

Measures to be taken: The Group will, under the guidance of "13th Five-Year Plan", harness the opportunity created by the full line operation of Ningxuanhang Expressway, and make good efforts to link construction and management so as to give full use of synchronized effect and minimize the negative impact of the project on the Company's performance. The Group will accelerate the reconstruction and expansion of Hening Expressway, and to explore the achievement of extension in the operation period of high quality road assets through expansion of its own road sections to enhance the Company's continuous profitability. The Group will pay attention to the connotative development, make good use of own resources, explore the inherent growth potential, carry out industrial investments like road economy matching the direction of traffic information industrialization, and apply "Internet +" and big data to enter into vehicle networking industry etc. The Group will take appropriate measures to increase the financial investment, optimizing its funds and equity investment, participate in investment of emerging industry, start from small-scale and small proportion of equity purchase and gradually expand its investment and eventually transform into self-owned business, taking the initiative to cultivate new profit growth.



### ***Facing difficulties in non-principal business development***

Due to factors such as relatively monotonous investment direction, relatively high investment concentration and unfavorable industry operating environment, intensifying market competition and inherently high industrial risks, the risks of the Group's financial investment projects are becoming prominent. The profitability through holding or partially-holding corporations such as Wantong Pawn, Xin'an Financial, Wantong Micro Credit, etc. is not strong and the proportion of returns is relatively small. Especially in recent years, small loan companies, Internet finance and commercial banks have vigorously pursued new financing business, imposing greater impact on the pawn industry.

Measures to be taken: To prevent financial investment risks, in recent years, the Company has moderately reduced similar financial business and transferred shares of Xin'an Financial and reduced mortgage of Wantong Pawn. For the next step, the Company will sum up its experience in managing and controlling financial business over the last few years, fully study and demonstrate the industrial norms, and gradually make development strategy clearer to further enhance the ability to resist risks.

#### **(e) Other**

Applicable     Not applicable

### **IV. Failure of the Company to disclose according to requirement due to inapplicable standards, national secrets, business secrets or other special reasons**

Applicable     Not applicable

### **V. Active fulfillment of social responsibility**

The Company faithfully fulfills its social responsibilities, including environmental protection, major social security problems and compliance with relevant laws and regulations. During the reporting period, the Company did not have major environmental protection issues or other major social security problems. For details of the Company's fulfillment of social responsibilities, please refer to the "Social Responsibility Report".

In 2017, the Company continued to optimize the risk management system and the internal control system, refining the implementation, supervision and inspection of the internal control system and completed the establishment of the quality control system for implementation in all management offices, laying a solid foundation for the healthy development of the Company and the protection of the interests of shareholders and creditors. The Company was committed to creating a harmonious corporate atmosphere and strived to make employees enjoy the sense of happiness and achievement brought by working with a positive, grateful and optimistic attitude so as to create "LOHAS Time-Space" for employees. The Company has also established a sound feedback system with a specialized department responsible for listening to the opinions and suggestions of suppliers, customers and consumers, accepting questions raised by them, handling their complaints and making targeted improvements based on the actual situation of the Company to ensure that the interests of suppliers, customers and consumers are effectively protected. For details of maintaining and promoting the good relationship between the Group and its stakeholders, please refer to the "Social Responsibility Report".

## Section IV Report of the Board of Directors

The Board has confirmed that during the reporting period, the Company complied with the applicable provisions contained in the “Environmental, Social and Governance Reporting Guide” of the Listing Rules of the Hong Kong Stock Exchange. The Social Responsibility Report has complied with the disclosure requirements of the relevant Guide, and its discussions form part of this Report of the Board of Directors.

### VI. Names of the Directors during the reporting period

Names	Independent directors or not	Notes
Qiao Chuanfu	no	Appointed on 17 August 2017
Chen Dafeng	no	Appointed on 17 August 2017
Xu Zhen	no	Appointed on 17 August 2017
Xie Xinyu	no	Appointed on 17 August 2017
Yang Xudong	no	Appointed on 17 August 2017
Du Jian	no	Appointed on 17 August 2017
Kong Yat Fan	yes	Appointed on 17 August 2017
Jiang Jun	yes	Appointed on 17 August 2017
Liu Hao	yes	Appointed on 17 August 2017
Wang Xiufeng	no	Resigned on 16 August 2017 due to work adjustment
Yang Mianzhi	yes	Resigned on 16 August 2017 due to job engagement

### VII. Fixed Assets

Details of the change in the fixed assets of the Group during the year are set out in Note 7 to Section XI Consolidated Financial Statements.

### VIII. Controlling shareholders' interests in contracts

Save as disclosed in the section “Significant connected transactions” of this Annual Report, the Company or its subsidiaries and the parent company of the Company or its subsidiaries has not entered into any contract of significance which subsisted during the reporting period or at the end of the reporting period.

### IX. Reserves

The figure and the details of any significant change in the reserves of the Company during the reporting period are set out in Note 38 to Section XI Consolidated Financial Statements. The Company's retained earnings as at 31 December 2017 calculated in accordance with HKFRS amounted to RMB 5,859,029 thousand (2016: RMB 5,083,002 thousand), and the Company's undistributed profits as at 31 December 2017 calculated in accordance with the PRC Accounting Standards amounted to RMB 6,280,734 thousand (2016: RMB 5,477,017 thousand).



## **X. Liquidity, financial resources and capital structure (According to Hong Kong Accounting Standards)**

During the reporting period, the Group accumulatively obtained borrowings from banks which amounted to RMB 40 million (2016: RMB 768 million). At the end of the reporting period, the outstanding balance of bank borrowings were RMB 1.690 billion (2016: RMB 1.778 billion), all of which were long-term borrowings.

As at the end of the reporting period, among the bank borrowings, RMB 600 million (2016: RMB 600 million) bore fixed interest rate of 1.2% per annum (2016: 1.2%); and the remaining borrowings bore floating interest rates ranging between 4.41% to 4.9% per annum (2016: 2.194% to 4.9%).

Details of currency composition of bank borrowings are set out in Note 20 to Section XI Consolidated Financial Statements. Details of currency composition of cash and cash equivalents have been disclosed in Note 15 to Section XI Consolidated Financial Statements.

At the end of the reporting period, the Group had certain long-term payables, of which the interest-bearing borrowings bore floating interest rates ranging from 4.41% to 6.15% (2016: 4.41% to 6.15%), the details are set out in Note 22 to Section XI Consolidated Financial Statements. These long-term payables do not have an agreed repayment date.

The gearing ratio (net debt (total borrowings less cash and cash equivalents) divided by total capital) was 9.4% (2016: 8.40%).

The Group's capital management policy is to ensure continuous operation of the Group to provide returns to its shareholders and other stakeholders. In response to the changing external economic environment, the Group will make timely adjustment on capital structure and make necessary strain. In order to maintain or adjust the capital structure, the Group may reduce the debt ratio by issuing new shares or controlling capital expenditure when necessary. The Group uses gearing ratio to monitor its capital.

The Group's strategy in 2017 as compared with 2016 remained unchanged and the Group was able to maintain gearing ratio under 30% with credit rating of AAA.

## **XI. Charge of assets and contingent liabilities**

As at 31 December 2017, bank borrowings of approximately RMB 600 million was guaranteed by the toll revenue entitled by the Group after the completion of the proposed reorganization and expansion construction of Hening Expressway, there is no HKD dollars borrowing (2016: HKD 123,898 thousand (the equivalent of RMB 110,827 thousand) was a deposit of RMB 100 million from the pledged bank).

As at 31 December 2017, the Group had no contingent liabilities (2016: Nil).

## Section IV Report of the Board of Directors

### **XII. Major investment, acquisition and disposal**

During the reporting period, the Group did not have any major investment and acquisition or disposal of subsidiaries, associated companies and joint ventures (2016: Nil).

### **XIII. Risks of currency and interest rate**

As the Group's revenue and expenses are mainly denominated in RMB, the Group does not expect its operating activities will lead to material currency risk. During the reporting period, the Group did not use any financial instrument for hedging purpose.

Details of the financial risks and management of such risks are disclosed in Note 3 to Section XI Consolidated Financial Statements.

### **XIV. Staff Members**

Details of the Group's staff members (including the number, remuneration policy and details of training) are disclosed in Section VII.

### **XV. Principal customers and suppliers**

During the reporting period, the five largest customers and five largest suppliers of the Group accounted for less than 30% of revenue and purchases of the Group respectively.

### **XVI. Liability insurance for Directors, Supervisors/Permitted indemnity provision**

In accordance with the Listing Rules of the SEHK, since 2012, the Company has made proper insurance arrangement for the legal actions possibly faced by the Company's management staff by purchasing liability insurance annually for directors, supervisors and senior management of the Company. The Company's shareholders, at general meeting, had authorized the executive directors of the Company or the secretary of the Board of Directors to handle subsequent annual renewal of insurance on the basis that there is no significant adjustment of liability limits and premiums budget, etc.

### **XVII. Items after the reporting period**

Items after the reporting period have been disclosed in Section V "Major Events".

### **XVIII. The profit appropriation plan or transfers of share capital from capital reserves plan**

The profit appropriation plan or transfers of share capital from capital reserves plan has been disclosed in Section V "Major Events".



### **XIX. Charitable Donations**

During the year ended 31 December 2017, the Group made charitable donations of approximately RMB 50,000 (2016: RMB 106,000).

### **XX. Directors' and supervisors' interests in contracts and arrangement for purchase of shares or debentures**

Please refer to the disclosure in Section VII Directors, Supervisors, Senior Management and Staff.

### **XXI. Management contracts**

Save as disclosed in Section VII Directors, Supervisors, Senior Management and Staff, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Group or existed during the year.



## Section V Major Events

### I. Ordinary shares profit appropriation plan or transfers of share capital from capital reserves plan

#### 1. The formulation, implementation and adjustment of the cash dividend and distribution policy

Since its listing, the Company has always insisted on providing returns to shareholders and has been continuously distributing cash dividends for 20 years. According to the relevant requirements of the regulatory agencies combined with the Company's actual situation, the Company has revised the Company's Articles of Association in August 2012. In the Company's Articles of Association, it has further perfected the Company's cash dividend policy and standardized the decision-making mechanism and procedures of the Company's profit distribution plans. The revised decision making procedures and systems for the profit distribution mainly include: when the Board makes the profit distribution plan, they should pay attention to the reasonable return for the investors and the sustainable development of the Company, and make a comprehensive analysis of the operation and development of the Company, the shareholders' desires, the cost of social capital, external financing environment and other factors. The Company's profit distribution plan should be drawn up by the Secretary to the Board of Directors and the financial officers, submitted to the Board of Directors for consideration after approval from more than two-thirds of the independent Directors has been obtained. The Board of Directors will proceed to the full discussion of the rationality of the profit distribution plan and then submit the plan to the general meeting for approval after a resolution is passed.

After the convening of the meeting of Board of Directors, the Company should use a variety of methods to actively communicate with minority shareholders and listen to their opinions. When the general meeting is held to consider the cash dividends distribution plan, they should reply to the concern of minority shareholders as soon as possible.

Where pursuant to the Company's own operating condition, the need of investments planning and long-term development, or because of the significant changes of the external operating environment, adjustment of the cash dividends distribution plan as set out in the Articles of Association is required, the adjusted profit distribution policies should be based on the protection of shareholders' equity, and must not violate the laws, regulations and regulatory requirements.

The reason why the profit distribution plan should be adjusted needs to be concretely illustrated and disclosed and the plan should be approved by more than two-thirds of the independent Directors, approved by the Board of Directors and then submitted to the general meeting for approval.

When the general meeting considers the adjustment of the profit distribution plan, the Company should provide the online voting platform, and resolutions should be approved by 2/3 of the voting rights held by shareholders who attend the general meeting.

The 2017 annual profit distribution plan (including cash bonus scheme) formulated by the Company conforms to the relevant requirements of the Articles of Association. In the process of making the plan and decision-making, the independent Directors carefully studied and analyzed the related factors and published opinions independently, and the Company was also able to listen to the opinions of the independent Directors and shareholders through various channels, and paid attention to small and medium-sized investors' demands and their legitimate rights and interests.

The profit appropriation plan of the Company for 2016 has been executed in July 2017.

In order to protect the rights of investors, according to requirements in Rules of the General Meetings of Listed Companies (Revised in 2016) and Guidance for the Articles of Listed Company (Revised in 2016), the priority of distributing dividends will be further clarified in the Company's Articles of Association. The amendment of the Articles of Association will be reviewed during the 2017 annual general meeting.

**2. The profit appropriation plan or transfers of share capital from capital reserves plan during the most recent three years (including the reporting period)**

(Unit: RMB' 000)

Distributed year	Amount of bonus shares among every 10 shares	Dividends per ten shares (RMB) (including tax)	Amount of multiplied shares among every 10 shares	Amount of cash dividend (including tax)	Net profit attributable to shareholders of the Company in consolidated financial statements of the distributed years	The rate of the net profit attributable to shareholders of the Company in consolidated financial statements (%)
2017	0	2.3	0	381,480.30	1,091,343.09	34.96
2016	0	2.3	0	381,480.30	933,257.55	40.88
2015	0	2.3	0	381,480.30	937,866.86	40.68

**3. Condition of cash tender of stock repurchase included in the cash dividends**

Applicable     Not applicable

**4. During the report period, earnings and profits of parent company available for distribution for ordinary shareholders remained positive, Company should disclose in detail about the reason of not proposing an ordinary share cash profit allocation plan, and disclose the purpose and plan in using the undistributed profits.**

Applicable     Not applicable

## Section V Major Events

### II. Implementation of Undertakings

#### 1. The commitments for actual controllers, shareholders, related person, purchasers, the Company and other related parties during the reporting period or subsisting until the reporting period.

Background of Commitment	Type of commitment	Commitment party	Content of commitment	Time and term of commitment	Whether there is time limit for performance	Whether strictly comply in a timely manner	If commitments were unfilled, specify reasons	If commitments were unfilled, state the plan for the next step
Commitment related to the share reform	Other	Anhui Transportation Group	Continue to support the Company's acquisition of the good road assets owned by the Anhui Expressway Holding Group in the future and focus on the protection of shareholders' interests as always.	13 February 2006, long-term effective	No	Yes		
	Other	Anhui Transportation Group, China Merchants Highway	After the completion of the split-equity reforming, the Board of Directors are recommended to develop a long-term incentive plan with equity incentive structure included. In accordance with the relevant provisions of the State, the Board of Directors or after approved at the General Meeting of Shareholders, the long-term incentive plan shall be implemented.	13 February 2006, long-term effective	No	Yes		
Commitment related to IPO	Solve the competition within the industry	Anhui Transportation Group	Promise not to participate in any of the Company's actual businesses or other business activities from time to time which may constitute direct or indirect competition to the Company.	12 October 1996, long-term effective	No	Yes		

- 2. Profit projections of company's assets or projects. If the time of this report is during the profit projecting time, the company will explain whether the current projected profits achieve the original projections.**

Finished     Unfinished     Not applicable

### **III. Extraordinary use of funds and progress on settlement during the reporting period**

Applicable     Not applicable

### **IV. Explanations for "Non-standard Audit Report" issued by accountant**

Applicable     Not applicable

### **V. Analysis and Explanation for change of accounting standard and accounting estimates and corrections of significant accounting errors**

- 1. Analysis and Explanation for change of accounting standard and accounting estimates**

Applicable     Not applicable

- 2. Analysis and Explanation for corrections of significant accounting errors**

Applicable     Not applicable

- 3. Communication with previous accounting firm**

Applicable     Not applicable

- 4. Other explanations**

Applicable     Not applicable

## Section V Major Events

### VI. Appointment and Dismissal of Accountants

The name of PRC Accountant	PricewaterhouseCoopers Zhong Tian LLP	
Compensation of PRC Accountant		RMB 1,050,000
Term of audit of PRC Accountant		16 years
The name of Hong Kong Accountant	PricewaterhouseCoopers	
Compensation of Hong Kong Accountant		RMB 700,000
Term of audit of Hong Kong Accountant		16 years

	Name	Compensation
Accountant for internal control and audit	PricewaterhouseCoopers Zhong Tian LLP	RMB 350,000

#### Overview of Appointment and Dismissal of Accountants

The Audit Committee of the Company is responsible for reviewing the appointment, resignation and removal of the auditors as well as assessing their professional qualities for providing services, and submitting suggestions to the Board of Directors. Matters relating to the appointment and removal of auditors and the determination of audit fees should be submitted by the Board of Directors to the general meeting of shareholders for consideration and approval or authorization.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were approved to be re-appointed as the PRC auditors and Hong Kong auditors for 2017 respectively at the 2016 Annual General Meeting. As at 2017, they have provided services to the Company for 16 years and PricewaterhouseCoopers Zhong Tian LLP changed the signing CPA in 2006, 2011, 2012, 2015 and 2017.

#### Explanation for change of auditing firm during audit

Applicable     Not applicable

**VII. Exposure to the risk of suspension of listing****1. The cause for suspension of listing**

Applicable     Not applicable

**2. The solutions adopted by the Company**

Applicable     Not applicable

**VIII. Condition and cause of facing termination of listing**

Applicable     Not applicable

**IX. Bankruptcy and restructuring related matters**

Applicable     Not applicable

**X. Significant litigation and arbitration events**

Applicable     Not applicable

**XI. Punishment for listed companies, its directors, supervisors, senior executives, controlling shareholders, actual controllers and purchasers**

Applicable     Not applicable

**XII. Explanation of the credibility of the Company and its controlling shareholders and actual controllers during the report period**

Applicable     Not applicable

The Company and its controlling shareholders and actual controllers are in good standing, there are no events such as unsatisfied judgements and unsatisfied debt of substantial amounts.

## Section V Major Events

### XIII. Information on equity-based incentives plan, employee share ownership plan or other employee incentives and their impacts

#### 1. Relevant incentive items which has been disclosed any without further changes

Applicable     Not applicable

#### 2. Temporary announcement did not disclose or subsequent progress of incentive conditions

##### Equity incentive situation

Applicable     Not applicable

##### Other description

Applicable     Not applicable

##### The employee's share ownership plan

Applicable     Not applicable

##### Other incentives

Applicable     Not applicable

### XIV. Significant Connected transaction

#### 1. Connected Transactions

As of 31 December 2017, the Company has entered the following connected transactions:

##### Investment in Establishment of China Merchants Fund Management Company and Fund Partnership

On 6 April 2017, the Company, Transportation Capital and China Merchants Zhiyuan Capital Investment Company Limited (“**China Merchants Zhiyuan**”) jointly established China Merchants Fund Management Company. The total registered capital of China Merchants Fund Management Company was RMB 30,000 thousand, of which 27.5%, 2.5% and 70% shall be borne by Transportation Capital, the Company and China Merchants Zhiyuan respectively. The amount of the Company's investment in the establishment of China Merchants Fund Management Company is determined with reference to the capital requirements of China Merchants Fund Management Company and the parties' contribution intentions after negotiation among the parties.

On 24 April 2017, the Company entered into a fund partnership agreement with China Merchants Fund Management Company, Transportation Capital, Anlian Expressway and China Merchants Zhiyuan (the “**China Merchants Industrial Fund agreement**”), pursuant to which the parties agreed to jointly establish China Merchants Fund. According to the China Merchants Industrial Fund Agreement, the contracting parties promised to invest RMB 3,000 million into China Merchants Fund, of which 1.00%, 6.64%, 63.06%, 10.00% and 19.30% shall be borne by China Merchants

Fund Management Company, the Company, Transportation Capital, Anlian Expressway and China Merchants Zhiyuan respectively. The amount of the Company's investment in the establishment of China Merchants Fund is determined with reference to the capital requirements of China Merchants Fund and the parties' contribution intentions after negotiation among the parties after taking into account various factors, including the possible investment return of China Merchants Fund, the financial position and resources available to each party and the investment opportunities expected to be available.

As of 31 December 2017, the Company has invested RMB 100 million in relation to the establishment of China Merchants Fund Management Company and China Merchants Fund.

#### **Investment in Establishment of Jinshi Fund Management Company and Fund Partnership**

On 1 November 2017, the Company, Transportation Capital and Jinshi Investment Company Limited ("**Jinshi Investment**") jointly established Jinshi Fund Management Company. The total registered capital of Jinshi Fund Management Company was RMB 30,000 thousand, of which 27.5%, 2.5% and 70% shall be borne by Transportation Capital, the Company and Jinshi Investment respectively. The amount of the Company's investment in the establishment of Jinshi Fund Management Company is determined with reference to the capital requirements of Jinshi Fund Management Company and the parties' contribution intentions after negotiation among the parties.

On 13 December 2017, the Company entered into a fund partnership agreement with the Jinshi Fund Management Company, Transportation Capital, Huaifu Ruixing Investment Management Company Limited ("**Huaifu Ruixing**") and Jinshi Investment (the "**Jinshi Fund Agreement**"), pursuant to which the parties agreed to jointly establish Jinshi Merger and Acquisition Fund. According to the Jinshi Fund Agreement, the contracting parties promised to invest RMB 3,000 million into Jinshi Merger and Acquisition Fund, of which 1.00%, 6.64%, 63.06%, 10.00% and 19.30% shall be borne by Jinshi Fund Management Company, the Company, Transportation Capital, Huaifu Ruixing and Jinshi Investment respectively. The amount of the Company's investment in the establishment of Jinshi Merger and Acquisition Fund is determined with reference to the capital requirements of Jinshi Merger and Acquisition Fund and the parties' contribution intentions after negotiation among the parties after taking into account various factors, including the possible investment return of Jinshi Merger and Acquisition Fund, the financial position and resources available to each party and the investment opportunities expected to be available.

As of 31 December 2017, the Company has invested RMB 100 million in relation to the establishment of Jinshi Fund Management Company and Jinshi Merger and Acquisition Fund.



## Section V Major Events

### 2. Continuing connected transaction

The Group's related party transactions or continuing related party transactions for the year ended 31 December 2017 have been disclosed in Note 36 to the consolidated financial statements. The details of some of these related party transactions constituted the continuing connected transactions as defined in Chapter 14A of the Listing Rules, the details of which are set out as follows.

Unit: RMB' 000

Date of agreement	Connected party	Connected relationship between connected party and the Company	Nature of interest of connected party in connected transaction	Content and purpose of connected transaction	Duration of agreement	Pricing principle of connected transaction	Actual Amount of connected transaction
August 29, 2014	Bangning Property	subsidiary company of major shareholder	service provider	To accept property management service	From September 1, 2014 to August 31, 2017	Determination through negotiation with reference to cost	1,893
March 27, 2015	Expressway Construction	subsidiary company of major shareholder	service provider	To accept steel supply service	From April 1, 2015 to March 31, 2017	Tender price of tender agreement	2,656
April 28, 2015	Expressway Petrochemical	subsidiary company of major shareholder	service recipient	To lease gas station of the Company	From April 28, 2015 to March 31, 2018	To recognize on a straight-line basis over the lease period	21,642
April 29, 2016	Expressway Construction	subsidiary company of major shareholder	service provider	To receive engineering and construction service	From May 1, 2016 to April 30, 2017	Tender price of tender agreement	1,335
December 30, 2016	Huanyu Company	subsidiary company of major shareholder	service provider	To accept cement supply service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	7,078
December 30, 2016	Swift Logistics	subsidiary company of major shareholder	service provider	To accept cement supply service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	656
December 30, 2016	Expressway Construction	subsidiary company of major shareholder	service provider	To accept steel supply service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	13,419
December 30, 2016	Qixing Project	subsidiary company of major shareholder	service provider	To accept testing service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	1,437



Date of agreement	Connected party	Connected relationship between connected party and the Company	Nature of interest of connected party in connected transaction	Content and purpose of connected transaction	Duration of agreement	Pricing principle of connected transaction	Actual Amount of connected transaction
December 30, 2016	Zhongxing Construction	subsidiary company of major shareholder	service provider	To accept supervision service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	555
December 30, 2016	Anhui Transportation Group	major shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2017 to December 31, 2017	Determination through negotiation with reference to cost and level of earnings required by the company	77,637
December 30, 2016	Anhui Transportation Group (Note 1)	major shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2017 to December 31, 2017	Determination through negotiation with reference to cost and level of earnings required by the company	10,740
December 30, 2016	Anhui Transportation Group (Note 2)	major shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2017 to December 31, 2017	Determination through negotiation with reference to cost and level of earnings required by the company	6,563
December 30, 2016	Wangqian Company	subsidiary company of major shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2017 to December 31, 2017	Determination through negotiation with reference to cost and level of earnings required by the company	11,030
December 30, 2016	Liguang Company (Note 2)	subsidiary company of major shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2017 to December 31, 2017	Determination through negotiation with reference to cost and level of earnings required by the company	10,889

## Section V Major Events

Date of agreement	Connected party	Connected relationship between connected party and the Company	Nature of interest of connected party in connected transaction	Content and purpose of connected transaction	Duration of agreement	Pricing principle of connected transaction	Actual Amount of connected transaction
December 30, 2016	Yangji company (Note 1)	subsidiary company of major shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2017 to December 31, 2017	Determination through negotiation with reference to cost and level of earnings required by the company	18,388
December 30, 2016	Anqing Company	subsidiary company of major shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2017 to December 31, 2017	Determination through negotiation with reference to cost and level of earnings required by the company	14,791
January 3, 2017	Yida Company	subsidiary company of major shareholder	service recipient	To lease service areas	From January 1, 2017 to December 31, 2019	Determination through negotiation with reference to similar service area at the current market rent level	7,428
June 21, 2017	Anhui Expressway Network Operations	subsidiary company of major shareholder	service provider	To accept toll collection service	From September 1, 2016 to December 31, 2017	Determination through negotiation with reference to cost	10,659
July 3, 2017	Anhui Transportation Planning and Design Institute	subsidiary company of major shareholder	service provider	To accept maintenance engineering design, periodic inspection and special inspection service	From January 1, 2017 to December 31, 2017	Tender price of tender agreement	8,652
July 3, 2017	Expressway Construction	subsidiary company of major shareholder	service provider	To accept maintenance and repairment engineering service	From April 1, 2017 to March 31, 2018	Tender price of tender agreement	4,832



Date of agreement	Connected party	Connected relationship between connected party and the Company	Nature of interest of connected party in connected transaction	Content and purpose of connected transaction	Duration of agreement	Pricing principle of connected transaction	Actual Amount of connected transaction
July 20, 2017	Expressway Construction	subsidiary company of major shareholder	service provider	To accept special maintenance engineering service	From August 1, 2017 to November 30, 2017	Tender price of tender agreement	4,013
October 27, 2017	Anhui Transportation Planning and Design Institute (Note 3)	subsidiary company of major shareholder	service provider	To accept survey design service	From October 2017 to September 2019	Tender price of tender agreement	27,992

Note 1: The Group's contractor and service provider is Ningxuanhang Company

Note 2: The Group's contractor and service provider is Xuanguang Company

Note 3: Anhui Transportation Planning and Design Institute and Zhongjiao Second Highway Survey and Design Institute Co. Ltd. (independent party from the Group) jointly formed a consortium as a service provider.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that:

- (1) The continuing connected transactions were carried out in the normal and usual course of business of the Group;
- (2) The above continuing connected transactions were carried out on ordinary commercial terms (as compared with transactions of similar nature carried out by the similar entities in the PRC) and on terms that are fair and reasonable to the shareholders of the Company; and
- (3) The above continuing connected transactions were carried out in accordance with the agreements of such transactions.

As of December 31, 2017, the actual amount of the continuing connected transactions under the following agreements exceeds their respective annual caps ("**limit-exceeded events**"):

- (i) The entrusted management agreement entered into between the Company and Wangqian Company on December 30, 2016;
- (ii) The entrusted management agreement entered into between Liguang Company and Xuanguang Company on December 30, 2016;
- (iii) The entrusted management agreement entered into between Anhui Transportation Group and Ningxuanhang Company on December 30, 2016; and
- (iv) The entrusted management agreement entered into between Yangji Company and Ningxuanhang Company on December 30, 2016.

## Section V Major Events

Details of the Limit-exceeded Events were set out in the announcement of the Company dated 8 January 2018.

Apart from the Limit-exceeded Events, the Company confirmed that the aforesaid continuing connected transactions were disclosed in accordance with the disclosure requirements under Chapter 14A of the Listing Rules of SEHK.

In accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised)“Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants, the Board has engaged the auditor of the Company to carry out works on the aforesaid continuing connected transactions. The auditor has issued the letter about the findings and conclusions on the continuing connected transactions for the Group in this section in accordance with Rule 14A.56 of the Listing Rules of HKSE, as follows:

- (1) Nothing has come to their attention that causes them to believe that the above continuing connected transactions were not approved by the Board of Directors;
- (2) If the transaction involves the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the above continuing connected transactions were not, in all material respects, conducted in accordance with the Group’s pricing policies;
- (3) Nothing has come to their attention that causes them to believe that the above continuing connected transactions were not carried out, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) Apart from the above Limit-exceeded Events, nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded their respective annual caps as set by the Company.

A copy of the letter has been submitted to the Stock Exchange of Hong Kong.

### 3. Connected transactions in assets or equity acquisition and offer for sale

- (1) Items which has been disclosed without further changes afterwards  
 Applicable     Not applicable
- (2) Disclosed in provision notices with further developments  
 Applicable     Not applicable
- (3) Items which has not been disclosed  
 Applicable     Not applicable
- (4) Involving an agreement of performance, shall disclose performance during the reporting period  
 Applicable     Not applicable

**4. Significant related party transactions on common external investment**

- (1) Items which has been disclosed without further changes  
 Applicable     Not applicable
- (2) Items which has been disclosed with further changes  
 Applicable     Not applicable
- (3) Items which has not been disclosed  
 Applicable     Not applicable

**5. Related debtor and creditor account**

- (1) Items which has been disclosed without further changes  
 Applicable     Not applicable
- (2) Items which has been disclosed with further changes  
 Applicable     Not applicable
- (3) Items which has not been disclosed

Unit: RMB'000

Related parties	Connected relation	The Company provides capital to related parties			Related parties provide capital to the Company		
		Initial Balance	Amount incurred	Closing Balance	Initial Balance	Amount incurred	Closing Balance
ATHC	Controlling shareholder	0	0	0	1,052,667	202,590	1,255,257
Xuancheng Transportation	Other connected persons	0	0	0	480,248	-22,753	457,495
Total		0	0	0	<u>1,532,915</u>	<u>179,837</u>	<u>1,712,752</u>

The circumstances under which the connection is formed

The joint investment amount of ATHC and Xuancheng Transportation exceeded the registered capital of the Company. The difference will be counted towards the long-term payables and such an amount is unsecured and without fixed repayment date.

Impact of related debts and claims

**6. Others**

- Applicable     Not applicable

## Section V Major Events

### XV. Material Contracts and their Implementation

#### 1. Entrusted management, subcontracting and leasing items

##### (1) Condition of entrusted management

Applicable  Not applicable

##### (2) Condition of subcontracting

Applicable  Not applicable

##### (3) Condition of leasing

Applicable  Not applicable

#### 2. Guarantee

(RMB' 00,000,000)

##### Guarantees provided by the Company and its subsidiaries for its subsidiaries

Total amount of guarantees provided for the subsidiaries  
by the Company during the reporting period -0.03

Total balance of guarantees provided for the subsidiaries  
as at the end of the reporting period(B) 1.71

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

Total guarantee amount (A+B) 1.71

Total guarantee amount as a percentage of  
net asset value (%) 1.72

Including:

Guarantee provided to shareholders and  
the actual controller(C) 0

The amount of direct or indirect guarantee for guarantees  
with over 70% debt to asset ratio(D) 0

The amount of guarantee that exceeds 50% of  
the net assets(E) 0

Total above(C+D+E) 0

Potential risk of unexpired guarantee

Overview The Company provided a guarantee of RMB 500 million for the Company's subsidiary Ningxuanhang Company, which was approved at the 18th meeting of the 5th Board, held on 18 August 2010. As of the end of the reporting period, balance of guarantees provided by the Company amounted to RMB 171 million.



### 3. Entrusted cash capital management

#### (1) Entrusted Wealth Management

Overall situation of Entrusted Wealth Management

Unit: '0,000 Currency: RMB

Type	Source of fund	Accruals	Unexpired balance	Overdue outstanding amount
Bank financial products	private capital	50,000	36,000	0

Note: The second meeting of 8th boarding meeting on August 25th, 2017 passed the Proposal to Use Own Funds to Purchase Financial Products. The proposal allows the Company to purchase no more than 500,000,000 low-risk-high-return financial products in the next year. The Board authorizes the management to conduct such matter.

#### **Other cases**

Applicable  Not applicable



## Section V Major Events

### (2) Individual entrusted financing

Unit: '0,000 Currency: RMB

Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Source of fund	Investment direction	Method to determine return	Annualized rate of return	Expected return (if any)	Actual income or loss	Actual recovery	After legal process or not
CITIC Bank Hefei Branch	Guaranteed income	5,000	January 19, 2017	February 23, 2017	private capital	Fixed income portfolio	agreement	3.650%	17.50	17.50	Full redemption	Yes
CITIC Bank Hefei Branch	Guaranteed income	5,000	March 2, 2017	April 5, 2017	private capital	Fixed income portfolio	agreement	3.650%	17.50	17.50	Full redemption	Yes
Bank of China Changfeng South Road Branch	Guaranteed income	5,000	March 1, 2017	March 31, 2017	private capital	Fixed income portfolio	agreement	3.300%	13.56	13.56	Full redemption	Yes
ICBC Changdong Branch	Guaranteed income	20,000	January 24, 2017	July 24, 2017	private capital	Fixed income portfolio	agreement	3.000%	295.89	295.89	Full redemption	Yes
ICBC Changdong Branch	Guaranteed income	20,000	July 31, 2017	September 5, 2017	private capital	Fixed income portfolio	agreement	3.700%	70.96	70.96	Full redemption	Yes
Bank of China Xinqiao Branch	Guaranteed income	5,000	March 7, 2017	June 30, 2017	private capital	Fixed income portfolio	agreement	3.500%	55.14	55.14	Full redemption	Yes
Bank of China Xinqiao Branch	Guaranteed income	5,000	July 27, 2017	September 30, 2017	private capital	Fixed income portfolio	agreement	4.000%	35.62	35.62	Full redemption	Yes
Industrial Bank Ma On Shan Road Branch	Guaranteed income	5,000	February 9, 2017	April 10, 2017	private capital	Fixed income portfolio	agreement	3.700%	30.41	30.41	Full redemption	Yes
Industrial Bank Ma On Shan Road Branch	Guaranteed income	5,000	April 11, 2017	June 11, 2017	private capital	Fixed income portfolio	agreement	4.100%	33.70	33.70	Full redemption	Yes
Industrial Bank Ma On Shan Road Branch	Guaranteed income	6,000	July 10, 2017	October 10, 2017	private capital	Fixed income portfolio	agreement	4.500%	68.05	68.05	Full redemption	Yes
Industrial Bank Ma On Shan Road Branch	Guaranteed income	6,000	October 13, 2017	January 15, 2018	private capital	Fixed income portfolio	agreement	4.200%	64.90	64.90	not yet due	Yes
Jiujiang Bank Hefei Branch	Guaranteed income	5,900	January 19, 2017	March 31, 2017	private capital	Fixed income portfolio	agreement	3.650%	41.30	41.30	Full redemption	Yes
Jiujiang Bank Hefei Branch	Guaranteed income	9,000	April 20, 2017	May 25, 2017	private capital	Fixed income portfolio	agreement	3.800%	32.79	32.79	Full redemption	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	Source of fund	Investment direction	Method to determine return	Annualized rate of return	Expected return (if any)	Actual income or loss	Actual recovery	After legal process or not
Jiujiang Bank Hefei Branch	Guaranteed income	9,000	May 25, 2017	June 30, 2017	private capital	Fixed income portfolio	agreement	3.800%	32.79	32.79	Full redemption	Yes
Jiujiang Bank Hefei Branch	Guaranteed income	5,000	July 11, 2017	October 10, 2017	private capital	Fixed income portfolio	agreement	4.350%	54.23	54.23	Full redemption	Yes
Jiujiang Bank Hefei Branch	Guaranteed income	4,000	July 20, 2017	October 11, 2017	private capital	Fixed income portfolio	agreement	4.450%	40.48	40.48	Full redemption	Yes
Jiujiang Bank Hefei Branch	Guaranteed income	5,000	October 16, 2017	December 14, 2017	private capital	Fixed income portfolio	agreement	4.600%	37.18	37.18	Full redemption	Yes
Jiujiang Bank Hefei Branch	Guaranteed income	5,000	October 12, 2017	December 29, 2017	private capital	Fixed income portfolio	agreement	4.200%	44.30	44.30	Full redemption	Yes
Bank of China High-tech Zone Branch	Guaranteed income	4,000	March 7, 2017	March 31, 2017	private capital	Fixed income portfolio	agreement	3.300%	9.04	9.04	Full redemption	Yes
Bank of China High-tech Zone Branch	Guaranteed income	11,000	April 18, 2017	May 16, 2017	private capital	Fixed income portfolio	agreement	3.300%	27.85	27.85	Full redemption	Yes
Bank of China High-tech Zone Branch	Guaranteed income	11,000	May 24, 2017	June 30, 2017	private capital	Fixed income portfolio	agreement	3.500%	39.03	39.03	Full redemption	Yes
Bank of China High-tech Zone Branch	Guaranteed income	20,000	September 6, 2017	October 9, 2017	private capital	Fixed income portfolio	agreement	3.900%	70.52	70.52	Full redemption	Yes
Bank of China High-tech Zone Branch	Guaranteed income	10,000	July 7, 2017	September 30, 2017	private capital	Fixed income portfolio	agreement	4.000%	93.15	93.15	Full redemption	Yes
Bank of China High-tech Zone Branch	Guaranteed income	20,000	October 11, 2017	January 11, 2018	private capital	Fixed income portfolio	agreement	4.200%	211.73	211.73	not yet due	Yes
HSBC Bank Hefei Branch	Guaranteed income	5,000	December 4, 2017	January 4, 2018	private capital	Fixed income portfolio	agreement	3.800%	16.36	16.36	not yet due	Yes
HSBC Bank Hefei Branch	Guaranteed income	5,000	October 12, 2017	January 12, 2018	private capital	Fixed income portfolio	agreement	4.100%	51.25	51.25	not yet due	Yes

#### Other cases

Applicable     Not applicable

#### (3) Entrusted financial impairment preparation

Applicable     Not applicable

## Section V Major Events

### 3. Entrusted Loans

#### (1) overall situation

Unit: '0,000 Currency: RMB

Type	Source of fund	Accruals	Unexpired balance	Overdue outstanding amount
Bank	private capital	111,416.23	111,416.23	0

Note: In order to meet the financial transactional compliance between corporate legal persons, the company shall bear its share of the total investment and project capital difference of Ningxuanhang Company. The Company uses its own funds to entrust the loan according to its annual investment plan. As of the end of the reporting period, the Company invested a total of RMB 1.114 billion in entrusted loans.

#### Other cases

Applicable  Not applicable

## (2) Individual entrusted loans

Unit: '0,000 Currency: RMB

Trustee	Entrusted loan type	Entrusted loan amount	Entrusted loan start date	Entrusted loan termination date	Source of fund	Investment direction	Method to determine return	Annualized rate of return	Expected return (if any)	Actual income or loss	Actual recovery	After legal process or not
China Everbright Bank Hefei Daoxianglou Branch	bank	1,000	July 18, 2013	July 14, 2023	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.8425%	58.43	58.43	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	5,000	July 22, 2013	July 14, 2023	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.8425%	292.13	292.13	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	2,500	August 19, 2013	July 14, 2023	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.8425%	146.06	146.06	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	1,600	March 7, 2014	July 14, 2023	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.8425%	93.48	93.48	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	782	March 19, 2014	July 14, 2023	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.8425%	45.69	45.69	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	2,267	April 21, 2014	July 14, 2023	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.8425%	132.45	132.45	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	4,114	May 16, 2014	July 14, 2023	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.8425%	240.36	240.36	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	4,500	July 7, 2014	July 14, 2023	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.8425%	262.91	262.91	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	1,875	July 7, 2014	July 14, 2023	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.8425%	109.55	109.55	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	3,366	September 4, 2014	August 29, 2024	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	6.15%	207.01	207.01	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	2,589	January 13, 2015	August 29, 2024	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	6.15%	159.24	159.24	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	1,887	April 16, 2015	August 29, 2024	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	6.15%	116.05	116.05	not yet due	Yes

## Section V Major Events

Trustee	Entrusted loan type	Entrusted loan amount	Entrusted loan start date	Entrusted loan termination date	Source of fund	Investment direction	Method to determine return	Annualized rate of return	Expected return (if any)	Actual income or loss	Actual recovery	After legal process or not
China Everbright Bank Hefei Daoxianglou Branch	bank	2,300	April 23, 2015	August 29, 2024	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	6.15%	141.45	141.45	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	199	April 23, 2015	August 29, 2024	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	6.15%	12.24	12.24	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	3,570	May 14, 2015	August 29, 2024	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.65%	201.71	201.71	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	4,769	June 25, 2015	August 29, 2024	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.65%	269.42	269.42	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	5,534	August 26, 2015	August 29, 2024	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.40%	298.81	298.81	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	3,315	September 24, 2015	September 24, 2025	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	5.15%	170.72	170.72	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	4,743	November 6, 2015	September 24, 2025	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.90%	232.41	232.41	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	5,253	December 16, 2015	September 24, 2025	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.90%	257.40	257.40	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	5,661	December 24, 2015	September 24, 2025	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.90%	277.39	277.39	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	1,009	January 25, 2016	September 24, 2025	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.90%	49.44	49.44	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	3,825	June 14, 2016	June 14, 2026	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.41%	168.68	168.68	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	1,428	August 24, 2016	June 14, 2026	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.41%	62.97	62.97	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	3,213	September 18, 2016	June 14, 2026	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.41%	141.69	141.69	not yet due	Yes



Trustee	Entrusted loan type	Entrusted loan amount	Entrusted loan start date	Entrusted loan termination date	Source of fund	Investment direction	Method to determine return	Annualized rate of return	Expected return (if any)	Actual income or loss	Actual recovery	After legal process or not
China Everbright Bank Hefei Daoxianglou Branch	bank	1,989	November 17, 2016	June 14, 2026	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.41%	87.71	87.71	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	3,009	December 20, 2016	June 14, 2026	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.41%	132.70	132.70	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	368	February 9, 2017	June 14, 2026	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.41%	16.23	16.23	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	6,069	April 13, 2017	June 14, 2026	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.41%	267.64	267.64	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	1,683	May 9, 2017	June 14, 2026	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.41%	74.22	74.22	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	6,477	August 31, 2017	August 31, 2027	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.90%	317.37	317.37	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	4,029	September 15, 2017	August 31, 2027	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.90%	197.42	197.42	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	3,927	October 11, 2017	August 31, 2027	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.90%	192.42	192.42	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	4,437	November 9, 2017	August 31, 2027	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.90%	217.41	217.41	not yet due	Yes
China Everbright Bank Hefei Daoxianglou Branch	bank	3,130	December 19, 2017	August 31, 2027	Private fund	Ningxuanhang company	Recover the principal once on a quarterly interest basis	4.90%	153.37	153.37	not yet due	Yes

#### Other cases

Applicable  Not applicable

#### (3) Entrusted loan impairment provision

Applicable  Not applicable

#### 3. Other cases

Applicable  Not applicable

## Section V Major Events

### (IV) Other major contracts

Applicable     Not applicable

## XVI.Explanation of other major issues

### Adjustment on the toll road truck tolls preferential policies

According to the “Implementation Opinions of the People’s Government of Anhui Province on Reducing Costs and Relieving the Burden of Enterprises in the Real Economy” and the “Notice of the Implementation Plan for the Conscientiously Implementing the Preferential Policies for the Truck Tolls issued by the Anhui Provincial Department of Transportation,” the Anhui transportation card holders will be granted a further 10% discount on the basis of the current toll discount of 5% when traveling through toll highways in Anhui Province. The preferential period is tentatively set for 3 years from July 12, 2016 to July 11, 2019.

### Investment in the establishment of fund management companies and establishment of funds

For the implementation of the Company’s diversified development strategy, improving capital operation ability and cultivating new profit growth point, promoting sustainable development of the Company to make it stronger and better, the Company plans to set up the fund investment of RMB 200 million equity investment management company and launch both industry investment fund and buyout fund, respectively deliberated and adopted by The 22nd meeting of the seventh Board of Directors on March 17, 2017 and the third meeting of the eighth Board of Directors on September 22, 2017. The meeting also authorize the management layer to deal with the amendment and signing of relevant legal documents.

During the reporting period, Anhui Transportation China Merchants Investment Fund Management Co., Ltd and Anhui Transportation China Merchants Industrial Fund (limited partnership) have completed the business registration procedures. As of the end of the reporting period, the Company contributed RMB 100 million in total. In January 2018, the fund completed the filing procedures of the private investment fund in Asset Management Association of China.

During the reporting period, Anhui Transportation Jinshi Fund Management Co., Ltd and Anhui Transportation Jinshi Merger and Acquisition Fund (partnership) have completed industrial and commercial registration procedures. As of the end of the reporting period, the Company contributed a total investment of RMB 100 million. As of the date of this report, the fund is still in the filing process of private investment fund in Asset Management Association of China.

## XVII.The fulfillment of the social responsibility

### 1. Poverty alleviation work situation of the listed company

#### (1) Precise planning for poverty alleviation

In active response to the national precise poverty alleviation policy, the Group will take full advantage of the highway and the grassroots units featured by running across suburbs and rural areas, and mobilize the enthusiasm of the management offices and subsidiaries to carry out poverty alleviation, make donations for the construction of rural infrastructure, school funding

and other social welfare undertakings. We fulfill social responsibility, and effectively promote the interaction between grassroots units and local residents, so as to organize, manage and establish mass public base and establish a good corporate image.

**(2) Summary of precision poverty alleviation during the year**

- a. From January to June 2017, Gaojie Office sent one cadre to Tianzhu Village, Shuihao Town to help expand the tourism industry in the village. During the year, 39 persons from 11 households were lifted out of poverty. In April 2017, the Gaojie Office established a village-based poverty alleviation task force to go to Lishu Village, Liufan Township, Taihu County, a poverty-stricken village at national level, to carry out targeted poverty alleviation. The task force raised poverty relief funds of RMB 1.47 million through various means to help expand sales channels for agricultural products, and formed pairs with 37 poor households to offer assistance. Accordingly, 228 persons in 64 households were successfully lifted out of poverty in 2017. Meanwhile, Gaojie Office joined hands with three primary schools, two special education schools and three nursing homes to provide assistance, and successively offered assistance to more than 200 poor students and left-behind children and more than 100 widowed old people.
- b. The Company's subsidiary, Xuanguang Company, paired with Langqiao Town, Jing County to support the construction of a beautiful village. The Company concentrated the support resources and delivered support funds of RMB 50,000 for the beautiful village, and coordinated with the propaganda department of the municipal party committee and the municipal transport bureau to advance the construction of the beautiful village to achieve the purpose of enhancing the actual effect of co-construction.
- c. Chuzhou Office organized a charity donation campaign through "water droplet"(水滴筹) to raise RMB 9,488. In addition, The Company's Chuzhou Office contacted the local Youth League organization to organize the "Caring for Left-behind Children and Realizing Dreams and Little Wishes"(關愛留守兒童·圓夢微心願) public welfare event and claimed 10 left-behind children and arranged designated staff to care for and provide support to them.
- d. In 2017, Tianchang Office donated a total of RMB 3,600 to help pairing support poor students, and 6 students were sponsored. Donated RMB 3,968 to the staff of the brother management offices who were suffering from the disease through the "water droplet" platform.
- e. The Party volunteers from the Xiaoxian Office actively carried out pairing support activities. A total of 5 pairs of support points were established, and more than 50 assistance activities were held throughout the year. In August, Youth League branch of Zhanghuangzhai Station of Xiaoxian Office actively responded to the call of the Xiaoxian county party committee and joined Hope Project's 2017 "Love Hearts Dream University"(愛心圓夢大學) education operation to donate RMB 2,200 to poor university student Zhang Huanhuan.



## Section V Major Events

### (3) Effect of targeted poverty alleviation

Unit: '0,000 Currency: RMB

Items	Quantity and development
I. Overall Situation	
Among: 1. Funds	22.56
2. Material discounts	17.2
3. Help the poor people of poverty-strengthening population out of poverty (person)	267
II. Input by category	
1. Industrial development out of poverty	<ul style="list-style-type: none"> <li>√ Agricultural and forestry industries poverty alleviation</li> <li>√ Tourism poverty alleviation</li> <li>√ electric commerce poverty alleviation</li> <li><input type="checkbox"/> Asset income poverty alleviation</li> <li><input type="checkbox"/> Technology Poverty Alleviation</li> <li>√ Other</li> </ul>
Among: 1.1 industry poverty alleviation project type	
1.2 Number of industrial poverty reduction project(piece)	4
1.3 Investment amount of industrial Poverty Reduction Project	22.56
1.4 Help the poor people who were established card for archives out of poverty (person)	267
2. transfer employment poverty alleviation	
2.3 Help poor households who were established card for archives to achieve employment (person)	2
Among: 4.1 Funding for poor students	0.68
4.2 Funding for poor students (person)	8
Among: 9.1. Number of items (piece)	1
9.2. Investment amount	5
9.4. Discriptions of other project	Xuanguang Company, paired with Langqiao Town, Jing County to support the construction of a beautiful village.
III. Awards (Content, Level)	Chuzhou Management Office was honored as "love enterprise in Chuzhou City" by the Chuzhou City Committee.

**(4) Plans of Subsequent Precision Poverty Alleviation**

- a. Continuing to carry out poverty alleviation by means of pairs and target poverty alleviation and other forms of poverty reduction.
- b. Making more efforts in increasing poverty alleviation, carry out field research and develop more objective, specific and operational measures for poverty alleviation.
- c. Taking advantage of management to promote enthusiasm in getting out of poverty in local residents and rural poor people, and make full use of local resources to develop tourism, breeding and other industries to help the villagers to cultivate specialty industries.
- d. Relying on the characteristics of expressway industries, actively explore and enrich precision poverty alleviation initiatives, and focus on responsibility-rooted projects such as “precision assistance” and “Volunteer Meeting APP”.

**2. Social Responsibility works**

For details, please see the “Anhui Expressway Company Limited 2017 Social Responsibility Report” disclosed by the Company on SSE website ([www.sse.com.cn](http://www.sse.com.cn)) on the same date.

**3. Environmental Information****(1) Explanation on the environmental protection of listed companies and their subsidiaries which are engaged in heavy pollution industries as specified by the national environmental protection authorities**

Applicable     Not applicable

**(2) Companies which are not key pollutant discharge entities****a Emissions**

The Company fully and consistently implemented the green development concepts of conservation on resources, intensive and efficient usage, prevention of pollution and reduction in emissions, ecological and environmental protection, as well as being natural and in harmony, to protect the environment reasonably as far as possible and maximize the efficient utilization of resources to provide the general public with safe, comfortable, fast and convenient travelling experience. The Company strictly complied with the relevant national requirements and performed the social responsibility of environmental protection through practical actions.

## Section V Major Events

### ***Scientific construction***

In the construction process, the Company selected construction machinery with low noise and low emission of exhaust gas as far as possible, the wastes generated in the construction process were treated timely to ensure harmless or recycling treatment so as to reduce their pollution to the environment. Meanwhile, tests on air quality and dust at the construction sites were carried out on regular basis, dedicated personnel were deployed to the construction sites to carry out regular clearance and cleaning to create a pleasant and civilized working environment. The Company actively conducted research on, and promoted the use of, new technology and new technical processes to facilitate sustainable environmental development. The Hefei management office of the Company had innovatively adopted the new sheet-pile non-soil subgrade technology in the subgrade widening portion of the reconstruction and expansion project at the Longtang toll gate of Hefei city ring expressway, less volume of dust was produced during the construction process, the construction period was shortened effectively and attained good effects. In addition, the Company strongly facilitated the recycling of materials, such as old and obsolete asphalt, to promote harmless treatment of construction wastes.

The Company's business of expressway construction projects had been outsourced to construction contractors with specific qualifications. These contractors were obliged to carry out project construction activities in accordance with the laws, including the management of discharge acts according to legal requirements. During the reporting period, the Company was not aware of any non-compliance acts of such contractors in breach of the relevant laws and regulations.

### ***Green management***

Emissions of exhaust gas from motor vehicles were the major source of pollutants causing air pollution along expressways. According to the existing technological means of the Company, although it was difficult for the Company to quantify accurately the relevant emission data, such as total emission volume and density, it had been reducing emissions continuously: in the operation and management of expressways, the Company had significantly shortened the toll collecting time for vehicles through measures such as the construction and promotion of the electronic non-stop toll collection system (ETC), and strongly enhanced the efficiency of vehicle traffic at the toll gates, which was also an effective approach to reduce noise level and emissions of exhaust gas. At present, the Company is actively promoting an automatic card issuing machine based on the "one on six model" and the dual toll collection system for a mixture of passenger and freight vehicles. On the other hand, the Company has been actively implementing the requirements of the provincial commissions and provincial governments in supporting innovative developments and promoting applications in the new energy automobile industry, by accelerating the construction of recharging infrastructure, and cooperating with YTMC and State Grid, to construct DC recharging stations for electric vehicles first in their service zones.

**b Utilization of resources**

The Company strictly complied with environmental protection regulations, and various energy conservation and emission reduction provisions and requirements of the State, to encourage green office and green travelling actively. The headquarters and the management offices of administered road sections of the Company started from education by organizing serious learning sessions on, inter alia, Environmental Protection Law (環境保護法), Law on Prevention and Control of Water Pollution (水污染防治法) and Law on Prevention and Control of Atmospheric Pollution (大氣污染防治法), and executed the relevant requirements of the local environmental protection authority to improve environmental protection work along the road sections under our administration. All employees were supervised to complete environmental protection work on voluntary basis and seriously accepted supervision and guidance from the environmental protection authority. During the reporting period, the Company and management offices of all administered road sections consumed 254,223 tonnes of water, 36,010,111 kWh of electricity, 744.2 thousand litres of fuel oil and 675.59 cubic metres of steam.

**c Environment and Natural Resources**

The Company strictly complied with Environmental Protection Law (環境保護法) and the relevant laws and regulations, in carrying out business operations, we strictly observed local statues and environmental protection regulations to actively perform our environmental protection obligations, reinforced the maintenance of road environment continuously and adopted a number of effective measures for ecological protection and measures for the prevention and control of pollution.

**(3) Other explanations**

Applicable     Not applicable

**4. Other explanations**

Applicable     Not applicable

## Section V Major Events

### XVIII. Convertible Bonds

**1. Debt issuance**

Applicable  Not applicable

**2. Bond holders and the guarantors during the reporting period**

Applicable  Not applicable

**3. The change of Convertible Bonds during the reporting period**

Applicable  Not applicable

**The cumulative transfer shares of Convertible Bonds during the reporting period**

Applicable  Not applicable

**4. All previous adjustments of the price of transfer shares**

Applicable  Not applicable

**5. The liability situation, the change of the credit and arrangements of annual repayment of cash in the coming year of the Company**

Applicable  Not applicable

**6. Other description of Convertible Bonds**

Applicable  Not applicable

### XIX. Pre-emptive Rights

Neither the Articles of Association of the Company nor the PRC laws require the Company to offer preemptive rights to its existing shareholders for subscription of new shares according to the proportion of their shareholdings.

### XX. Tax Concession

Shareholders of the Company are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They may enjoy tax relief according to the actual situation. Shareholders should seek professional advice from their tax and legal advisors in relation to payment of tax.

#### Holders of A shares:

Pursuant to Notice on Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (CaiShui [2015] No.101), for shares of listed companies obtained by individuals from public offerings or the market on a provisional basis, where the holding period exceeds one year, the dividends shall be exempted from individual income tax; where the holding period is less than one month (inclusive), the dividends shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above.

Pursuant to Notice on Withholding and Paying Enterprise Income Tax Matters Concerning PRC Domestic Enterprise Paying Dividends, Bonuses and Interests to QFII (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》) (GuoShui Han [2009] No.47), for qualified foreign institutional investors, the Company shall withhold and pay enterprise income tax at a tax rate of 10%. If the relevant shareholders consider their dividends enjoy tax treaty (arrangement) benefits, such shareholders may apply for tax refund on their own to the competent tax authorities in accordance with the provisions after obtaining dividends.

#### Holders of H shares:

Pursuant to Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules implemented in 2008, any PRC domestic enterprise which pays dividends to a non-resident enterprise shareholder shall withhold and pay enterprise income tax at tax rate of 10%. Pursuant to Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of GuoShuiFa [1993] No.045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (GuoShuiHan [2011] No.348) and the letter of SEHK titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" dated 4 July 2011, when the domestic non-foreign investment companies which are listed in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding tax rate of 10%, unless otherwise specified by the tax regulations and relevant tax agreements.

Under the current practice of relevant tax authorities, no tax is payable in Hong Kong in respect of dividends paid by the Company.

#### Investors of Shanghai-Hong Kong Stock Connect Program:

For tax matters on individual investors in the PRC investing in H shares listed on SEHK and the investors in Hong Kong investing in A shares listed on the SSE under Shanghai-Hong Kong Stock Connect Program, please refer to Notice on Tax Policy Concerning the Pilot Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (CaiShui [2014] No.81) jointly issued by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission.

## Section VI Change of Ordinary Shares and Shareholders

### I. Change of ordinary share capital

#### (I) Change of ordinary shares

##### 1. Change of ordinary shares

During the reporting period, the total number of ordinary shares and capital structure of the Company's ordinary shares was not changed.

The Company has issued 1,658,610,000 shares of common stock, of which 1,165,600,000 A shares are listed on the SSE accounting for about 70.28% of the Company's total shares and 493,010,000 H shares are listed on the HKSE accounting for about 29.72% of the total share capital.

##### 2. Explanation of Change of ordinary share capital

Applicable  Not applicable

##### 3. The Influence of the Financial Indicators like Earnings Per Share and Net Assets Per Share in recent year and issue from Change of ordinary share capital (If any)

Applicable  Not applicable

##### 4. Other Content that the Company deems necessarily or the Securities Regulatory Authority requires to disclose.

Applicable  Not applicable

#### (II) Change of restricted shares

Applicable  Not applicable



### II. Issue of share and listing

**(I) Issue of share up to the reporting period**

Applicable     Not applicable

Information of Issue of share up to the reporting period (Please explained separately the bonds of different rates within the duration):

Applicable     Not applicable

**(II) Changes in the number of ordinary shares of the Company, shareholder structure and corporate assets and liability structure of the Company**

Applicable     Not applicable

**(III) Existing Internal Workers' Shares**

Applicable     Not applicable

### III. Shareholders and effective controller

**(I) Number of shareholders**

The total number of shareholders of ordinary shares as at the end of the reporting period	27,111
The total number of shareholders of ordinary shares at the end of the month before the date of the publication of the annual report	26,762

Note: 1. The total number of shareholders of A share are 27,045 and H share are 66 as at the end of the reporting period

2. The total number of shareholders of A share are 26,696 and H share are 66 at the end of the month before the date of the publication of the annual report.



## Section VI Change of Ordinary Shares and Shareholders

### (II) Shareholdings of ten largest shareholders and ten largest tradable shareholders (or unrestricted shareholders) as at the end of the reporting period

Unit: shares

#### The ten largest shareholders

Name of shareholders	Change during the reporting period	Total shareholding as at the end of the year	Shareholding percentage	Number of restricted shares	shares pledged or locked-up State	Number	Nature of shareholders
Anhui Transportation Holding Group Company Limited	0	524,644,220	31.63	0	Nil		State-owned shares
HKSCC NOMINEES LIMITED	112,000	489,147,899	29.49	0	not known		Overseas shareholders
China Merchants Highway Network Technology Holding Company Limited	0	404,191,501	24.37	0	Nil		State-owned legal person shares
Wu Juhong	4,227,891	10,556,543	0.64	0	Nil		Domestic natural person
Wu Mujun	2,911,642	8,229,312	0.50	0	Nil		Domestic natural person
Dai Kang	3,479,563	6,326,413	0.38	0	Nil		Domestic natural person
Ding Xiuling	91,201	5,411,435	0.33	0	Nil		Domestic natural person
Chen Xiaohong	223,200	4,132,739	0.25	0	not known	1,220,000	Domestic natural person
Zhang Jian	-2,432,700	3,771,800	0.23	0	Nil		Domestic natural person
Hong Kong Securities Clearing Co. Ltd	2,528,383	3,387,199	0.20	0	Nil		Others

## Section VI Change of Ordinary Shares and Shareholders



### The ten largest unrestricted shareholders

Name of shareholders	Number of unrestricted circulating shares	Type and Number of shares	
		Type	Number
Anhui Transportation Holding Group Company Limited	524,644,220	Renminbi-denominated ordinary shares	524,644,220
HKSCC NOMINEES LIMITED	489,147,899	Overseas listed foreign shares	489,147,899
China Merchants Highway Network Technology Holding Company Limited	404,191,501	Renminbi-denominated ordinary shares	404,191,501
Wu Juhong	10,556,543	Renminbi-denominated ordinary shares	10,556,543
Wu Mujun	8,229,312	Renminbi-denominated ordinary shares	8,229,312
Dai Kang	6,326,413	Renminbi-denominated ordinary shares	6,326,413
Ding Xiuling	5,411,435	Renminbi-denominated ordinary shares	5,411,435
Chen Xiaohong	4,132,739	Renminbi-denominated ordinary shares	4,132,739
Zhang Jian	3,771,800	Renminbi-denominated ordinary shares	3,771,800
Hong Kong Securities Clearing Company Ltd.	3,387,199	Renminbi-denominated ordinary shares	3,387,199

### Explanations of connected relationship between the above-mentioned shareholders or consistent action

There is no connected relationship between the Stateowned Shareholders and the legal person Shareholders in the above chart. The Company does not know if there is connected relationship amongst other shareholders, or whether they belong to the persons acting in concert under "Provisions on Information Disclosure Management of Shareholders' Shareholding Changes of Listed Companies".

Note: H Shares held by HKSCC NOMINEES LIMITED represent the holding of many clients.

### shareholdings and restrictions of top ten restricted shareholders

Applicable  Not applicable

## Section VI Change of Ordinary Shares and Shareholders

### (III) Strategic investors or ordinary legal person who became top ten shareholders due to issuance of new shares

Applicable  Not applicable

### (IV) Persons who have interests or short positions disclosable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance

As at 31 December 2017, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the persons (except directors, supervisors and chief executives of the Company) who, directly or indirectly, were interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Section 336 of Part XV of the Securities and Futures Ordinance are as follows:

Name of Shareholder	Capacity	As at end of the period (shares)	Increase/Decrease		% of H shares	Pledged or locked-up
			during the reporting period	Type of shares		
China Merchants Highway Network Technology Holding Company Limited	Interest in controlled corporation	89,160,000(L)	Unknown	H shares	18.08%	Unknown
FIL Limited	Interest in controlled corporation	33,768,000(L)		H shares	6.85%	Unknown
HSBC Holdings plc	Interest in controlled corporation	98,525,221(L)	Unknown	H shares	19.98%	Unknown
		99,825,933(S)			20.25%	
JPMorgan Chase & Co.	Beneficial owner,	29,383,579(L)	-218,713	H shares	5.96%	Unknown
		568,000(S)	+22,000		0.12%	
	Custodian-corporation/ approved lending agent	27,483,579 (Available for lending)	-386,021	5.57%		
Deutsche Bank Aktiengesellschaft	Beneficial owner,	3,106,953(L)		H shares	0.63%	Unknown
		3,092,000(S)			0.63%	
	Person having a security interest in shares	24,825,000(L)		5.04%		
	Approved lending agent	1,556,000 (Available for lending)		0.32%		

## Section VI Change of Ordinary Shares and Shareholders



Name	Capacity	As at end of the period (shares)	Increase/ Decrease during the reporting period	Type of shares	% of A shares	Pledged or locked-up
Anhui Transportation Holding Group Company Limited	beneficial owner	524,644,220	0	RMB ordinary shares	45.01%	No
China Merchants Highway Network Technology Holding Company Limited	beneficial owner	404,191,501	0	RMB ordinary shares	34.68%	No

Note: Except for this annual report, as at 31 December 2017, according to the register which must be stored under the provisions of Section 336 of Part XV of the Securities and Futures Ordinance, the Company has not received any notice that the persons were interested or had short position in the shares or underlying shares of the Company on 31 December 2017.

### IV. Information of the controlling shareholder and the effective controller of the Company

#### (I) The controlling shareholder of the Company

##### 1. Legal representative

Name	Anhui Transportation Holding Group Company Limited
Legal representative	Qiao Chuanfu
Date of establishment	27 April 1993
Business scope	Building, supervision, testing, design, construction, technical consultation and service of highway and related infrastructure; investment and asset management; real estate development and operation; road transportation; logistics services; expressway service area operation and management, such as tolling, maintenance, road property rights protection; advertising production and publication.
Shareholding and control of other domestic and foreign listed companies during the reporting period	As of the end of the reporting period, Anhui Transportation Group holds 6,143,498 shares of Guotai Junan, representing 0.0806% of its total shares, and 469,032,613 shares of Huishang Bank, representing 4.24% of its total shares.
Other information	Nil

##### 2. Natural person

Applicable  Not applicable

##### 3. Specific explanation in the case of the Company having no controlling shareholder

Applicable  Not applicable

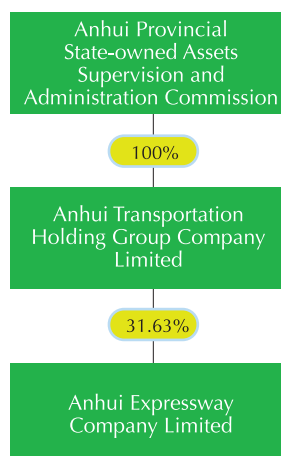
##### 4. Index and date of the controlling shareholder's change during the reporting period

Applicable  Not applicable

##### 5. Block diagram on ownership and controlling relationships between the Company and the controlling shareholders

The controlling shareholder of the Company - Anhui Transportation Holding Group Company Limited is a state-owned enterprise and is under the control of Anhui Provincial State-owned Assets Supervision and Administration Commission.

## Section VI Change of Ordinary Shares and Shareholders



### (II) Information of the effective controller of the Company

#### 1. Legal representative

Name **Anhui Provincial State-owned Assets Supervision and Administration Commission**

Legal representative

Date of establishment

Major business scope

Control and Shareholding of other domestic and Overseas listed companies during the reporting period

Other Information

#### 2. Natural person

Applicable  Not applicable

#### 3. Specific explanation in the case of the Company having no effective controller

Applicable  Not applicable

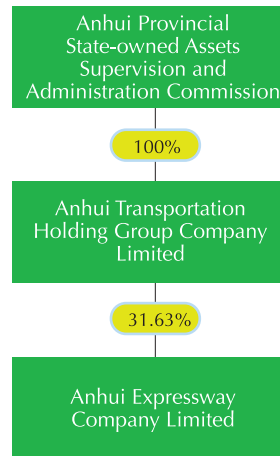
#### 4. Index and date of the effective controller's change during the reporting period

Applicable  Not applicable



**5. Block diagram on ownership and controlling relationships between the Company and the effective controller**

The controlling shareholder of the Company - Anhui Transportation Holding Group Company Limited is a state-owned enterprise and is under the control of Anhui provincial State-owned Assets Supervision and Administration Commission.



**6. The effective controller controls the Company through trust or other asset management approaches.**

Applicable  Not applicable

**(III) Other information regarding the controlling shareholder and the effective controller**

Applicable  Not applicable

## Section VI Change of Ordinary Shares and Shareholders

### V. Other legal person shareholders who hold more than 10% of the share capital

(Unit: RMB00,000,000')

Name	Legal representative	Date of establishment	Organization code	Registered capital	Major business scope and management activities, etc.
China Merchants Highway Network Technology Holding Company Limited	Deng Renjie	18 December 1993	9111000010 1717000C	61.78	General operation projects: investment, development, construction and operation management of roads, bridges, wharves, harbors and sea lanes; investment management; development and research of new technologies, new products and new materials for transportation infrastructure facilities and sales of products; sales of building materials, mechanical and electrical equipment, automobiles and fittings, metal and daily necessities; economic information consultation and talent training

Note

On 25 December 2017, shares issued by the China Merchants Highway Network Technology Holding Company Limited were listed on Shenzhen Stock Exchange (Stock Abbreviations: China Merchants Highway, Stock code: 001965).

### VI. Explanation on restriction on reduction of shareholding

Applicable  Not applicable

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

During the reporting period, none of the Group purchased, sold or repurchased any listed securities of the Company.

### VIII. Sufficiency of Public Float

Based on the publicly available information as at the last practicable date prior to the printing of this report known to the Directors, the Board believed that the public float of the Company was in compliance with the requirements on the sufficiency of public float under the Listing Rules of the Hong Kong Stock Exchange.



## I. Changes in shareholdings and remuneration

### (I) Changes in shareholdings and remuneration of existing directors, supervisors and senior management and those leaving offices during the reporting period

Name	Position (Note)	Sex	Age	The start date of term of office	The expiration date of term of office	Total remuneration (before tax) from the Company during the reporting period (RMB ten thousand)	Whether or not obtained remuneration from any related party of the Company
Qiao Chuanfu	Chairman	Male	59	2016.05.20	2020.08.16	0	Yes
Chen Dafeng	Director	Male	55	2014.08.17	2020.08.16	0	Yes
Xu Zhen	Director General Manager	Male	54	2016.05.20 2015.03.27	2020.08.16 2020.08.16	50.96	No
Xie Xinyu	Director Deputy General Manager	Male	51	2014.08.17	2020.08.16	40.77	No
Yang Xudong	Director	Male	45	2017.08.17	2020.08.16	0	Yes
Du Jian	Director	Male	47	2016.05.20	2020.08.16	0	Yes
Kong Yat Fan	Independent Director	Male	46	2014.08.17	2020.08.16	12	No
Jiang Jun	Independent Director	Male	45	2016.10.14	2020.08.16	8	No
Liu Hao	Independent Director	Male	40	2017.08.17	2020.08.16	3	No



## Section VII Directors, Supervisors, Senior Management and Staff

Name	Position (Note)	Sex	Age	The start date of term of office	The expiration date of term of office	Total remuneration (before tax) from the Company during the reporting period (RMB ten thousand)	Whether or not obtained remuneration from any related party of the Company
Chen Yuping	Supervisory board chairman	Female	55	2017.08.17	2020.08.16	0	Yes
Dai Hui	Supervisor	Male	58	2017.03.23	2020.08.16	35.67	No
Jiang Yue	Supervisor	Male	36	2016.05.20	2020.08.16	0	Yes
Li Huimin	Deputy General Manager	Male	54	2015.12.16	2020.08.16	40.77	No
Chen Jiping	Deputy General Manager	Male	47	2016.08.19	2020.08.16	37.21	No
Dong Huihui	Secretary to the Board	Female	50	2017.03.24	2020.08.16	16.56	No
Wang Xiufeng	Director	Male	48	2016.05.20	2017.08.16	0	Yes
Yang Mianzhi	Independent Director	Male	49	2011.08.17	2017.08.16	4.67	No
Liu Youcai	Supervisory board chairman	Male	54	2016.05.20	2017.08.16	0	Yes
Yang Yicong	Supervisor	Male	62	1996.08.17	2017.03.23	0	No
Meng Jie	Deputy General Manager	Male	41	2013.07.12	2017.03.24	0	Yes
Han Rong	Secretary to the Board	Female	49	2014.08.17	2017.03.24	12.46	No
Total	/	/	/	/	/	262.07	/

During the reporting period, none of the directors, supervisors and senior management held, purchased or sold the securities of the Company.



Name	Major work experiences
Qiao Chuanfu	He was born in 1959, is a holder of a university degree (on the job programme) and a master's degree in executive business administration and is a senior economist. He was the deputy director of the Navigation Management Authority of the Anhui Province, officer of the Water Transport Service Centre of the Anhui Province; the general manager of Anhui Province Shipbuilding Corporation; the general manager of Anhui Province Transport Construction Investment Development Corporation; the general deputy director of World Bank Financing Project Office at Transport Department of Anhui Province; chairman of the board, the Party Committee secretary and general manager of Anhui Transportation Investment Group Company Limited; the vice chairman of the board, general manager and Party Committee deputy secretary of Anhui Transportation Group. He is currently the chairman of the board and Party Committee secretary of Anhui Transportation Holding Group Company Limited. Since 20 May 2016, he has taken the post of chairman of the Board of the Company. He is concurrently a director of Huishang Bank Corporation Limited.
Chen Dafeng	He was born in 1963, is a holder of a Doctor of Engineering degree and a senior engineer. He was previously the deputy chief engineer, deputy head, and head of the Mechanical and Electrical Installation Division of China Coal No. 3 Construction Corporation; vice manager of China Coal No. 3 Construction Corporation; the manager, the vice chairman of the board of directors, the general manager and deputy secretary of the Party Committee of China Coal No. 3 Construction (Group) Corporation Ltd.; the vice chairman of the board of directors, the vice general manager and a member of the Party Committee of Anhui Petroleum Chemical Group Co., Ltd. (during this period he acted as the deputy mayor of the People's Government of Suzhou City); the deputy general manager of Anhui Expressway Holding Group Company Limited. He is currently the deputy general manager of Anhui Transportation Holding Group Company Limited. Since 17 August 2014, he has been appointed as a Director of the Company.

## Section VII Directors, Supervisors, Senior Management and Staff

Name	Major work experiences
Xu Zhen	He was born in 1964, is a holder of a postgraduate degree and a senior engineer. He served as the deputy manager and manager of the central control room and the deputy director of Anhui Expressway Authority Feidong Management Office, the party's branch committee member, deputy director, party's branch secretary general and director of Anhui Expressway Holding Corporation Hefei Management Office, and the director of personnel department of Anhui Expressway Holding Group Company Limited. Mr. Xu was a director, assistant general manager and the director of human resources department of Anhui Expressway Holding Group Company Limited from June 2012 to March 2015. Since 27 March 2015, he has been appointed as the general manager of the Company. Since 20 May 2016, he has been appointed as a Director of the Company. He is concurrently the chairman of Anhui Ningxuanhang Expressway Investment Company Limited
Xie Xinyu	He was born in 1967. He is a holder of an engineering master 's degree. He is a senior engineer and an affiliate member of The Hong Kong Institute of Chartered Secretaries. He was the deputy general manager and secretary to the Board of the Company between 1996 and 1999; a Director, deputy general manager and secretary to the Board of the Company between 1999 and 2002; and has been the deputy general manager and secretary to the Board of the Company since August 2002. Since 17 August 2014, he has been appointed as a Director, deputy general manager and secretary of the Company. He is concurrently the chairman of Anhui Xin'an Financial Group Company Limited, Anhui Xin'an Capital Operating Management Group Company Limited, Anhui Transportation Holding Group (H.K.) Limited and a director of Anhui Expressway (H.K.) Limited.
Yang Xudong	He was born in 1973, is a doctoral candidate and a senior engineer. He once held the positions as a project manager of domestic project department of China Merchants Holdings (International) Company Limited and as a general manager assistant and general manager of investment development department of China Merchants Highway Network Technology Holding Company Limited. He is currently the deputy general manager and general manager of investment development department of China Merchants Highway Network Technology Holding Company Limited, and is concurrently a director of Guangxi Wuzhou Transportation Company Limited. Since 17 August 2017, he has been appointed as a Director of the Company.

## Section VII Directors, Supervisors, Senior Management and Staff



Name	Major work experiences
Du Jian	He was born in 1971, is a PhD fellow and a senior engineer. He was the chief executive of Zhongjia Beijing Trading Jiatai Consulting Company Limited, the associate general manager of China Highway Engineering Consulting Supervisory Head Office's Lujie Company. He was also a director of Shandong Hi-speed Company Limited and the general manager of the strategic development department of China Merchants Highway Network Technology Holding Company Limited. He is currently the chairman of China Merchants New Intelligence Technology Company Limited. He is currently the chairman of China Merchants New Intelligence Technology Company Limited (招商新智科技有限公司). Since 20 May 2016, he has been appointed as a Director of the Company.
Kong Yat Fan	He was born in 1972, is a permanent resident in Hong Kong. Mr. Kong holds a master's degree in business administration (MBA). He worked at the credit review department of the Hong Kong Branch of the Bank of Communications as the credit approval officer between 2004 and 2007. From 2007 to 2015, he worked at Pudong Development Bank Shenzhen Branch as a member of the loan approval committee, head of the small-to-medium loan team, responsible person of the financial service center for small-sized enterprises, where he was in charge of credit approval. He is currently the deputy general manager of the industrial and commercial banking department of the Hong Kong Branch of Industrial Bank. Since 17 August 2014, he has been appointed as an independent Director of the Company.
Jiang Jun	He was born in 1973, is a PhD candidate and an associate professor in accounting and a senior visiting scholar of Duke's Fuqua School in USA. Mr. Jiang was a lecturer, associate professor and duty professor of the teaching and research centre of Beijing National Accounting Institute. He is now an associate professor, the director of the department of finance, the chairman of research institute of industrial finance and operations and a member of the academic committee at the Beijing National Accounting Institute. He is also an independent director of Goodwill (Beijing) Technology Co, Limited, Beijing Easpring Material technology Co, Limited, CECEP Wind-power Corporation Co, Limited, and Shanghai Yanhua Smartech Group Co, Limited. Since 14 October 2016, he has been appointed as an independent Director of the Company.
Liu Hao	He was born in 1978, holds a PhD degree in accountancy. He is now a professor and doctoral supervisor of Accounting College of Shanghai University of Finance and Economics, a member of the first cohort of enterprises accounting standards advisory committee of the Ministry of Finance of the PRC, the National Phase III Leading Accounting Talent (academic class) of the Ministry of Finance of the PRC, and has concurrently acted as an independent director of Shanghai Shenneng Company Limited, Jiangsu Yulong Steel Tube Company Limited and Shanghai Xuerong Bio-Technology Company Limited. Since 17 August 2017, he has been appointed as an independent Director of the Company.

## Section VII Directors, Supervisors, Senior Management and Staff

Name	Major work experiences
Chen Yuping	<p>She was born in 1963. She obtained a bachelor's degree and a juris master's degree. She is a senior judge of level four. She served as a clerk, secretary of the political department, deputy director of the research office, judge and the director of the personnel office of the Anhui Province Higher People's Court, the personnel director of Human Resources Department (Party Committee) of China Pudong Executive Leadership Academy and the general counsel of Anhui Transportation Investment Group Company Limited. Since December 2014, she has been appointed as the general counsel of Anhui Transportation Holding Group Company Limited. Since 17 August 2017, she has been appointed as the chairman of the Supervisory Committee of the Company.</p>
Dai Hui	<p>He was born in 1960, is a political officer. He graduated from the Central Party School of the Communist Party of China, majoring in management of party politics. He served as the chief officer of the human resources division and the deputy director of the monitoring department of Anhui Expressway Holding Corporation, and the secretary of party general branch and director of the Gaojie Management Office of the Company. Mr. Dai is currently a party committee member, the secretary of the disciplinary committee, the chairman of the labour union and the director of the party affairs' office of the Company. Since 23 March 2017, he has been appointed as the employee representative supervisor of the Company. He is concurrently the chairman of the supervisory committee of Anhui Ningxuanhang Expressway Investment Company Limited.</p>
Jiang Yue	<p>He was born in 1982, is a holder of a master's degree in management, a registered accountant in China (non-practicing), a Chartered Financial Analyst (USA) and a Financial Risk Manager (USA). Since July 2009, Mr. Jiang has been acting as the project manager of the equity management division 1 and the corporate management department of China Merchants Highway Network Technology Holding Company Limited, also acting as a supervisor of the supervisory committee of Henan Zhongyuan Expressway Company Limited, Heilongjiang Transportation Development Company Limited, Shandong Hi-speed Company Limited and North China Expressway Company Limited. He is currently a project manager of the capital operation department and concurrently serves as the supervisor of Jilin Expressway Company Limited. Since 20 May 2016, he has been appointed as a supervisor of the Company</p>

## Section VII Directors, Supervisors, Senior Management and Staff



Name	Major work experiences
Li Huimin	He was born in 1964, and is a holder of part-time postgraduate diploma and an economist. He served as the deputy officer of the Wuzhuang toll office at Quanjiao Management Office of Anhui Expressway Holding Corporation, deputy general manager and deputy general managing director of Xuanguang Expressway Company Limited, director and party's branch secretary general of Mawu Highway Management Office and Maanshan Management Office. Since 16 December 2015, he has been appointed as a deputy general manager of the Company. He is concurrently a director of Anhui Expressway Media Limited.
Chen Jiping	He was born in 1971, is a master degree candidate and a senior engineer. He served as the human resources deputy director, office manager and operations management of director o Anhui Transport Investment Group Company Limited and the deputy general manager of Anhui Transport Operations Management Company Limited. Since 19 August 2016, he has been appointed as a deputy general manager of the Company. He is concurrently a director of Xuanguang Expressway Company Limited, Xuancheng Guangci Expressway Company Limited and Anhui Ningxuanhang Expressway Investment Company Limited.
Dong Huihui	She was born in 1968, holds a bachelor degree in economics from Zhejiang University and is a senior economist. She served as the deputy chief financial planning officer of the operation division and the chief development and planning officer of the corporate planning division of Anhui Expressway Holding Corporation, the deputy director of the corporate planning division, the deputy minister of the investment and development division and the manager of the asset center of Anhui Expressway Holding Group Company Limited, and the deputy minister of the investment and development division of Anhui Transportation Holding Group Company Limited. She has been the director of the Board Secretariat and the director of the securities department of the Company since September 2017. Since 24 March 2017, she has been appointed as the the secretary to the Board of the Company. She is concurrently the secretary to the Board of Anhui Ningxuanhang Expressway Investment Company Limited.
Wang Xiufeng	He was born in 1970, is a master's candidate, a senior accountant and a senior engineer. He was the deputy chief executive and a Party Committee standing committee member of China Metallurgical Co., Ltd., the chairman of the board and Party Committee secretary of MCC Jingtang Construction Company Limited, the general manager, Party Committee deputy secretary and general accountant of China 22nd Metallurgical Construction Company Limited. He was concurrently the vice-chairman of Shangdong Hi-speed Company Limited and director of Henan Zhongyuan Expressway Company Limited. He is currently the chief financial officer of China Merchants Huajian Highway Investment Co., Ltd., also acting as a director of China Merchants Asia-Pacific Co., Ltd. Mr. Wang ceased to be a director of the Company from August 2017.

## Section VII Directors, Supervisors, Senior Management and Staff

Name	Major work experiences
Yang Mianzhi	He was born in 1969, and is a Doctor of Management (Finance) at People's University of China. He is now a professor and supervisor of Masters of the Business Faculty of Anhui University, and the director of Accounting and Finance Research Center of Anhui University. He is now the National Accounting Army Leading Back-up personnel of the Ministry of Finance, and the back-up academic and technical leader of Anhui Province, and has concurrently acted as independent director of Anhui Jiangnan Chemical Co., Ltd., Anhui Anli Artificial Co., Ltd. and Anhui Conch Cement Company Limited. Mr. Yang ceased to be a director of the Company from August 2017.
Liu Youcai	He was born in 1964, holds a university degree in bachelor of arts. He was a member, vice section manager, division organizer of the organization section, organization department of the Party Committee of Bengbu City, and section member, assistant research officer, rural organization office deputy commissioner, commissioner, office director and associate inspector of the organization office, organization department of the Party Committee of the Anhui Province. He was also the Party Committee deputy secretary and disciplinary committee secretary of Anhui Transportation Holding Group Company Limited. Mr. Liu ceased to be a supervisor and the chairman of the supervisory committee of the Company from August 2017.
Yang Yicong	He was born in 1956, and is a senior political officer. He graduated from Anhui Industrial Institute. He was a director of the political division of Anhui Vehicle Transportation Administration Bureau, a director of the political division and secretary of the Disciplinary Committee of the Anhui Expressway Transportation Administration Bureau, and secretary of the Disciplinary Committee of Anhui Expressway Authority. He has extensive experience in personnel management. Mr. Yang has been elected as a supervisor representing the employees since the second supervisory committee of the Company. He is concurrently the chairman of the supervisory committee of Xuancheng Guangci Expressway Company Limited, Anhui Expressway Media Limited, Anhui Anlian Expressway Company Limited, Anhui Highway Real Estate Group Co., Ltd. and Anhui Highway Logistics Company Limited. He is also the convener of the supervisory committee of Anhui Ningxuanhang Expressway Investment Limited. Mr. Yang ceased to be the employee representative supervisor of the Company from March 2017.



<b>Name</b>	<b>Major work experiences</b>
Meng Jie	<p>He was born in 1977, and is a holder of Master of Engineering degree from Hunan University, Master of Business Administration degree from Peking University, senior engineer, Registered Consultation Engineer (Investment). From August 2002 to now, he works in China Merchants Highway Network Technology Holding Company Limited and once held the positions as general manager of First Department of Shares Management and deputy general manager of Enterprise Management department. He also worked as the supervisor of North China Expressway Company Limited and Guangxi Wuzhou Transportation Company Limited, and was the director of North China Expressway Company Limited, Guangxi Wuzhou Transportation Company Limited, Dongbei Expressway Company Limited and the Company. He is currently the chief analyst and general manager of capital operation department (office of the board of directors) of China Merchants Highway Network Technology Holding Company Limited, and is concurrently a director of Henan Zhongyuan Expressway Company Limited, Shandong Hi-speed Company Limited, Jiangsu NJY Expressway Company Limited, and a supervisor of Sichuan Expressway Company Limited. Mr. Meng ceased to be a deputy general manager of the Company from March 2017.</p>
Han Rong	<p>She was born in 1969, and is an accountant. She holds a bachelor's degree in economics from, Anhui University. She joined the Company in 1996 and has held the positions as director of the Board Secretariat of the Company since 2000 and the security representative of the Company since 2008. She ceased to be the secretary to the Board of the Company from March 2017.</p>

**Other Information**

Applicable  Not applicable

**(II) Share incentive awarded to directors, supervisors and senior management during the reporting period**

Applicable  Not applicable



## Section VII Directors, Supervisors, Senior Management and Staff

### II. Positions of existing directors, supervisors and senior management and those leaving offices during the reporting period

#### (I) Positions held in shareholders units

Name	Name of shareholder unit	Position held in shareholder unit	The start date of term of office	The expiration date of term of office
Qiao Chuanfu	Anhui Transport Holding Group Company Limited	Secretary of the Party Committee, Chairman	2016.3	
Chen Dafeng	Anhui Transport Holding Group Company Limited	Deputy General Manager	2014.12	
Yang Xudong	China Merchants Highway Network Technology Holding Company Limited	Deputy General Manager	2017.12	
Du Jian	China Merchants Highway Network Technology Holding Company Limited	department of strategic development General Manager	2016.1	2017.7
	China Merchants new wisdom technology Company Limited.	Chairman	2017.7	
Chen Yuping	Anhui Transport Holding Group Company Limited	General Counsel	2014.12	
Jiang Yue	China Merchants Highway Network Technology Holding Company Limited	Capital Operation Department Project Manager	2009.7	
Wang Xiufeng	China Merchants Highway Network Technology Holding Company Limited	Director, General Manager	2016.8	
Liu Youcai	Anhui Transport Holding Group Company Limited	Deputy Secretary of the Party Committee, Secretary of Disciplinary Commission	2014.12	2017.3
Meng Jie	China Merchants Highway Network Technology Holding Company Limited	lead analyst and Capital Operation Department General Manager	2016.2	



## 2. Positions held in other units

Name	Name of other unit	Position held in other unit	The start date of term of office	The expiration date of term of office
Qiao Chuanfu	Huishang Bank	Director	2015.7	
Chen Dafeng	Anhui Ningxuanhang Expressway Investment Company Limited	Director	2012.12	2017.11
Xu Zhen	Anhui Ningxuanhang Expressway Investment Company Limited	Chairman	2017.11	
Xie Xinyu	Anhui Ningxuanhang Expressway Investment Company Limited	Director	2008.4	2017.11
	Anhui Xinan Financial Group Company Limited	Director	2011.7	
	Anhui Xinan Capital Operation Management Holding Company Limited	Director	2015.6	
	Shenzhen Huawan Qianhai Financial Leasing Company Limited	Director	2015.11	2017.5
	Anhui Transport Holding Group (Hong Kong) Company Limited	Director	2013.9	
	Anhui Expressway(Hong Kong) Company Limited	Director	2013.9	
Yang Xudong	Guangxi Wuzhou Transportation Company Limited	Director	2014.6	
Kong Yat Fan	Industrial Bank Hong Kong Branch	Deputy General Manager of the Commercial Banking Department	2016.1	
Jiang Jun	Beijing National Accounting Institute	associate professor of the research centers of vocational education, chair of the finance department and operation of finance and industry research institute	2012.3	
	Shandong Gold Mining Company Limited	Independent director	2012.3	2017.12
	Baotou Huazi Industry Company Limited	Independent director	2015.4	2017.8
	Goodwill (Beijing) Technology Company Limited	Independent director	2016.3	
	Beijing Easpring Material technology Co, Limited,	Independent director	2017.6	
	CECEP Wind-power Corporation Co, Limited	Independent director	2017.7	
	Shanghai Yanhua Smartech Group Co, Limited	Independent director	2017.11	
Liu Hao	Shanghai University of Finance and Economics	doctoral supervisor and professor of Accounting College	2014.7	
	Shanghai Shenneng Company Limited	Independent director	2016.5	
	Jiangsu Yulong Steel Tube Company Limited	Independent director	2016.8	
	Shanghai Xuerong Bio-Technology Company Limited	Independent director	2017.8	

## Section VII Directors, Supervisors, Senior Management and Staff

Name	Name of other unit	Position held in other unit	The start date of term of office	The expiration date of term of office
Dai Hui	Anhui Ningxuanhang Expressway Investment Company Limited	Supervisory board chairman	2017.11	
Jiang Yue	North China Expressway Company Limited Jilin Expressway Company Limited	Supervisor Supervisor	2016.5 2016. 4	2017.12
Li Huimin	Anhui Expressway Media Company Limited	Supervisor	2017.8	
Chen Jiping	Anhui Machao Expressway Company Limited Xuanguang Expressway Company Limited Anhui Ningxuanhang Expressway Investment Company Limited Xuancheng City Guangci Expressway Limited Liability Company	Director Director Director Director	2014.7 2017.4 2017.11 2017.4	2017.9
Dong Huihui	Anhui Ningxuanhang Expressway Investment Company Limited	the secretary to the Board	2017.11	
Wang Xiufeng	China Merchants Asia-Pacific Co., Ltd Henan Zhongyuan Expressway Company Limited	Director,CEO Director	2015.7 2016.5	2018.1
Yang Mianzhi	College of Commerce, Anhui University Anhui Jiangnan Chemical Company Limited Anhui Anli Artificial Leather Company Limited Anhui Conch Cement Company Limited	Professor Independent Director Independent Director Independent Director	2000.3 2012.4 2012.4 2016.6	
Yang Yicong	Anhui Expressway Media Company Limited Anhui Ningxuanhang Expressway Investment Company Limited Anhui Anlian Expressway Company Limited Anhui Province Highway Real Estate Group Company Limited	Supervisor The convener of the supervisory committee Supervisory board chairman Supervisory board chairman	2008.8 2008.4 2008.1 2009.7	2017.9 2017.11 2017.9 2017.9
Meng Jie	Shandong Expressway Company Limited Zhongyuan Expressway Co., Ltd. Sichuan Expressway Company Limited Jiangsu Ningjingyan Expressway Company Limited	Director Director Supervisor Director	2016.5 2009.11 2016.7 2016.4	
Han Rong	Anhui Ningxuanhang Expressway Investment Company Limited	Secretary to the Board	2008.4	2017.11



### III. Remuneration of Directors, Supervisors and senior management

Determination procedure for remuneration of Directors, Supervisors and senior management	After the respective consideration of the Board of Directors and the Supervisory Committee, it will be submitted to shareholders at a general meeting for approval.
Determination basis of remuneration of Directors, Supervisors and senior management	Determined according to China's relevant policies or requirements and taking into account the market rates and the practical condition of the Company, including the Company's performance, the duties of the Directors, Supervisors and senior management, and the Company's current remuneration standards for directors, supervisors and senior management.
Actual payment of remuneration to Directors, Supervisors and senior management	RMB 2,620.7 thousand
Actual remuneration in aggregate received by all Directors, Supervisors and senior management as at the end of the reporting period	RMB 2,620.7 thousand

In 2017, none of the directors, supervisors and senior management has been paid any remuneration as a reward for joining or as a compensation for leaving the Group.

### IV. Changes of directors, supervisors and senior management of the Company

Name	Position	Change	Reason
Wang Xiufeng	Director	Vacated	Work adjustments
Yang Mianzhi	Independent director	Vacated	Cause for work
Liu Youcai	Supervisory board chairman	Vacated	Work changes
Yang Yicong	Supervisor (representative of employees)	Vacated	Retirement
Meng Jie	Deputy General Manager	Vacated	Work adjustments
Han Rong	Secretary to the Board	Vacated	Work changes
Yang Xudong	Director	Elected	Work adjustments
Liu Hao	Independent director	Elected	Cause for work
Chen Yuping	Supervisory board chairman	Elected	Cause for work
Dai Hui	Supervisor (representative of employees)	Elected	Cause for work
Dong Huihui	Secretary to the Board	appointed	Cause for work

On 16 August 2017, members of the 7th Board of Directors and the 7th Supervisory Committee completed their term of office. On 16 August 2017, the company held the first 2017 extraordinary general meeting to select the new Board of Directors and the new Supervisory Committee. Mr. Qiao Chuanfu, Mr. Chen Dafeng, Mr. Xu Zhen and Mr. Xie Xinyu were elected as the executive Director of the 8th Board of Directors; Mr. Yang Xudong and Mr. Du Jian were elected as the non-executive Director of the 8th Board of Directors; Mr. Kong Yat Fan, Mr. Jiang Jun and Mr. Liu Hao were elected as the independent non-executive Director of the 8th Board of Directors; Ms. Chen Yuping and Mr. Jiang Yue were elected as Supervisors of the 8th Supervisory Committee (elected as the representatives of the shareholders, Mr. Dai Hui had been elected as the supervisor on behalf of staff of the 8th Supervisory Committee). The above personnel had their term of office lasting for 3 years from 17 August 2017.

## Section VII Directors, Supervisors, Senior Management and Staff

At the first meeting of the 8th Board on 17 August 2017, the Board of Directors elected Mr. Qiao Chuanfu to be the chairman of the Company, appointed Mr. Xie Xinyu and Ms. Dong Huihui as the company secretary and the secretary of the board respectively, appointed Mr. Xu Zhen as the general manager of the Company, and appointed Mr. Xie Xinyu, Mr. Li Huimin and Mr. Chen Jiping as the deputy general manager of the Company.

At the first meeting of the 8th Supervisory Committee on 17 August 2017, the supervisory committee elected Ms. Chen Yuping to be the supervisory committee chairman of the Company.

The Board of Directors is deeply grateful for the diligence of the retired Directors and Supervisors.

### V. Explanation for punishment by securities regulator in the latest three years

Applicable  Not applicable

### VI. Staff of the parent company and major subsidiaries

#### 1. Staff

Number of serving staff of the parent company	1,981
Number of serving staff of major subsidiaries	764
	<hr/>
The total number of serving staff	2,745
	<hr/> <hr/>
Number of retired staff for whom the parent company and major subsidiaries bear costs	85
	<hr/> <hr/>

#### Profession composition

Profession type	Number
Production staff	2,056
Sales staff	0
Technical staff	180
Financial staff	37
Administration Staff	472
	<hr/>
Total	2,745
	<hr/> <hr/>

#### Education

Education type	Number
Postgraduate degree	47
Bachelor's degree	505
Tertiary vocational diploma	1,428
Secondary vocational diploma	534
High school and below	231
	<hr/>
Total	2,745
	<hr/> <hr/>



### 2. Remuneration policy

Broadband pay system is introduced and four type of positions are set up according to different functions, i.e. management, professional technician, toll collection and logistics. The remunerations are determined according to positions and individual conditions. Meanwhile, salary distribution system reform are deepened and individual revenue structure is improved and the proportion of fixed and variable salaries is set on a reasonable basis. The evaluation system is improved and the evaluation outcome is associated with salary distribution, forming a variation mechanism for the remuneration of the employees.

The Company strictly implements the social security laws and regulations of the State and regions, and protects legal rights of its staffs. The Company has participated in “Five Insurances and One Fund”, i.e. the pension insurance, basic medical insurance, unemployment insurance, job-related injury insurance and maternity insurance and housing fund for its employees and paid relevant contribution in full. The Company paid contribution to the abovementioned 5 social insurances in the sum of RMB 35,989.4 thousand in 2017 and paid contribution to housing fund in the sum of RMB 22,118 thousand.

The Group has participated in an employee retirement benefit scheme coordinated by the Social Welfare Management Bureau of Anhui Province. Pursuant to the relevant requirements, the Group is required to make monthly contributions within the maximum limit based on 19% (2016: 20%) of the monthly basic salaries of the employees, the Management Bureau shall be responsible for paying retirement funds to the retired employees of the Group, and the Group is not subject to other obligations.

Save for the above retirement benefit, employees of the Group may voluntarily join the Supplementary Pension Annuity Plan provided by the Group. Pursuant to the Plan, the Group will pay supplementary pension based on the standard of RMB 230 per month to some specific retired employees. As at 31 December 2017, the number of the aforesaid retired employees of the Group was 59 (31 December 2016: 59). The management has made an assessment on the above retirement benefit and considered that it will not have material effect on the consolidated financial statements.

In addition, the Company established the enterprise annuity plan taking into account the practical conditions of the Company in accordance with applicable enterprise annuity regulations and policies, for the purpose of motivating staffs, retaining talents and facilitating growth of the Company. All staff can participate in the plan on a voluntary basis. In 2017, the enterprise annuity expenses were RMB 4,793.9 thousand in total.

For the year ended 2017, total amount of remuneration received by all employees (including directors, supervisors and senior management) of the Group amounted to RMB 326.80 million.

## Section VII Directors, Supervisors, Senior Management and Staff

### 3. Training plan

Attaching much importance to employee education and training, the Company constantly stepped up efforts in employee education and training, revised the “Interim Measures for the Management of Employee Training”, formulated an annual training plan based on the training needs survey at the beginning of the year to conduct various kinds of training orderly in accordance with the relevant system and training plan to drive continuous improvement in the training standard. During the reporting period, the Company and all departments, taking into account the actual needs of works and departmental business functions, conducted various kinds of business trainings such as operational management to vigorously enhance the position-specific skills and expertise standard of employees. With respect to general management, the Company highlighted the training focus and organized special training classes on the basic knowledge of listed companies, taking into account the development trend of the Company. With respect to online learning, the Company focused on encouraging autonomous learning by employees, promoted E-learning online study, and encouraged learning and exchanges using mobile phone user end and online interactions, etc.

### 4. Labor Outsourcing

Applicable  Not applicable

## VI. Other

Applicable  Not applicable

## VII. Other information of Directors, Supervisors and senior management

### 1. Service contract of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company with a term of three years commencing from the date of their respective appointment. The details of such contracts, identical in all material aspects, are as follows:

- Each of the service contracts is of a term of three years commencing from 17 August 2017.
- For Directors who receive remuneration from the entities that are Shareholders of the Company, the Company will not determine and pay extra Director’s remuneration to them.
- For Directors who hold management positions in the Company, the Company will not determine and pay extra Director’s remuneration to them. Their remuneration to be paid by the Company, will be calculated, approved and paid in accordance with their specific positions in the Company and based on the remuneration and benefit policy of the Company.



- The Director's remuneration for each PRC independent Director is RMB 80,000 per annum.
- The Director's remuneration for each overseas independent Director is RMB 120,000 per annum.
- For supervisors who receive remuneration from the entities that are Shareholders of the Company, the Company will not determine and pay extra supervisor's remuneration to them.
- For the supervisor who holds a management position in the Company, the Company will not determine and pay extra supervisor's remuneration to him. His remuneration to be paid by the Company, will be calculated, approved and paid in accordance with his specific position in the Company and based on the remuneration and benefit policy of the Company.

Save as the aforesaid, no service contract that cannot be terminated within one year without payment of compensation (other than general statutory compensation) has been or proposed to be entered into between the Company and the Directors or the Supervisors.

### **2. Directors' and Supervisors' interests in contracts**

At any time during 2017 or at the end of 2017, no Director or Supervisor or any of their connected entities had a material interest (whether direct or indirect) in any transactions, arrangements or contracts considered to be significant to the business of the Group that were entered into, or participated by the Company, any of its subsidiaries, the parent company of the Company or any subsidiaries of the parent company.

### **3. Interests held by Directors and Supervisor in competing business**

During the reporting period, according to the Listing Rules on the SEHK, no Director, Supervisor or senior management of the company was interested in any competing business or potentially competing business.

### **4. Model code for securities transactions by Directors and Supervisors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK as the code governing the transactions of securities by the Directors and Supervisors. After specific enquiry to all Directors and Supervisors, it is confirmed by the Company that the Directors and Supervisors of the Company had complied with the relevant standard as provided in such Model Code referred to above.



## Section VII Directors, Supervisors, Senior Management and Staff

- 5. During the reporting period, the Group did not directly or indirectly provide loans or guarantee for loans for the Directors, Supervisors and senior management of the Company and controlling shareholders or their connected persons.**

- 6. Disclosure of Interests**

As at 31 December 2017, none of the Directors, Supervisors or senior management of the Company had or was deemed to have any interests or short positions in any shares, or underlying shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests which he has or is deemed to have under such provisions of the Securities and Futures Ordinance); or which were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein; or which were required to be notified to the Company and the SEHK and be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

- 7. Arrangement for purchase of shares or debentures**

At any time during the year or at the end of 2017, none of the Company, any of its subsidiaries, the parent company of the Company or any subsidiaries of the parent company was a party to any arrangement to enable any Director or Supervisor to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.



### I. Corporate Governance and Management of Insiders' Registration

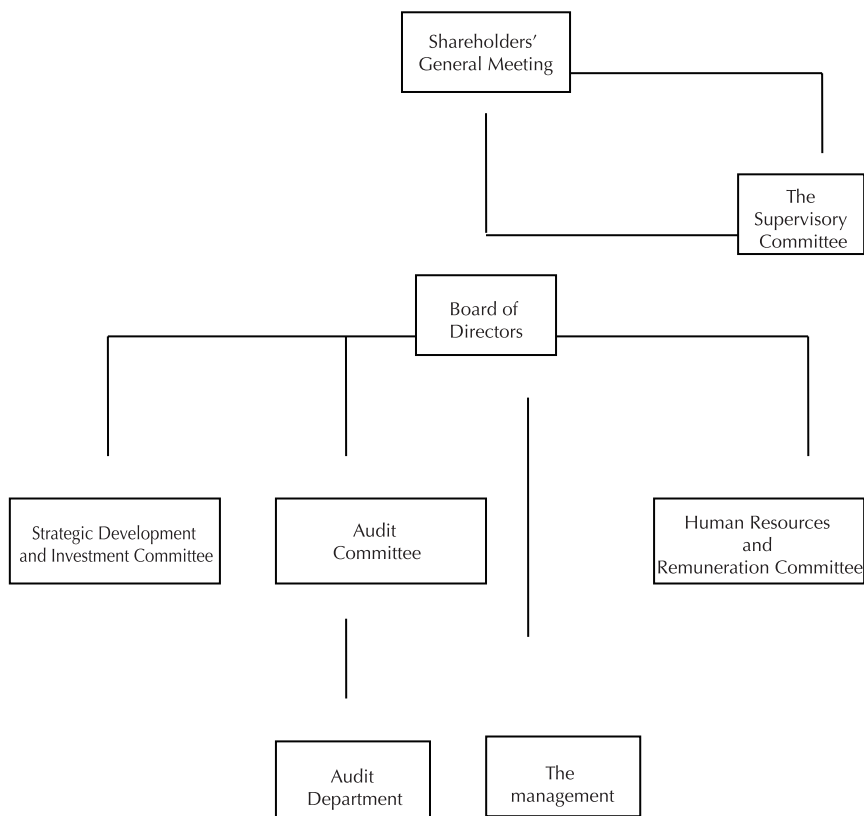
Good corporate governance is for meeting the basic requirements of regulatory authorities on listed companies and, more importantly, meeting the inherent needs for the development of the Company. A scientific and standardized system, mutual supervisory regime and effective enforcement are essential to the healthy and sustainable development of the Company and will improve the image of the Company in the industry and capital market, winning recognition and confidence in the Company from all parties. The Company has always been committed to completing the corporate governance structure, establishing complete operation regulations, and to improve the effectiveness of corporate governance.

The Company strictly complied with the Company Law, the Securities Law and the requirements of the relevant laws, regulations and regulatory documents of the CSRC, created the internal environment in favour of value management through optimizing the corporate governance structure, continuously improved the management and control system formed by shareholders, directors and operators, defined the responsibilities and obligations of all parties, and guaranteed the effectiveness of corporate governance through standardizing and implementing the “three-meeting” decision-making mechanism (「三會」決策機制). Pursuant to laws, regulations and governance rules, the general meetings, the Board, and each special committee and supervisory committee performed their own duties, coordinated with each other and balanced effectively to consistently improve the management level and decision efficiency.

Currently, the Company has a sound and well-functioned corporate governance structure without deviation from the requirement set out in the regulatory document of the CSRC about corporate governance.

## Section VIII Corporate Governance Structure and Governance Report

The Company has established a corporate governance structure composing of shareholders' general meeting, Board of Directors, Supervisory Committee and managerial staff, which has been constantly examined and optimized through practices. The company also formulates multi-level administrative rules and regulations based on the Company's Articles of Association so as to ascertain the obligations, authorities and standards of behavior for each party. The current governance structure of the Company is shown as follows:



The Company is listed on both the SSE and the SEHK. In addition to compliance with applicable laws and regulations, the Company complies with the requirements of the "Code of Corporate Governance for Listed Companies" of the CSRC, the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules of the SEHK and the requirements under the Listing Rules of the SSE and the SEHK in its corporate governance practices. Meanwhile, the Company has formulated various governance systems, including "Rules of Procedure for General Meetings", "Rules of Procedure for the Board of Directors", "Rules of Procedure for the Supervisory Committee", "Terms of Reference of Special committees", "Work system for annual report of Independent Directors", "Standing Orders for the Operation of General Manager", "Administrative Measures for the Disclosure of Information", "Management System on Inside Information and Insiders", "Management System on Users of External Information", "Administrative Measure on Investor Relations Management", and so forth. All systems were strictly followed in order to enhance the level of the Company's corporate governance.



To fully protect the interests of investors and further standardize and improve the corporate governance structure, according to “the Guidance on deepening reform of state-owned enterprises” issued by The CPC Central Committee and the State Council, CSRC’s “Guidance for the Articles of Listed Company” (revised in 2016), “Rules for the Shareholders’ Meetings of listed companies” (revised in 2016) and other relevant provisions of the laws and regulations, in combination with the practical situation of the company, it is proposed to incorporate party construction into the Articles of Association of the Company. In addition, the provisions of the Articles of Association of the Company concerning the individual votes and dividend policies of small and medium investors are amended. The amendments to the Articles of Association of the Company have been approved by the sixth meeting of the eighth Board of Directors on March 23, 2018, and will be submitted to the approval of the annual general meeting for the year 2017.

### **1. Shareholders and Shareholders’ general meeting**

In strict compliance with the provisions of legal regulations such as the Company Law and the requirements of the Articles of Association and the Rules of Procedure for Shareholders’ General Meeting, the Company convened and held shareholders’ general meetings, adopted online voting for important matters, to ensure that shareholders had the opportunity to express their opinion and to exercise their voting rights effectively and that all shareholders were treated equally and the rights and obligations of all shareholders were protected.

Anhui Expressway Transportation Group Company Limited and China Merchants Highway Network Technology Holding Company Limited are the major shareholders of the Company. The Company’s business, staff, assets, organization and finance are separated from those of the controlling shareholders, allowing the Company to have complete autonomy over its business and operations. The two companies comply strictly with the relevant provisions of the Company Law and the Articles of Association and have never bypassed the general meetings to intervene in the decision-making process and operations of the Company directly or indirectly.

### **2. Directors and the Board of Directors**

The Board of Directors represents interests of all the shareholders and is wholly accountable to the Shareholders’ general meeting. The major duty of the Board is to exercise its managerial decision power in accordance with the authority granted by the shareholders’ general meeting in relation to strategic development, management structure, investment and financing, planning, financial management, etc. The Articles of Association of the Company, the Rule of Procedures for the Board of Directors and the Rule Governing the Specialized Committees of the Board have set out in detail the Board’s duty as to the strategic development and management of the Company and the supervisory and monitoring duty of the Board as to the development and operation of the Company.

## Section VIII Corporate Governance Structure and Governance Report

The Board of Directors has established three special committees including the Strategic Development and Investment Committee, Audit Committee and Human Resources and Remuneration Committee to assist the Board of Directors in performing duties and operating effectively. In considering matters such as corporate strategies, financial reporting, accounting policies, project investment and the selection of and remuneration for Directors and managers, the proposals will be first submitted to the relevant committee for consideration and discussion, which will review the same under its terms of reference and make recommendations to the Board of Directors so as to contribute to the improvement of the efficiency and effectiveness of the Board's decision-making.

Currently the Board of Directors, which is the 8th session of Board of Directors of the Company, composed of 9 Directors, including 4 executive Directors, 2 non-executive Directors and 3 independent Directors.

The directors of this Board possess industry background or professional skills in highway industry, engineering construction, investment strategy, company management, financial accounting, law, investment banking, etc. respectively. Among the Directors, there are 3 independent Directors, 2 of whom possess professional knowledge about accounting. Independent directors are equipped with abundant professional knowledge and management experience in company management, finance and securities, financial management, etc. and hold important posts in the special committees. Independent Directors constitute more than half of all the Directors in both Audit Committee and Human Resource and Remuneration Committee; the chairmen of the committees are also independent directors. The arrangement of the Board of Directors and the special committees meets the requirement of the Instruction to Establishing Independent Director System in Public Companies.

### 3. Supervisor and Supervisory Committee

The Supervisory Committee consists of three supervisors, including one employees' representative. The composition of the Supervisory Committee has complied with the requirements of the legal rules and regulations such as the Company Law. The Supervisory Committee exercises the supervisory rights of the Company according to the Articles of Association of the Company and the Rule for Procedure of the Supervisory Committee. Its core duties, among others, are to supervise the corporate finances and also to ensure that the Directors and senior management are performing their duties with due diligence with a view to protecting legal interests of the Company and its shareholders.

During the reporting period, the Supervisory Committee convened 6 meetings with all supervisors being present. It supervised the compliance aspect of the performance of duties by the Company's financial personnel, Directors and senior management on behalf of the shareholders, attended all the Board meetings, and conscientiously performed its duties.



### 4. Information Disclosure

Since its listing, the Company has faithfully fulfilled the legal duty of information disclosure and strictly executed the Management System on Disclosure of Information to ensure information disclosure in an open, timely, fair and just way and that all shareholders can enjoy equal and full right of accessing information. In case there is any difference between the requirements of the SEHK and SSE, the Company shall prepare documents and make disclosures as much as possible and as strict as possible. The secretary to the Board is the executor of information disclosure.

During the reporting period, the Company continuously studied and comprehended the new rules and requirements of the SSE and the HKSE in relation to information disclosure, and, in strict compliance with the relevant rules, regulations and guidelines on disclosure of information, issued 4 periodic reports, 58 A shares extraordinary announcements and 24 H shares extraordinary announcements, which disclosed the Company's results and financial information, dividends distribution, operations of the Board and Supervisory Committee, convening general meetings and connected transactions objectively and in detail. Each disclosure document has been carefully considered, meticulously drafted and strictly reviewed to better comply with the statutory information disclosure obligations of listed companies. The relevant announcements were published in the China Securities Post and Shanghai Securities Post and on the websites of SSE, the SEHK and the Company.

### 5. Investor Relations

The management of the Company has consistently emphasized investor relations management and has formulated the "Measures for the Administration of Investor Relations" and reinforced investor relations management in terms of the management structure and the internal control system.

The company makes full use of the telephone, internet, and media to introduce the company's development strategy, corporate culture and operating reality to investors, receive researches and interviews from investors and institutions, ensure the right to information of small and medium investors, and continuously enhance the openness and transparency of company operations. The Company has held the 2016 and 2017 interim results presentation in Hongkong in March and August respectively. A press conference was convened to introduce the business performance and enhance the interaction with fund managers or investment institutions for each presentation.

## Section VIII Corporate Governance Structure and Governance Report

### 6. Registration management system for holders of inside information

During the reporting period, in order to maintain the confidentiality of information such as financial information, the company has strictly complied with the Management System on Disclosure of Information, Registration Management System for Holders of Inside Information Administrative Measures for the Relevant Activities such as the Reception of Specific Targets by the Company for Investigation and Research and Interview, registered in details the relevant personnel, items, time of knowing the information and usage related to the inside information, and required the relevant personnel to make commitment and reminded them to fulfill their duty of confidentiality to prevent the leakage of information and insider dealings. According to our internal investigation, there has been no finding of cases that insiders dealt with the shares of the Company prior to the disclosure of substantial sensitive information concerning the shares of the Company in 2017.

Whether there are significant differences between corporate governance and the requirements of CSRC; If there are significant differences, the reasons should be explained.

Applicable  Not applicable

## II. Profile of the General Meeting

Session	Date	Query indexes for published resolutions	Disclosure date of the published resolution
2016 Annual General Meeting	19 May 2017	Shanghai Securities News China Securities Journal	20 May 2017
2017 First Extraordinary General Meeting	16 August 2017	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> <a href="http://www.anhui-expressway.net">http://www.anhui-expressway.net</a>	17 August 2017

Shareholders' General Meeting

Resolutions passed in 2016 Annual General Meeting:

- To approve the report of the board of directors, the report of the supervisory committee, the audited financial report and the profit appropriation proposal of the Company for the year 2016 (Ordinary resolution);
- To approve the appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's PRC and Hong Kong auditors for the year 2017 and to authorize the board of directors in determining their remuneration (Ordinary resolution);
- To approve the motion on the expected daily related transactions of 2017(Ordinary resolution);
- To approve the general mandate for the issue of additional shares of A shares and/or H shares of the company (Special resolution);
- To approve the proposal on the amendment of the Articles of Association (Special resolution).



The motion passed at the first extraordinary shareholders meeting in 2017:

- Approval of the remuneration of the members of the company’s eighth Board of Directors and supervisory committee, and authorizing the Board of Directors to decide on the terms of the service contracts of Directors and Supervisors (Ordinary Resolutions);
- Election of the non-independent Directors of the eighth session of the Board of Directors of the Company (Ordinary Resolutions);
- Election of the independent Directors of the eighth session of the Board of Directors of the Company (Ordinary Resolutions);
- Election of the shareholder representative Supervisors of the 8th Supervisory Committee of the Company (Ordinary Resolutions).

### III. Directors’ Performance of Duties

#### 1. Directors’ attendance at board meetings and shareholders’ general meetings

Name	Independent director (yes or no)	Number of meetings that should be attended during this year	Attendance at board meeting				Attendance at shareholders’ meeting	
			Times of attending in person	Times of attending through communication means	Times of attending by delegate	Two successive absence from the meeting (yes or no)	Times of attending	
Qiao Chuanfu	No	9	4	5	0	0	No	2
Chen Dafeng	No	9	4	5	0	0	No	2
Xu Zhen	No	9	4	5	0	0	No	2
Xie Xinyu	No	9	4	5	0	0	No	2
Yang Xudong	No	4	2	2	0	0	No	1
Du Jian	No	9	4	5	0	0	No	2
Kong Yat Fan	Yes	9	4	5	0	0	No	2
Jiang Jun	Yes	9	3	5	1	0	No	2
Liu Hao	Yes	4	2	2	0	0	No	1
Wang Xiufeng	No	5	0	3	2	0	No	2
Yang mianzhi	No	5	2	3	0	0	No	2

Note: Every director has attended all board meetings of their term during the reporting period.



## Section VIII Corporate Governance Structure and Governance Report

The Company discusses and makes decisions on business and financial conditions, investment and financing, related party transactions, governance structure and other major issues in all meetings. Directors, supervisors and senior management of the Company have conducted several exchanges and discussions with regard to development strategy, business development and capital operation combining with the economic situation and policies, and put forward a number of practical recommendations, which effectively promote the checks and balance among the “three meetings” and healthy development of the Company.

Explanations for not attending the board meeting in person two times in a row.

Applicable  Not applicable

Number of board meetings this year	9
Among: Number of on-site meetings	4
Number of meetings through communication means	5
Number of on-site meetings combining the use of communication means	0

### 2. Raising objections to any matters relating to the Company by independent Directors

Applicable  Not applicable

During the reporting period, apart from attending Board meetings and special committee meetings conscientiously, the independent directors of the Company have provided written independent opinions on matters such as the Company’s appointment of senior management, provision of external guarantees and daily connected transactions, and have held 2 meetings with external auditors to discuss the annual audit arrangement and problems identified in the audit. During the reporting period, none of the independent Directors has raised any objections to any matters relating to the Company, and none of them has proposed to convene any board meeting, general meeting or seek voting rights from public shareholders.

### 3. Other

Applicable  Not applicable



#### 4. Important opinions and suggestions provided by special committees under the Board in performing their duties during the reporting period, particulars of any disagreement should be disclosed

The Board has established three special committees, the terms of reference of which are available on the website of the Company for inspection by investors and the public. Members of the special committees are appointed by the Board for a term of three years within the same period of the term of directors. Save for the Strategic Development and Investment Committee, all chairmen of other special committees are independent directors.

Currently, the composition of these committees is as follows:

Committee Director	Strategic Development and Investment Committee	Human Resources and Remuneration Committee	Audit Committee
Qiao Chuanfu	C		
Chen Dafeng	M		
Xu Zhen	M		
Xie Xinyu			
Yang Xudong	M	M	
Du Jian			M
Kong Yat Fan		M	
Jiang Jun	M	C	M
Liu Hao			C

C: Chairman of relevant Board Committee

M: Member of relevant Board Committee

During the reporting period, the three special committees under the Board has fulfilled their respective responsibilities in accordance with the relevant regulations.

During the reporting period, the Strategic Development and Investment Committee, by analysing and researching on macro economic situation, industrial development policies and trends, and risk control of financial business, investigated the new situation and new requirements that Wantong Company is facing, during the 13th Five-Year Plan period, on the basis of the formulation of the "13th Five-Year Plan" for the development of strategic planning, combined with the new opportunities of the company's development, and aimed at the prominent problems in the current development of the main business and diversified expansion, further defined the company development, strategic objectives, implementing path and safeguard measures.

## Section VIII Corporate Governance Structure and Governance Report

During the reporting period, the main tasks of the Audit Committee included: supervising and evaluating the work of the external auditor, guiding the Company's internal audit work, reviewing the Company's financial report and expressing opinions on it, and evaluating the effectiveness of the internal control. In addition, some of the major issues that are closely related to the Company's operations were also reviewed, and professional opinions were provided to the Company's management.

Please refer to the 2017 Report by the Audit Committee on its discharge of duties for details of the Audit Committee's work.

During the reporting period, the main work of the Human Resources and Remuneration Committee was: performing the corresponding nomination process for the change of directors, confirming the qualification of candidates for senior management to be engaged by the Board, providing independent opinions on the nomination, recommendation and voting procedures for the aforesaid personnel, and reviewing the remuneration of directors, supervisors and senior managements to be disclosed in the annual report to ensure that the information disclosed is true and accurate and consistent with the actual condition.

### 5. Description on the Identification of Risks by the Supervisory Committee

During the reporting period, the Supervisory Committee of the Company conscientiously fulfilled its statutory supervisory duties and safeguarded the legitimate rights of shareholders and the Company in accordance with the relevant provisions of the "Company Law", the Article of Association and the "Rules of Procedure of the Supervisory Committee". During the reporting period, the Supervisory Committee has held 6 meetings to consider the Company's periodic reports, internal control self-assessment report, and the resolutions on replacement of supervisors of the Company. The Supervisory Committee has attended all on-site board meetings and shareholders' general meeting in 2017. Through convening the Supervisory Committee meetings and attending shareholders' meetings and Board meetings, etc., the Supervisory Committee understood and supervised the legitimacy and rationality of behaviors of the Directors, general managers and other senior management in their decision-making and daily management etc.; the Supervisory Committee carefully reviewed the operating performance and financial condition of the Company, discussed and reviewed the financial reports to be submitted to the Board of Directors; supervised, inspected and coordinated construction and implementation of the internal control of the Company, and monitored improvements thereof.

The Supervisory Committee had no objection to the matters under supervision during the reporting period.



### 6. Description on Failure of the Company in Ensuring Independence from its Controlling Shareholder in Terms of Business, Personnel, Assets, Organization and Finance etc., and Maintaining Independent Operation

Applicable     Not applicable

The Company is independent from its controlling shareholder(s) in terms of business, personnel, assets, organization and finance, and has independent and complete business and the ability of independent operation.

If there is competition in the same trade, the company's corresponding solutions, work progress and follow-up work plan

Applicable     Not applicable

### 7. Evaluation mechanism of senior management personnel and the establishment of incentive mechanism and implementation During the Reporting Period

The Human Resources and Remuneration Committee is responsible for the senior management personnel performance appraisal, plans and executes long-term incentive plans and gives corresponding reward to good performers.

### 8. Whether Self-evaluation Report Regarding Internal Control is Disclosed

For details, please see the "2017 Self-evaluation Report Regarding Internal Control" disclosed by the Company on SSE website ([www.sse.com.cn](http://www.sse.com.cn)).

Major defects of internal control during the reporting period

Applicable     Not applicable

### 9. Related presentation of Internal Control Audit Report

PricewaterhouseCoopers Zhong Tian LLP has reviewed the internal control of the Company in 2017 and issued standard unqualified Internal Control Audit Report, and is of the view that the Company has maintained effective internal control in all material aspects over the financial statements in accordance with the Guidelines for Corporate Internal Control Assessment and the related regulations.

For details, please see the "Internal Control Audit Report" on SSE website ([www.sse.com.cn](http://www.sse.com.cn)).

Whether internal control audit report is disclosed: Yes

## Section VIII Corporate Governance Structure and Governance Report

### 10. Others

#### A. Code on Corporate Governance Practices

It is confirmed by the Board of Directors that during the period under review, apart from the fact that the Human Resources and Remuneration Committee took up both the functions of the Remuneration Committee and the Nomination Committee (as the Company takes the view that the model of the Human Resources and Remuneration Committee has been functioning well and is better in meeting the Company's needs and given that the members of the Human Resources and Remuneration Committee are independent non-executive directors, the interests of the shareholder of the Company could be effectively protected), the Company has complied with the Corporate Governance Code (the "Code") of the Listing Rules of the SEHK and strived to maintain a corporate management system of high standard to promote transparency and to protect the interests of shareholders.

During the reporting period, the Company strictly adhered to Company Law, Securities Law and the relevant laws and regulations as well as regulatory documents of the CSRC (China Securities Regulatory Commission) and continued to improve the corporate governance structure, vigorously promoting internal control and regulation construction work. The Company duly complied with its obligation of disclosure and enhanced its management of investors' relations and the level of which its operations are regulated. During the reporting period, the Board discharged the following corporate governance functions:

- (a) reviewing the Company's policies and practices on corporate governance;
- (b) reviewing and monitoring the training and continuous professional development of directors and senior management;
- (c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and
- (e) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.



### B. Directors and the Board of Directors

#### 1. The Board of Directors

As of 31 December 2017, the Board of Directors, which is the 8th session of Board of Directors of the Company, composed of 9 Directors, including:

**Executive Directors:**

Qiao Chuanfu (*Chairman*)

Xu Zhen (*General Manager*)

Chen Dafeng

Xie Xinyu

**Non-executive Directors:**

Yang Xudong

Du Jian

**Independent Non-executive Directors:**

Kong Yat Fan

Liu Hao

Jiang Jun

There are no relationships (including financial, business, family or other material/relevant relationship) among Directors). Please refer to section VII “Directors, Supervisors, Senior Management and Staff” of this annual report for the biography of the Directors (including their professional background and working experience in the stockholding company and other companies) and the term of appointment of the non-executive Directors.

The chairman of the Company is Mr. Qiao Chuanfu (appointed on 20 May 2016). The general manager of this Company is Mr. Xu Zhen. The responsibilities of the chairman and the general manager are clearly defined and are set out in detail in the Company’s Articles of Association, the “Rules of procedures for the Board” and the “Standing Orders for the Operation of General Manager” to ensure a balance of power and authority as well as the independence of the Board of Directors in decision-making and the independence of the management in day-to-day operation management activities. The chairman holds and coordinates the work of the Board, and is responsible for leading the Board of Directors to work out the Group’s strategy and direction, and achieving the Group’s goal to ensure effective operation of the Board and good corporate governance and practice of the Company. Under the support of the Board of Directors and other senior management, the general manager is responsible for coordination and management of the Group’s business and operation, implementing the strategies made by the Board of Directors and making daily decision.

During the reporting period, the Board of Directors faithfully implemented every decision made in Shareholders’ general meetings, and strictly followed regulations in performance of corresponding review procedures of substantial events within their scope of authority. Every special committee of the Board of Directors separately convened special committee meetings according to its respective responsibilities, and gave suggestions and advice on issues including the development strategy and capital operation of the Company, contributing to orderly operation and scientific decision-making of the Board of Directors.

## Section VIII Corporate Governance Structure and Governance Report

The management of the Company is responsible for the provision of relevant materials and information necessary for the Board of Directors' consideration of various proposals, making response or providing further data upon Directors' reasonable enquiry or requests as soon as possible and arranging for the senior management to report at a board meeting. The Board of Directors and the special committees under the Board of Directors shall have the right to seek the service of independent professional institutions according to the needs of the exercise of authority, performance of duties or businesses, and the reasonable expenses incurred thereon shall be borne by the Company. During the year, none of the Directors has requested to seek independent professional opinions for any matter.

### 2. Independent Non-executive Directors and their independence

The Company has appointed sufficient number of independent non-executive directors. The Board of Directors has received the confirmations from all independent non-executive Directors as to their independence pursuant to Rule 3.13 of the Listing Rules of the SEHK. The Company considers that all existing independent non-executive Directors have complied with the relevant guideline as set out in such Rule, and remain independent.

### 3. Compliance support for Directors

During their terms of office, all the directors of the Company are able to receive materials and updates about the legal, regulatory and other continuing obligations of directors of listed companies through the secretary of the Board. The Directors are determined to comply with the requirement on the training of directors imposed by Code Provision A.6.5 of the Code to ensure that the Directors can make informed and related contribution to the Board. During the reporting period, directors of the Company have attend training session or lectures held by the SSE and the Hong Kong Institute of Chartered Secretaries, and provided the Company with relevant training records. In 2017, the training Directors received is as follows:

Director's name	Corporate governance and update of laws and regulation		Accounting/finance/ management and other professional skill	
	Read materials	Attend lecture/ training	Read materials	Attend lecture/ training
Qiao Chuanfu	√		√	
Chen Dafeng	√		√	
Xu Zhen	√	√	√	√
Xie Xinyu	√	√	√	√
Yang Xudong	√		√	
Du Jian	√		√	
Kong Yat Fan	√		√	
Jiang Jun	√		√	
Liu Hao	√		√	
Wang Xiufeng	√		√	
Yang Mianzhi	√		√	



#### 4. Model Code for Securities Transactions for Directors and Supervisors of the Company

The Company has adopted the “Model Code for Securities Transactions by Directors and Supervisors of Listed Issuers” as set out in the Appendix 10 of the Listing Rules of the SEHK as its code provisions on the trading of shares of the Company by relevant Directors and Supervisors. After making specific enquiries to all Directors and Supervisors, the Company confirms that all Directors and Supervisors fully complied with the relevant standards required by the above mentioned Model Code.

#### C. Special Committees Under the Board

##### 1. Strategic Development and Investment Committee

The main duties of the Strategic Development and Investment Committee according to its terms of reference include identifying the strategic development direction of the Company, devising strategic plan of the Company, supervising implementation of strategies, timely adjust the strategic and governance structure of the Company, organizing review of proposed investment projects of the Company, and providing suggestion for decision making of the Board.

In 2017, the Strategic Development and Investment Committee consisted of:

- Qiao Chuanfu (the chairman of the committee and executive Director)
- Chen Dafeng (Executive Director)
- Xu Zhen (Executive Director)
- Yang Xudong (Non-executive Director, appointed on 17 August 2017)
- Jiang Jun (Independent non-executive Director)
- Wang Xiufeng (Non-executive Director, left the post on 17 August 2017)

For the work report for 2017 of this committee, please refer to the disclosures in “4. Important opinions and suggestions provided by special committees under the Board in performing their duties during the reporting period, particulars of any disagreement should be disclosed” of this section.



## Section VIII Corporate Governance Structure and Governance Report

### 2. Audit Committee

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

In 2017, the Audit Committee of the Company composed of Mr. Liu Hao (the chairman of the committee and independent non-executive Director, appointed on 17 August 2017), Mr. Du Jian (non-executive Director), Mr. Jiang Jun (independent non-executive Director) and Mr. Yang Mianzhi (independent non-executive Director, left the post on 17 August 2017).

In 2017, the Audit Committee held 4 meetings. Details of attendance are as follows:

Member's name	Attendance in person at meeting (times)	Number of meeting (times)	Attendance rate
Liu Hao	2	2	100%
Du Jian	4	4	100%
Jiang Jun	4	4	100%
Yang Mianzhi	2	2	100%

### 3. The Human Resources and Remuneration Committee

The major responsibilities of the Human Resources and Remuneration Committee of are: formulating human resource development strategies and plans for the Company, researching and formulating remuneration policies and incentive mechanism, conducting performance appraisal of and putting forward suggestions as to the appointment and dismissal of directors, general managers and other senior executives of the Company.

According to the terms of reference, the Human Resources and Remuneration Committee acts as consultant for the remuneration of directors and senior executives of the company while the Board reserves the final authority in approving the remuneration of directors and senior executives.

In 2017, the Human Resources and Remuneration Committee of the Company composed of Mr. Jiang Jun (the chairman of the committee and independent non-executive Director), Mr. Wang Xiufeng (non-executive Director, resigned on 17 August 2017), Mr. Kong Yat Fan (independent non-executive Director) and Mr. Yang Xudong (non-executive Director,, appointed on 17 August 2017), which met requirement of the relevant regulations.



In 2017, the Human Resources and Remuneration Committee held 4 meetings. Details of attendance are as follows:

Member's name	Attendance in person at meeting (times)	Number of meeting (times)	Attendance rate
Jiang Jun	4	4	100%
Yang Xudong	2	2	100%
Kong Yat Fan	4	4	100%
Wang Xiufeng	2	2	100%

For the work report for 2017 of this committee, please refer to the disclosures in "4. Important opinions and suggestions provided by special committees under the Board in performing their duties during the reporting period, particulars of any disagreement should be disclosed" of this section. During the reporting period, the committee nominated, selected and recommended director candidates in accordance with the relevant procedures and criteria as stipulated in the Terms of Reference of the Human Resources and Remuneration Committee of the Company.

#### D. Summary of Board Diversity Policy

In order to promote the quality of its performance, the Board of Directors resolved to adopt the Board Diversity Policy on 23 August 2013.

This Policy aims to set out the approach to achieve diversity in the Board of Directors. The Company recognises and embraces the benefits of having diversified Board members. The Human Resources and Remuneration Committee is committed to ensuring the Company's equipment of the required skill, experience and diversified view for its business. All Board appointments will be based on meritocracy, and candidates will be considered by objective criteria, with due regard for the benefits of Board diversity. Selection of candidates will be based on a range of diversity perspectives, including but not limited to age, cultural and educational background, professional experience, skills, and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Human Resources and Remuneration Committee will monitor the implementation of this Policy and will review relevant policy as appropriate to ensure effective implementation of this Policy. Besides reviewing, the Human Resources and Remuneration Committee has not yet set any measurable objectives for implementing this Policy during the year.

#### E. Responsibility Statement Made by the Board of Directors on Financial Statements

This statement aims at explaining and distinguishing the responsibilities assumed by the Directors and auditors respectively as to financial statements. The statement should be read with the auditors' statement in the auditor's report in Section XI of this annual report.

## Section VIII Corporate Governance Structure and Governance Report

The Board of Directors held that the resources the Group owns are sufficient for the Group to continue operating the business in the foreseeable future. Therefore, the financial statements were made on the basis of going concern; and in making the financial statements, the Group has applied appropriate accounting policies. These policies were applied with the support of reasonable and prudent judgment and evaluation, in line with all the accounting standards regarded as applicable by the Board of Directors. The Directors are responsible for ensuring that the financial statements prepared by the Company can reflect the financial condition, financial performance and cash flows of the Group in a reasonable and accurate way, and that the financial statements meet the requirements of relevant accounting principles.

### F. Auditors

The Audit Committee of the Company is responsible for considering the appointment, resignation or replacement of auditors and assessing the professional quality of the services provided by the auditors, and makes proposals to the Board. The appointment, replacement of auditors and audit fees will be approved or authorized at general meeting presented by the Board.

The 2016 Annual General Meeting has approved the re-appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's 2017 PRC and Hong Kong auditors respectively. The audit and non-audit service fees for the year are as follows:

	<b>RMB'000</b>
Financial Statements audit service	1,750
Other audit service (including internal control audit)	350
Non-audit service	0

In addition, the Company did not pay any other fees to the auditors nor any fees that would affect their independence. For details, please refer to Section V "Major Events" of this annual report.

### G. Remuneration of Senior Management

During the reporting period, the total amount of remuneration of senior management (five of whom are also Directors of the Company) is within the following range:

	<b>Number of Person</b>
Nil to HK\$ 1,000,000 (equivalent to RMB 835,900)	9

### H. Risk Management and Internal Control

According to the requirements of the Corporate Internal Control Basic Norm and its supporting guidelines and other internal control supervisory requirements (hereinafter referred to as the Corporate Internal Control Norm System), the Company establishes a sound and effective risk management and internal control system. The objective of risk management and internal control system of the Company is to reasonably ensure the operating and management to be in compliance with laws and regulations, that the assets are safe, the financial report and the relevant information are true and complete, improve operational effect and result, and promote and achieve development strategy. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to meet business objectives and to only provide a reasonable, but not absolute assurance that there will be no material misrepresentations or losses.



### 1. Main characteristics of risk management and internal control

The Board shall be responsible for the risk management and internal control system of the Group and for the review of the effectiveness of such system. The Supervisory Committee supervises the internal control established and implemented by the Board. The management is responsible for organizing and leading the daily operation of corporate internal control.

Scope of duties:

The Board

- To be responsible for the risk management and internal control system and continuously review its effectiveness, ensuring that the Group establish and maintain an effective risk management and internal control system;
- To review risk management and internal control system of the Group at least once per year and ensuring that when reviewing, the resources, staff qualification and experience in accounting, internal audit and financial reporting of the Group are sufficient and the training course received by the staff and the relevant budget are sufficient. The Chairman decides whether to report to the Board for matters required to be reported occasionally;
- To supervise the design, implementation and monitor of risk management and internal control system by the management.

Audit Committee

- To review the risk management and internal control system of the Group;
- To evaluate the result of appraisal and audit of risk management and internal control system, to urge the rectification of defects of risk management and internal control;
- To discuss the risk management and internal control system with management, to ensure the management has performed its duties to establish an effective system;
- To actively or as per the appointment from the Board, conduct research on the major investigation results of risk management and internal control and feedback of investigation results from the management.

## Section VIII Corporate Governance Structure and Governance Report

### Management

- The management is responsible for the duties of risk management and internal control as well as the relevant management;
- To report the relevant information during the course of risk management and internal control to the Board and the Audit Committee.

The risk management and internal control departments of the Group shall report to the Audit Committee and the Board regarding the risk management and internal control at the annual meeting, so as to facilitate the Board to evaluate the effectiveness of control and risk management of the Group.

The Group has implemented policies and procedures to review the effectiveness of risk management and internal control and remedy the serious defects of internal control, including requesting the management to conduct evaluation on a regular basis to keep abreast of the related information in a timely manner. Furthermore, the Group has set up a system to safeguard integrity and honesty, combat corruption and facilitate case report and supervision.

### 2. Specific procedures to identify, evaluate and manage material risks and the Company

#### (1) *Risk identification*

The Company formulates risk evaluation criteria to identify risks which may affect the Group.

#### (2) *Risk evaluation*

The Company evaluates the identified risks and classifies them into different risk levels.

#### (3) *Risk management*

The Company adopts different strategies to manage risks based on their levels and the risk management department supervises the effectiveness of the strategies. In addition, the Company formulates relevant countermeasures to prevent the reoccurrence or lower the risks.



#### **(4) Risk monitoring**

The Company monitors risks in a consistent and regular manner and promptly amends the risk management and internal control procedures to ensure their adequacy and effectiveness. The Company also regularly reports the result of risk monitoring to the management and the Board.

In order to respond to changes in the external environment and maintain its profitability, the Company has optimized its business process and transformed its business and management models through management innovation, business reform and other measures. The medium to long-term visions of the Group have also been formulated. Efforts have been made to lower costs, enhance organization and process and improve its ability, in order to ensure the implementation of the strategies and annual policies of the Group.

### **3. Specific procedures for the Company to review the effectiveness of system and to solve the serious defects of internal control**

#### **(1) Procedure of testing of the effectiveness of internal control**

##### *1. Purpose of testing of the effectiveness of internal control*

The appraisal of the effectiveness of the operation of internal control shall take account into the following:

- (1) How the relevant control works during the appraisal period;
- (2) Whether the relevant control works continuously and consistently during the appraisal period;
- (3) Whether the controlling staff possess the necessary authorization and capability.

##### *2. Internal Control Effectiveness Testing Frequency*

From July to August 2017, the internal control working group organized all units to test the effectiveness of internal control operation on their own for the first half of 2017. In January 2018, the internal control working group tested the effectiveness of internal control operation for 2017. For some sub-processes with greater risks, whether to increase the test frequency was determined based on the actual needs.

## Section VIII Corporate Governance Structure and Governance Report

### 3. *Identification of Key Control Points and Determination of the Test Manuscript*

The Company has identified the key control points to be tested during the internal control evaluation process and unified the working manuscripts used in the test. Testers are required not to change them arbitrarily during the test process.

Before the test is carried out, the testers will obtain the process document of the test process, the risk control matrix, the test working manuscripts and the major rules and regulations, and gain an understanding of the control objective of the whole process, risks to be controlled and the major content of the respective key control points.

### 4. *Method for Testing the Effectiveness of Internal Control*

The Company has adopted a combination of four methods to carry out internal control effectiveness tests, including inquiry (optional), observation (optional), review, inspection (mandatory) and re-implementation (optional).

The internal control working group of the Company will select the appropriate test method from the above methods by taking into account the evaluation result of the control related risk factors.

### 5. *Test Sample Selection and Test Conclusion*

Samples are selected independently for each key control point, and the samples shall cover the key control points that are tested and do not need to cover other non-key control activities during the process. Random selection must be made and the statistical sampling method is adopted conditionally.

The results of testing the key control points after the samples are selected are divided into the following two categories:

- Control is effective. Upon testing, if a key control is effectively implemented in all samples, the test result is valid;
- Test difference. If the execution of the sample is inconsistent with the description of the key control point, it indicates that the rationally-designed control has not been effectively executed as expected and is a test difference. For a test difference, testers should communicate with the process leader to identify the cause of the difference.



### 6. *Internal Control Effectiveness Test Sample Recording*

Using a unified control test document template for sample recording; including: truthfully fill out all the characteristics of each sample (including the abnormal part) according to the content as set out in the template; need to briefly describe the reason causing the abnormality of the sample in the manuscripts; and form a test conclusion on each manuscript (control is effective or control is ineffective).

### 7. *Identification of Internal Control Deficiencies*

The identification of internal control deficiencies by the Company is based on daily supervision and special supervision, taking into account the results of the annual internal control evaluation. Identification opinions will be put forward by the internal control working group after a comprehensive analysis is conducted and will be reviewed in accordance with the prescribed authority and procedures. Major deficiencies will be finalized by the Board.

Pursuant to the “Guidelines for the Evaluation of Internal Control of Enterprises”, the Company has set the standard for the identification of internal control deficiencies by distinguishing between financial reporting internal control deficiencies and nonfinancial reporting internal control deficiencies in accordance with the specific form of expression of the impact of internal control deficiencies on the achievement of financial reporting objectives and other internal control objectives.

## (2) *Specific Procedures for Solving Serious Internal Control Deficiencies*

### 1. *Developing a Deficiency Rectification Plan*

The internal control working group of the Company is responsible for supervising each of the persons overseeing the rectification of deficiencies to develop respective deficiency rectification plans in accordance with the nature of the identified deficiencies, taking into account the actual situation of the Company. The rectification plan needs to include the following: department/individual responsible for rectification, rectification steps and rectification schedule and so on. The rectification plan developed needs to be approved by the management of the object being evaluated before implementation.



## Section VIII Corporate Governance Structure and Governance Report

### 2. Method for the Rectification of Deficiencies

For internal control design deficiencies which have been confirmed to have a need for rectification, the relevant provisions have to be supplemented or the original provisions have to be amended in the existing internal control management system. The supplement or amendment shall be examined and approved in accordance with the established management system and approval procedures of the Company. For internal control implementation deficiencies which have been confirmed to have a need for rectification, the implementation of internal control has to be strengthened and the persons implementing the control are required to implement it in strict accordance with the relevant provisions.

The relationship between the severity of internal control deficiencies, identification bodies and corrective measures are as follows:

Extent of the Impact of Deficiencies		Tackling Method	Identification Body	Body Responsible for Correction	Countermeasures
General deficiencies	Minor	Concern	Internal control evaluation department (Management)	Internal control evaluation department	Give regular attention, or adjust the current situation to an acceptable level.
	Small	Concern and test			
	Medium	Remedy or correction			
Important deficiencies		Correction	Management (Board)	Management	The management should take action or urge the relevant departments to take action to solve the existing problems so as to prevent the occurrence of events which have a greater negative impact on the control objective; for design deficiencies, the internal control system should be revised simultaneously when corrective measures are taken.
Major deficiencies		Correction	Board	Board	The Board gives attention and urges the relevant departments to immediately analyze the reasons and take corrective action; for design deficiencies, the internal control system should be revised simultaneously when corrective measures are taken.

### 3. Monitoring of Progress in Deficiency Rectification

The internal control working group of the Company is responsible for supervising the rectification of deficiencies and coordinating the problems occurring in the process of rectification. The main method of monitoring is to review the reports on the progress of rectification made by each person responsible for rectification on a regular basis.



#### 4. *Report on Deficiency Rectification Progress*

In the process of deficiency rectification, the internal control working group of the Company is responsible for reporting to the management the progress of deficiency rectification on a regular basis. Major rectification matters have to be reported to the Board (Audit Committee) in a timely manner. Measures taken for rectification and the completion of the rectification steps shall be briefly described during reporting. Meanwhile, problems (such as difficulties and matters requiring the coordination of other departments) occurring in the process of rectification that are of concern to the management have to be stated and explained.

Pursuant to the provisions of the Corporate Internal Control Norm System and taking into account the internal control system and evaluation method of the Company, the Board has completed the annual review of the Group's risk management and internal control system on the basis of the daily supervision and special supervision of internal control: In May 2017, the Company collected risk information from its headquarters and subordinate units, identified the causes of risks and assessed their impact on the Company from the qualitative and quantitative aspects through various methods and means such as conducting surveys by distributing risk questionnaires, preparing business process internal control risk identification tables and taking into account the Company's internal control evaluation results and internal audit findings for the year. From July to August 2017, the Company organized all subordinate units to test the effectiveness of internal control operation on their own for the first half of 2017. In January 2018, the Company tested the effectiveness of internal control operation for 2017. The Board of Director confirms that for the year ended 31 December 2017, the Group's risk management and internal control systems were effective and adequate, and no major monitoring errors or major monitoring weaknesses were identified during the reporting period.

The Board considers that for the year ended 31 December 2017, the internal control system of the Group was effectively operated and played a better management and control role in all key aspects of the Group's operation and management, and was able to provide an assurance for the healthy operation of the Group's businesses and the control of operating risks and was able to provide a reasonable guarantee for the reliability of financial reports, the legality of business operations and the efficiency and effect of operation. The Group's resources, employee qualifications and experience in accounting, internal audit and financial reporting functions, as well as the training courses received by employees and the relevant budget are adequate. In addition, the Group's procedures for financial reporting and compliance with the requirements under the Listing Rules are effective.

## Section VIII Corporate Governance Structure and Governance Report

### 4. Internal Audit Function

The internal audit department is responsible for the internal audit work of the Group and reports directly to the Audit Committee. The internal audit department plays an important role in assessing the effectiveness of the Group's risk management and internal control systems and is responsible for directly reporting to the Audit Committee on a regular basis.

#### I. Training for the Secretary of the Company

Mr. Xie Xinyu, the secretary of the Company is an associate member of the relevant institute of chartered secretaries. During the reporting period, Mr. Xie Xinyu attended 1 series of lectures about strengthening the continuing professional development held by HKICS (the total hours: 17 hours), the content of which covers Shenzhen-Hong Kong Stock Connect and listing information disclosure regulations of the two places, HKICS "shareholder communication investigation and research report" overview, financial audit and performance report preparation, discloseable transactions, connected transactions, insider information and insider control and its information disclosure, "environmental, social and governance report" preparation and its disclosure, general meeting and communicate with shareholders, etc.

#### J. Procedures of General Meeting, Procedures for Shareholders to Convene Extraordinary General Meeting and to Make Suggestions at General Meetings

According to Article 88 of the Articles of Association, more than half of the independent directors, shareholders who singly or jointly hold more than 10 per cent of the total voting rights (hereinafter called "Requisitioning Shareholder") or the Supervisory Committee, may request the Board of Directors to convene an extraordinary general meeting or a class meeting in accordance with the following procedures:

- (1) Upon requisition by more than half of the independent directors to convene an extraordinary general meeting, the Board of Directors must act according to the laws, administrative rules and the Articles of Associations, and provide written reply on whether they agree or disagree to convene the extraordinary general meeting within 10 days of the date of receipt of the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting, a notice of general meeting shall be issued within 5 days after such a board resolution is made. If the Board of Directors decline to convene an extraordinary general meeting, reasons must be given and announced.



- (2) Requisitioning Shareholder or the Supervisory Committee may, by signing a written requisition in one or more counterparts in the same form and content (including the agenda for the meeting and completed motion, Requisitioning Shareholder or the Supervisory Committee shall ensure the motion comply with law, regulation and the requirements of the Articles of Association), require the Board of Directors to convene an extraordinary general meeting or a class meeting and state in such written requisition the matters to be considered at the meeting.
- (3) The Board of Directors shall, after receipt of the aforesaid written requisition from the Supervisory Committee, within 15 days issue a notice for convention of extraordinary general meeting or class meeting, the process for convention shall comply with the Articles of Association.
- (4) As regards to the written requisition from the Requisitioning Shareholder for convention of extraordinary general meeting or a class meeting, the Board of Directors shall, based on the law, regulation and the Articles of Association, determine whether to convene general meeting. The decision of the Board of Directors shall be given to the Requisitioning Shareholder within 15 days from the date of the aforesaid written requisition.

Where the Board of Directors consents to the convention of general meeting, they shall give notice of general meeting within 15 days from the date of their resolution. Amendment to the original motion to be stated in the notice shall be agreed by the Requisitioning Shareholder. After the issue of notice, the Board of Directors shall not make any new motion. The Board of Directors shall not change or postpone the time for convention of meeting without consent of the Requisitioning Shareholder.

Where the Board of Directors is of the opinion that the motion made by the Requisitioning Shareholder is violating the law, regulation and the provisions of the Articles of Association, the Board of Directors shall make the decision for not agreeing to the convention of general meeting or class meeting. The decision of the Board of Directors shall be given to the Requisitioning Shareholder within 15 days from the date of their resolution. The Requisitioning Shareholder may, within 15 days from the date of receipt of notice, decide to give up the convention of general meeting or class meeting, or issue notice of general meeting or class meeting by himself.

## Section VIII Corporate Governance Structure and Governance Report

- (5) If the Board of Directors fails to issue a notice convening a meeting within 30 days of its receipt of the aforesaid written requisition, the requisitioning shareholders may on their own convene a meeting within 4 months of the receipt of such requisition by the Board of Directors. Such meeting shall be convened in a manner as similar as possible to that of a general meeting convened by the Board of Directors. All reasonable expenses incurred in relation to a meeting convened by the shareholders which arises from the Board of Directors' failure to convene a meeting pursuant to the requisition shall be borne by the Company and shall be set off against sums owed by the Company to those directors in default.
- (6) When the Supervisory Committee or Requisitioning Shareholder decide to convene extraordinary general meeting or class meeting by itself, it shall give written notice to the Board of Directors and at the same time notify the local agent of China Securities Regulatory Commission and file at the stock exchange in China. The content of the notice for convention of meeting shall comply with the following requirements:
  - (1) New content shall not be added to the motion, otherwise the Supervisory Committee or Requisitioning Shareholder shall make request to the Board of Directors for convention of meeting again in accordance with the provision of the Articles of Association;
  - (2) The venue for the meeting shall be the address of the Company.
- (7) As regards to general meeting or class meeting convened by the Supervisory Committee or Requisitioning Shareholder, the Board of Directors and Secretary of the Board of Directors shall perform their duties. The Board of Directors shall ensure that the procedure of the meeting is regular, and the reasonable costs for convention of meeting shall be borne by the Company.
- (8) Where the Board of Directors is unable to assign a director to be chairman of the meeting, the meeting shall be presided by the Supervisory Committee or the Requisitioning Shareholder according to the Articles of Association. The secretary of the Board of Directors shall perform his duty. Other procedure for summoning of meeting shall comply with the provision of law, regulation and the Articles of Association.
- (9) The Requisitioning Shareholder shall submit relevant evidence to the local agent of China Securities Regulatory Commission and stock exchange in China when issuing a notice of general meeting and board resolution.



In addition, according to Article 65 of the Articles of Association, Where the Company convenes general meeting, the Board of Directors, the Supervisory Committee and shareholders, solely or jointly, holding more than 3 per cent. (including 3 per cent) the total shares of the Company carrying the right to vote are entitled to submit in writing any new proposal for the Company's consideration. The Company shall include in the agenda of that meeting those matters contained in the proposal which are within the scope of the duties of the shareholders in general meeting. Shareholders, solely or jointly, holding more than 3 per cent the total shares of the Company, may on or before the 10 days prior to the holding of a general meeting propose, with written submission to the convener, temporary proposal. The convener shall within 2 days from the date of receipt of such proposal issue a supplementary notice, in respect of the announcement of the contents of the temporary proposal, to the general meeting. Apart from the situation stipulated above, after the announcement of the notice of general meeting, the convener shall not amend proposed resolution stated in notice of the general meeting or to add any new proposed resolution. Any resolution which is not stated in the notice of general meeting or not complied with Article 98 of the Articles of Association shall not be proposed for voting and be resolved.

**K. The Method of Raising Enquiries to the Board of Directors**

If the shareholders have any enquiries, they can write to the Company. For the address of the Company please refer to Section II "Corporate Profile and Main Financial Indicators" of this annual report; the addressee is the secretary of the Company.

**L. Amendment of Articles of Association**

During the reporting period, in order to fully protect the interest of investors, further regulate and perfect the corporate governance structure of the Company, the Company, in accordance with relevant provisions as set out in the laws, rules and regulations including the Company Law, the Securities Law, Guidance on Listed Company Articles of Association (Revised in 2014) of the China Securities Regulatory Commission and the Listing Rules of the SEHK, coupled with the actual operation and development needs of the Company, amended certain provisions in the Articles, and these were considered and approved at the 2017 annual general meeting of the Company.

For the details of amendment, please refer to the circular dated 31 March 2017 and the notice of the annual general meeting dated 31 March 2017.

## Section IX Social Responsibility Report

### I. The Company's views on social responsibility:

Being a State-controlled listed company, the Company operates in the transportation industry and is engaged in promoting social development and the construction of infrastructure serving the people's livelihood. While pursuing economic benefits and safeguarding the interests of shareholders, the Company has always placed the fulfilment of corporate social responsibility in an important position in our corporate development. We always believe the development of the Company has benefited from the State's favourable policy of reform and opening as well as the strong support from the community and cannot be achieved without the hard work and contribution of all our employees. The Company shall take on the economic, legal, moral and social responsibilities that should be fulfilled by it as a corporate citizen during its development. Since its listing in 1996, the Company has always persisted in taking into account both economic and social benefits amidst development, pursuing the harmonious development of our enterprise, our employees and the community in practice and repaying the community with practical actions.

### II. Fulfillment of Social Responsibility:

#### (I) Contribution to the Community

##### 1. Continued Creation of Economic Values

In 2017, the Company achieved revenue of RMB 2.861 billion, an increase of 14.50% year-on-year. Net profit was approximately RMB 1.086 billion, of which, net profit attributable to the parent company was RMB 1.091 billion, representing an increase of 16.94% year-on-year. As of 31 December 2017, the size of our assets amounted to RMB 14.176 billion.

##### (1) Tax Contribution

Since its incorporation, the Company has insisted on business integrity and paid tax according to law and is an important corporate taxpayer in its locality and has made due contribution to the State's tax revenue and the local economy. In 2017, the Company paid various types of taxes and fees totaling RMB 541 million.

**(2) Driving the economic development of regions along the expressways**

Being an extremely important component of the modern transportation system, expressways are infrastructure facilities necessary for modern social development. Expressways play an important role in the intensive utilization of resources, improving transportation efficiency, promoting commerce and trade circulation, enhancing regional economic ties and promoting economic development. The existing expressways of the Company are mostly components of the national highway backbones running east-west and have profound significance on the national strategies for reinforcing economic and cultural exchanges between eastern and western regions, promoting east-west and north-south connectivity and accelerating the development of the western region and Yangtze economic region. The road sections under the jurisdiction of the Company pass through the central city circles or regions with a high population density and relatively active social and economic activities in our province, which has vigorously promoted the interconnection of regional economies, facilitated the eastward development of the Wanjiang region, expedited the pace of integrating with the Yangtze River Delta and driven the economic development of the Anhui region.

**2. Advancing Project Construction with Full Efforts and Improving the Expressway Transportation Network**

Dedication to the development of expressways as our principal operation is the foundation of the Company's business. In 2017, the Company continued to step up its efforts in the investment and construction of expressways, accelerating the advancement of the construction of Ningxuanhang Expressway, achieving the successful opening of the Phase III Lixuan Section of Ningxuanhang to traffic, driving forward the "4 to 8" capacity expansion reconstruction project of Hening Expressway and ensured work progress and project completion quality through strengthening the dynamic management of projects, establishing the coordination linkage mechanism and enhancing on-site supervision.

Ningxuanhang Expressway is an important connection route of "Vertical One" in the expressway network plan of "Four Verticals and Eight Horizontals" and is also a transit section in our province of the "Vertical Seven" Ningjin (Nanjing-Jinhua) Expressway planned in "Yangtze River Delta Metropolitan Economic Circle Expressway Planning Network (長三角都市經濟圈高速公路規劃網)" jointly prepared by Shanghai, Jiangsu and Zhejiang. Among them, the Phase I Xuanning Section and the Phase II Ningqian Section of the Ningxuanhang Expressway were completed and open to traffic in September 2013 and December 2015. The Phase III Lixuan Section was officially open to traffic on 30 December 2017. The opening and operation of the Lixuan Expressway marks the opening of the full route of the Anhui Section of the Ningxuanhang Expressway, one of the fast lanes leading to the Yangtze River Delta from Anhui, which has significantly shortened the temporal and spatial distance between the southeastern region of Anhui and Jiangsu and Zhejiang and has extremely important significance for the realization of regional economic integration.



## Section IX Social Responsibility Report

Hening Expressway is the common section of Hurong Expressway and Hushaan Expressway, the Shanghai Section and Jiangsu Section of Hurong Expressway were expanded according to the eight-lane expressway standard, reconstruction and expansion of the Jiangsu section of the Hushaan Expressway was also underway. The expansion from four lanes to eight lanes of the Dashushan to Longxi Overpass Section of the Hening Expressway was completed in September 2009. The reconstruction and expansion works of the Zhouzhuang to Longxi Overpass Section of the Hening Expressway commenced in 2016. As of the end of 2017, the full route completed total investment of RMB 1.04 billion. The reconstruction and expansion of the Zhouzhuang to Longxi Overpass Section would be able to improve the traffic flow condition significantly along the route of the expressway, would greatly enhance the interconnection among various expressways within the province, and would have significant implications on integration, interconnection and regional economic development between the regions.

### 3. Scientific Management and Persistent Enhancement of Smooth Traffic Flow Capability

To conscientiously improve the expressway management and service standard of the Company, optimize the corporate image and promote the harmonious development of the community, the Company has undertaken the standardization construction of toll booths and teams and groups in all management offices by adopting the requirements of the GB/T19001-2008 quality control system as the standard.

First is system standardization. The management offices have established and improved all rules and regulations by soliciting opinions extensively and taking into account the actual situation of the toll booths. For instance, we have revised and improved the appraisal and incentive mechanism. The focus is on the toll staff star class appraisal (收費人員星級考核), the outstanding station master project appraisal (優秀站長工程考核) and the team and group smile service responsibility system (班組微笑服務責任制), etc. Through the implementation of effective systems, we have guaranteed the incentive effect, mobilized the enthusiasm and initiative of all employees towards work and vigorously promoted the solid advancement of all tasks.

Second is software standardization. The focus is on enhancing team and group construction. We shall achieve persistence in supervision by booth heads, shift supervisors taking the lead and collaboration by all employees; achieve persistence in the closed-loop management model of process completeness and one settlement for one matter (一事一結); achieve persistence in the working principle of booth affairs disclosure and team and group autonomy; enhance education and training to facilitate the building of our own teams; provide team and group openings for job rotation to let staff holding different posts to relearn their job responsibilities, etc.

Third is hardware standardization. We shall achieve a strict toll collection process to guarantee unimpeded crossings; optimize smile service to improve service quality; rationally plan toll collection areas, make unified regulations on workplaces and living environment for staff, etc.



Through the sustained efforts of the Company, the hardware facilities of all toll booths have been renovated and the service capability and quality of toll collectors have been enhanced. A standard system framework consisting of toll collection, information, road assets inspection, rescue and obstacle clearance, general standard of services for gas stations and service zones, service assurance and service provision has been basically constructed. No complaint case and relevant non-compliance incidents in respect of the service standard of the Group had occurred during the year.

#### **4. Create the Corporate Image and the Smile Service Brand of “Anhui Expressway”**

On the basis of clarifying our core values of “conforming to principles with persistence in implementation, enabling smooth flow of traffic reaching far distances” (重道篤行,通達致遠), we will form our own brand awareness for promotion of brand strategy; strengthen construction of corporate culture from the three major aspects of corporate spirit, corporate system and staff behavior to enhance internal cohesion and strengthen the soft power of corporate culture; and form an industry pattern with our own characteristics, forging “Anhui Expressway” into a corporate citizen performing corporate social responsibilities and a well-known brand of expressway in China and abroad.

The “Smile Service” brand created by the Company with full efforts has developed into the primary brand of the top ten cultural brands in the transportation industry in China.

In 2017, the Company organized and convened the smile service manager symposium and the internal trainer training conference, actively conducted the brand promotion, applied for the Anhui Famous Brand Project and the Most Beautiful Highway Hostess in China (中國最美路姐), participated in the national brand story speech contest, and participated in industry quality service presentation activities in the province, which all achieved excellent results and effectively increased brand influence. The Company’s Tianchang Office promoted participation by all employees in realizing the concept of smile service, achieving remarkable results in the smile service work. 232 persons received smile training and 1,342 persons were appraised throughout the year. The Hefei Office attached importance to the output of the smile culture and received more than 600 persons in more than 30 groups for exchange from expressways within and outside Anhui province, including those in Inner Mongolia and Shanxi provinces. Selected internal trainers were sent to the Huihang Expressway and the Jinhua Yongjin Expressway to conduct training for more than 20 times. More than 2,000 persons received training. The influence of the smile service brand is expanding year by year.

## Section IX Social Responsibility Report

### 5. Strictly Implementing Various Toll Reduction and Exemption Policies

During the reporting period, the Company continued to implement various toll reduction and exemption policies strictly, total toll reductions and exemptions granted was RMB 885 million (2016: RMB 719 million), representing an increase of 23.09% year-on-year.

- (1) Green Passage Toll Exemption. In November 2013, the first “Green Passage Automatic Detection System” (綠通自動檢測系統) in our province was completed and put into use in Wansu Toll Booth of Xiao County Management Office. Since the system was put into use, the Company, on one hand, earnestly implemented the green passage new policy, and on the other hand, took measures to reinforce management at toll collection sites continuously, ensuring the fast and toll-free passing of vehicles carrying fresh agricultural products, flood rescue vehicles, thermal coal rush-transport vehicles and transregional operation combined harvesters so that national energy safety and various policies of benefiting and supporting agriculture could be implemented. During the reporting period, the total amount of toll reductions and exemptions granted by the green passage of the Company was approximately RMB 451 million (2016: RMB 399 million), representing an increase of 13.03% year-on-year, toll reductions and exemptions were granted to 1,410,600 vehicles, reducing social logistics cost.
- (2) Toll Reduction and Exemption on Major Holidays. In 2017, on the basis of the working experience of exempting toll for small passenger cars during major holidays in 2016 and taking into account the actual situation concerning the administration of road sections under our jurisdiction and the work characteristics of exempting toll during major holidays, the Company improved the implementation plan, optimized the operating rules, made full efforts in organization and implementation, and earnestly implemented the “Policy of Exempting Toll for Small Passenger Cars during Major National Holidays” to ensure the orderly transit of vehicles during peak flow periods such as Spring Festival travel season and toll-free period for small passenger cars during major holidays. During the major holidays in 2017, the Company granted exemptions to a total of 5,680,000 vehicles and waived tolls amounted to approximately RMB 244 million.
- (3) Toll Reduction and Exemption for Anhui Transportation Cards. In response to the demand of “supply-side” reforms, our province implemented 15% toll discount for lorries which are holders of Anhui Transportation Cards since 12 July 2016, resulted in a significant increase in the amount of waived toll due to Anhui Transportation Cards. During the reporting period, total amount of waived toll due to Anhui Transportation Cards by the Company was approximately RMB 164 million (2016: RMB 74 million), representing an increase of 121.62% year-on-year.
- (4) Other Reduction and Exemption Policies. Reductions and exemptions granted due to other policies amounted to approximately RMB 26 million (2016: RMB 28 million).



### (II) Production safety

Production safety is an obligation and basic responsibility that should be fulfilled by each enterprise. The Company has firmly established the safety concept of “Safety is Life, Safety is Service, Safety is Efficiency” and has done a solid job in expressway construction and operation safety management. As a result, the production safety situation of the Company has continued to be stable.

#### 1. Reinforce the construction of production safety organization and structure

To perform the duties of safety management practicably, the Company established the production safety committee to undertake, guide, deploy and supervise the operation of production safety comprehensively, and by combining with the practical circumstances of the Company, a liaison system was established under which each corporate leader was assigned the task of production safety of a road section to strictly implement the duty requirement of production management must include safety management, and business management must include safety management.

#### 2. Reinforce the implementation of production safety responsibility system

The Company further improved the four-tier responsibility system of the Company, all units, all departments, staff of all positions to realize a responsibility system reaching the edge horizontally and reaching the bottom vertically. The primary responsibility for production safety in various units was reinforced, the accountability system of “head leader” to be accountable for overall responsibility and all leadership members to be accountable for “one position with two responsibilities” was strictly implemented. Each tier was required to sign the “Production Safety Responsibility Letter”, through breakdown, refinement and level-based implementation, the foundation of production safety management was consolidated.

#### 3. Reinforce the revision and improvement of the production safety system

The Company formulated and introduced five system documents such as the “Interim Measures for Production Safety Management of Anhui Expressway Company (皖通公司安全生產管理暫行辦法)” and the production safety mechanism was further improved.

According to the requirements of Production Safety Law, the Company formulated the safe operation process which was implemented strictly through education and supervision of employees, provided employees with the necessary protective equipment, inspected the safety protective facilities on work sites regularly, promoted safety publicity and training, and enhanced employees’ own awareness of safety precautions to protect the personal safety of employees in a practical manner.

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### 4. Reinforce production safety management and control measures

The Company strengthened supervision and special operations for production safety inspections, and organized special operations such as “Production Safety and Safety Month Activity Supervision during the Flood Season” and the “Operation and Production Safety Supervision during Winter” to ensure safety by promoting improvement through inspections. The Company thoroughly advanced the identification and rectification of hidden hazards and treated hidden hazards as accidents. During the year, a total of 369 hidden hazards were identified and rectified, and the rectification of hidden dangers maintained good momentum. With respect to the reconstruction and expansion of the Hening Expressway, the Company’s Chuzhou Office joined hands with the traffic police and the road administration authority to take measures such as strengthening road safety hidden hazard identification, quickly investigating and withdrawing from road accidents and setting up a number of rescue and obstacle clearance points along the route for management and control to effectively implementing the various tasks in relation to the supervision of road construction safety and enhance the road’s ability to maintain smoothness and make rapid responses.

The office of Hening reconstruction and expansion project of the Company formulated the safe work site implementation plan in combination with the practical circumstances of the project in accordance with the requirements of the “Notice on the Publication of the Implementation Plan of ‘Safe Work Site’ Construction Activities in Highway and Marine Transportation Projects of Anhui Province” (關於印發安徽省公路水運工程“平安工地”建設活動實施方案的通知) issued by the provincial office, established a safe production leadership team and unveiled a series of production safety management systems, including inter alia, “Administrative Measures for Production Safety” (安全生產管理辦法), “Detailed Implementation Rules for Production Safety” (安全生產實施細則) and “Production Safety Responsibility System” (安全生產責任制). The production safety responsibility system, construction safety protective measures, various types of safety and emergency rescue systems (including the drill system) and other measures and systems were established and improved. To supervise the establishment of a comprehensive security system and its normal operation by all units as soon as possible, integrated safety inspection was conducted throughout the route on regular basis.



### 5. Pursue the establishment of a safety culture conscientiously

During the reporting period, the Company continued to organize targeted safety educational trainings such as training on tunnel operation safety management, training on production safety knowledge, training on quality management and related systems, and focused on the organization of special educational trainings for department heads, officer-in-charge of projects and safety management officers to create an atmosphere of safe culture in “people oriented safe development”, so as to continuously enhance the production safety concept and production safety skills of all staff. In 2017, the Chuzhou Office and the Gaojie Office of the Company passed the “Exemplary Enterprise in Safety Culture Establishment at National Level” (國家級安全文化建設示範企業) review. The Xiaoxian Office was awarded the honorary title of “Exemplary Enterprise in Safety Culture Establishment at National Level” (國家級安全文化建設示範企業). The Ningguo Office was awarded the honorary title of “Exemplary Enterprise in Safety Culture Establishment at Provincial Level” (省級安全文化建設示範企業). Interim achievements were made in the production safety standardization pilot. The safety management system, the operation safety instruction and the contingency plan standardization system were completed and put into trial run at pilot entities (Hefei Office and Chuzhou Office), and the safety management foundation was constantly consolidated.

### 6. Enhance emergency management, organize various forms of emergency drills

Firstly, to examine and correct defects and timely revise and improve various kinds of emergency response plans. Secondly, to conduct vigorously emergency drills with different themes. During the reporting period, all entities of the Company joined the respective departments to conduct road traffic accident and traffic jam drills, conducted fire prevention and anti-theft drills in premises such as toll booths and office areas, conducted flood control, first aid and other drills in service zones, conducted construction work, flood control, electric shock prevention, firefighting, evacuation and other drills in respect of construction projects, strengthened the pertinence of emergency drills and summarized and evaluated the drills. Thirdly, to enhance the building of rescue and obstacle clearance teams and their equipment in accordance with the requirements of the relevant documents, implement rational distribution, further reinforce communication and coordination and linkage with departments such as expressway traffic police, fire prevention and safety supervision to carry out fast rescue, remove obstacles and ensure smooth flows.

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### (III) Protection of the Interests of Stakeholders

#### 1. Protection of the Interests of Shareholders and Creditors

Through constantly improving its corporate governance structure and establishing a sound internal control system, the Company has gradually become a modern enterprise with sound systems, effective control and normative operations.

In 2017, the Company continued optimizing the risk management system and the internal control system, refining the implementation, supervision and inspection of the internal control system and completed the establishment of the quality control system for implementation in all management offices, laying a solid foundation for the healthy development of the Company and the protection of the interests of shareholders and creditors.

- (1) We further improved the Company's corporate governance structure, specified the functions and positioning of the Company's shareholders' meeting, board of directors, supervisory committee and management, exercised the professional functions of the strategic development and investment committee, the human resources and remuneration committee and the audit committee under the Board of the Company to establish and form management systems and mechanisms with mutual check and balance among responsibility, power and interest, taking into account fairness and efficiency.
- (2) In strict accordance with the requirements of the Articles of Association and the "Rules of Procedures of the General Meeting" (股東大會議事規則), the Company convened and held general meetings according to the laws, and offered convenience for shareholders to exercise their rights as far as possible. All shareholders were treated equally to ensure that all shareholders, in particular minority shareholders, would enjoy equal status.
- (3) The Company established the Board according to the laws and specified its functions, duties and authorities. Entrusted by the general meeting, the Board shall be responsible for managing and operating the Company's corporate assets and shall report to the general meeting. The 8th Session of the Board of the Company comprised of 9 Directors, among them 4 were executive Directors, 2 were non-executive Directors and 3 were independent non-executive Directors. Independent Directors accounted for one-third of the members of the Board. Among them, Many Directors are in possession of professional accounting qualifications or expertise in financial management. The independent supervision of independent Directors played a significant role in protecting the interest of minority shareholders.



In 2017, the Company held a total of 9 Board meetings. The Board meetings discussed and made decisions on major issues such as the Group's operating and financial conditions, project investment, governance structure and change of directors. The directors of the Company proactively gained an understanding on the operating developments of the Company, attended Board meetings and meetings of Board committees with a prudent and responsible attitude, fully utilized their respective professional experience and expertise and provided effective recommendations on the issues discussed so that the Board could conduct fruitful discussions and made fast and prudent decisions, and played a positive promoting role in acting in the best interest of the Company.

- (4) Stabilized the dividend policy and protected the interests of investors. Pursuant to the requirements of the document of "Decisions on Amending Some Provisions on Cash Dividends by Listed Companies" promulgated by the CSRC, the Company specified its cash dividend policy in the Articles of Association, i.e. "The Company distributes profits on an annual basis and shall distribute dividends at least once each year" and "The total profits distributed by the Company in cash for three consecutive years shall not be less than 30% of the average annual distributable profits realized in the last three years to ensure the continuity and stability of the profit distribution policy". Since its listing, the Company distributed cash dividends each year. The cumulative dividend per share was RMB 3.0675 and a total of RMB 5.033 billion of cash dividends had been paid since the listing of the Company. By way of a high percentage of cash dividends, the shareholders of the Company were able to derive handsome returns from the development of the enterprise.
- (5) Actively maintained good investor relations. The Company made full use of various media to actively conduct various forms of investor relations activities and established smooth communication channels with investors. With websites, hotlines and mail boxes as the platform, the Company disclosed information on production, operation and management in a timely, accurate and complete manner. The Company successfully held the 2016 annual and 2017 interim results presentations in March and August 2017, respectively, to allow domestic and overseas investors to have full understanding on its operating conditions and development strategies, which enhanced its transparency.
- (6) The Company conscientiously fulfilled its information disclosure obligation so that its shareholders and creditors were able to have timely understanding and knowledge of its operating developments, financial position and major issues, safeguarding their right to information.



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The Company managed information disclosure and insider information in strict accordance with the “Corporate Information Disclosure Management System”(公司信息披露管理制度), the “Management System for Reporting, Delivery and Use of External Information of the Company”(公司外部信息報送和使用管理制度), the “Management System for Insider Information and Insiders”(內幕信息及知情人管理制度) and the “Administrative Measures for the Relevant Activities such as the Reception of Specific Targets by the Company for Investigation and Research and Interview”(公司接待特定對象調研採訪等相關活動管理辦法), steadfastly prevented making selective disclosure to different investors to fully safeguard and protect the equal information right of shareholders and investors and to safeguard the credible image of the Company within the capital market.

During the reporting period, the Company adhered to the basic principles of openness, fairness and impartiality, fulfilled its legal obligations on information disclosure timely and accurately in strict compliance with the requirements of the relevant laws and listing rules, and ensured that all shareholders had equal and adequate right to information, completed 58 ad hoc announcements on A Shares, 24 ad hoc announcements on H Shares and 4 regular reports. In addition, the Company’s announcements were also published on the “China Securities Journal” (中國證券報), the “Shanghai Securities News” (上海證券報), website of the Stock Exchange and website of the Company in a timely manner to ensure that information of the Company was communicated to all shareholders and investors through various channels in a timely and accurate manner.

- (7) The Company provided borrowings or entrusted loans to subsidiaries strictly in accordance with stipulated procedures to ensure risk minimization to the Company and creditors. As a debtor, the Company fulfilled its debt repayment obligation strictly in accordance with the contract of borrowings and there was no occurrence of any act in breach of trust, such as non-repayment on maturity.

### 2. Protection of Employees’ Interests

We adhered to starting business with joint efforts and sharing achievements together to create a positive and progressive internal environment. Through striving to create a harmonious and pleasant working atmosphere, we motivated employees to contribute their talent and intelligence to the development of the enterprise, share the fruits of development and jointly create a better life. We committed to create a harmonious corporate atmosphere and strived to enable the employees to enjoy the sense of happiness and achievement brought by working with a positive, grateful and optimistic attitude by creating the “LOHAS Time-Space” for employees.



The Company had strictly complied with the requirements of the Labour Law (勞動法) of the PRC, without violating any relevant standards and regulations:

1. Wages, overtime payments and relevant welfare benefits of employees were paid in accordance with the local minimum wage rate (or above);
2. Consolidated working hours system was implemented with reference to the requirements under the Labour Law;
3. The granting of annual leave and statutory paid leave was in compliance with national requirements;
4. The Company treated each employee equally, the recruitment, remuneration and promotion of employees were not affected by his/her social status in terms of race, ethnic group, nationality, sex, religion, age, sexual orientation, political faction and marital status, etc.

(1) Employees

Table 1 Statistics about the number of employees,  
profession composition and education level

Number of incumbent employees of the parent company	1981
Number of incumbent employees of major subsidiaries	764
Total number of incumbent employees	2745
Number of resigned and retired employees for whom the parent company and major subsidiaries are required to bear the costs	85

Profession Composition

Profession composition category	Number of persons in profession composition
Production staff	2056
Sales staff	0
Technical staff	180
Financial staff	37
Administration staff	472
<b>Total</b>	<b>2745</b>

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### Education Level

Education level category	Number of persons
Postgraduate	47
Undergraduate	505
College	1428
Technical secondary school	534
High school and below	231
<b>Total</b>	<b><u>2745</u></b>

- (2) The Company had strictly complied with the requirements of the Labour Law by hiring employees who had reached the statutory working age and were holders of valid resident identity cards issued by the Public Security Bureau. Moreover, the Company conducted recruitment according to the principles of fairness, openness and voluntary basis, no workers were forced to sign any legal labour contracts. During the year, the Group was not involved in any issues of children labour and forced labour. The Group will continue to observe the stringent recruitment system and eliminate any children labour and forced labour issues.
- (3) The Company implemented a broadband remuneration system according to different natures of positions which were classified into four series of positions, namely, management positions, professional technical positions, toll collection positions and general staff protected positions. The remuneration level of each employee was determined by the position and his/her own conditions. Meanwhile, the Company deepened the reform on distribution system, optimized the individual income allocation structure, set a reasonable ratio for fixed wages and floating wages, improved the appraisal system, the results of appraisal were linked to remuneration allocation, so as to realize the possibility of increase and decrease in staff income.

The Company strictly complied with the national and local social insurance laws and regulations to protect the legitimate interests of employees and made contributions to "Five Insurances, One Fund" for all employees, including pension insurance, unemployment insurance, medical insurance, work injury insurance, maternity insurance and housing provident fund, and the relevant amounts of fees were fully and duly paid. In 2017, the total amount of social insurance fees paid for the above five types of insurance was RMB 35.9894 million, the total amount of contributions made to the housing provident fund was RMB 22.1180 million.

In addition, in order to motivate and retain employees, mobilize employees' enthusiasm in work, and secure talents to support corporate development, the Company established a corporate annuity plan according to the relevant regulations and policies related to corporate annuity management and taking into account the practical circumstances, employees participated in the plan on voluntary basis. In 2017, the amount of corporate annuity fees paid was RMB 4.7939 million.



- (4) The Company emphasized on production safety, stressed on the labour protection of employees and implemented production safety management fully in the ordinary course of production and operation to prevent the occurrence of accidents. By strictly implementing the Production Safety Law (安全生產法) and the relevant national laws and regulations, we have created a healthy and safe working environment for employees through means such as implementing safety regulations, arranging special funds and providing protection facilities. Meanwhile, the Company improved the self-protection capability of employees by conducting events such as production safety publicity and education and safety knowledge competition.

In March 2017, the Company entered into a letter of responsibility for production safety for 2017 with all departments and their respective responsible entities. The respective responsible entities further implemented the responsibility for production safety work through various channels such as convening regular working meetings on safety, expressway police joint meetings, project construction management theory discussion meetings and maintenance and safety work meetings.

- (5) Attaching much importance to employee education and training, the Company constantly stepped up efforts in employee education and training, revised the “Interim Measures for the Management of Employee Training”, formulated an annual training plan based on the training needs survey at the beginning of the year to conduct various kinds of training orderly in accordance with the relevant system and training plan to drive continuous improvement in the training standard. During the reporting period, the Company and all departments, taking into account the actual needs of works and departmental business functions, conducted various kinds of business trainings such as operational management to vigorously enhance the position-specific skills and expertise standard of employees. With respect to general management, the Company highlighted the training focus and organized special training classes on the basic knowledge of listed companies, taking into account the development trend of the Company. With respect to online learning, the Company focused on encouraging autonomous learning by employees, promoted E-learning online study, and encouraged learning and exchanges using mobile phone user end and online interactions, etc.
- (6) The Company expressly stipulated the election and appointment systems of employee representative supervisors in its Articles of Association. Employee representative supervisors shall be elected democratically by the employee representatives’ general meeting of the Company to supervise the operating activities of the Company and the performance of duties by directors and the senior management on behalf of the employees. The Company also formed the labour union and established the employee representatives’ general meeting system to ensure that employees shall have adequate rights in decisions involving their vital interests.

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### 3. Protection of the Interests of Suppliers, Customers and Consumers

- (1) The Company persisted in operating according to the laws and regulating operations and maintained good business cooperation relationship with suppliers and customers based on the principles of honesty and trustworthiness and mutual benefits.
- (2) By capitalizing on the building of an uncorrupted working style in the Party, and capturing the opportunities of learning and education along the lines of “Two Learnings and One Practice” and “Paying Attention to Politics and Rules and Setting an Example (講重作)”, the Company actively conducted special activities to combat commercial bribery and consciously resisted commercial bribery to protect the interests of suppliers, customers and consumers.
- (3) The Company implemented and strictly executed various tender bidding systems, by introducing the market mechanism, both fairness and efficiency of tender bidding projects were truly achieved with optimization in cost and profit.
- (4) The Company established a sound feedback system with a specialized department responsible for listening to the opinions and suggestions of suppliers, customers and consumers, accepting questions raised by them, handling their complaints and making targeted improvements based on the actual situation of the Company to ensure that the interests of suppliers, customers and consumers were protected effectively.

### 4. Anti-corruption

The Company strived to become a corporation with good reputation and in compliance with disciplines and laws, and promoted the professional ethics of compliance with the laws, probity, honesty and dedication to work, prohibited any forms of acceptance of bribes, corruption and bribery acts. The relevant national laws and regulations, including the “Provisional Measures on Strict and Impartial Political Discipline and Political Rules”(嚴明政治紀律和政治規矩暫行辦法) and “Provisional Measures on Strict Prohibition to Seek Improper Benefits by Using the Convenience of Duties”(嚴格禁止利用職務上的便利謀取不正當利益暫行辦法), were consistently observed by the Company, professional conduct of employees were expressly stipulated and regulated through the Employees’ Handbook, various kinds of trainings and, for example, conflict of interest guidelines, and regularly reviewed on the effectiveness of the internal management system of the entire Group. The Company also provided channels for employees to report internal misconduct. The Company was required to comply with strict procedures and processes in the ordinary course of operation; the internal audit department would conduct audits on all subsidiaries on regular basis and reported duly to the operation management, and corresponding measures would be adopted to ensure the enforcement of regulated practices. These measures had effectively facilitated the execution and improvement of the Company’s regulation system. During the year, there was no occurrence of any litigation cases nor incidents of any relevant violations in respect of corruption of the Group or its employees.

#### (IV) Public Welfare Undertakings

In 2017, the Company conducted public welfare activities actively, such as targeted poverty alleviation, paired assistance, making donations to schools, offering volunteer services to the community and organizing voluntary blood donation, to enhance the social influence and establish a good social image of the Company.

##### 1. **Conscientious and consistent implementation of the national targeted poverty alleviation strategy**

From January to June 2017, the Company's Gaojie Office sent a cadre to Tianzhu Village, Shuihao Town to offer assistance and help expand tourism in the village. During the year, 39 persons from 11 households were lifted out of poverty. In April 2017, the Gaojie Office established a village-based poverty alleviation task force to go to Lishu Village, Liufan Township, Taihu County, a poverty-stricken village at national level, to carry out targeted poverty alleviation. The task force raised poverty relief funds of RMB 1.47 million through various means to help expand sales channels for agricultural products, and formed pairs with 37 poor households to offer assistance. Accordingly, 228 persons from 64 households were successfully lifted out of poverty in 2017. Meanwhile, Gaojie Office joined hand in hand with three primary schools, two special education schools and three nursing homes to provide assistance, and successively offered assistance to more than 200 poor students and left-behind children and more than 100 widowed old people. The Company achieved remarkable results in its poverty alleviation work in the village, which was recognized by the people, affirmed by the government and highly appreciated by all sectors of the society.

The Company's subsidiary, Xuanguang Company, paired with Langqiao Town, Jing County to support the construction of a beautiful village. Through preliminary field investigations and study, discussions and exchanges, Xuanguang Company took the initiative in pairing and learned more about the situation. After learning that Langqiao Town had financial difficulties in the unified plan for the demolition of outdoor advertisements and canopies, etc., the Company concentrated the support resources and delivered support funds of RMB50,000 for the beautiful village, and coordinated with the propaganda department of the municipal party committee and the municipal transport bureau to advance the construction of the beautiful village to achieve the purpose of enhancing the actual effect of co-construction. At present, projects such as road construction, rain and sewage pipeline construction, reform of farmers' market, transformation of sanitary lavatories, green improvement and square construction in Langqiao Town are progressing in an orderly manner. As for the next step, Xuanguang Company will further optimize the support measures, step up the efforts in support and advance the construction of the beautiful village.

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### 2. Focusing on making donations to assist education for poor students

The Company's Hefei Office has established long-term paired assistance relationship with Panggudui Primary School, establishing a long-term and public caring platform for left-behind children.

The Company's Chuzhou Office contacted the local youth league organizations to organize the "Caring for Left-behind Children and Realizing Dreams and Little Wishes" public welfare event and claimed 10 left-behind children and arranged designated staff to care for and provide support to them, which achieved good responses. In 2017, Chuzhou Office was recognized by the Chuzhou Committee of the Communist Youth League as the "Caring Enterprise of Chuzhou City."

### 3. Promoting the volunteer spirit with enhanced efforts

By taking advantage of the opportunity of "Woodpecker" volunteer service construction, the Company's Hefei Office strengthened volunteer service activities for youngsters. In April 2017, Hefei Office participated in the eighth "Realizing Dreams and Little Wishes" caring volunteer service activity in Hefei. Through pairing, the Youth League General Branch of the Office first claimed "little wishes" from four poor families. Next, it will proceed with pairing to help more people in need. In September, the "Woodpecker" volunteer service team won the honorary title of the "Vanguard of Members of the Communist Youth League" in the province.

The Company's Tianchang Office formed a youth volunteer service team on 5 December 2016. It continued to grow and improve in 2017, and fulfilled its volunteer obligations based on making contribution to positions, which conscientiously ensured full coverage and normative construction for the volunteer team. During major festivals and holidays, youth volunteer activities organized by Tianchang Office had officially become normal. In the meantime, it also organized daily volunteer activities such as warm winter action, caring for left-behind children, supporting the empty-nest elderly, and helping Tianchang build national civilized cities. In 2017, Ma Junfei, a young worker of Tianchang Office, received the two honors of "The Most Beautiful Family in Anhui Province" and "Good Person of Anhui". Yao Yiyuan, a young worker, was honored as "The Most Beautiful Volunteer in Chuzhou" and Zhang Wenqian, a youth league member, was honored as "The Most Beautiful Volunteer of the Warm Winter Action".

**(V) Environment and Resources****1. Emissions**

The Company fully and consistently implemented the green development concepts of conservation on resources, intensive and efficient usage, prevention of pollution and reduction in emissions, ecological and environmental protection, as well as being natural and in harmony, to protect the environment reasonably as far as possible and maximize the efficient utilization of resources to provide the general public with safe, comfortable, fast and convenient travelling experience. The Company strictly complied with the relevant national requirements, including laws, regulations and industrial regulations, such as Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law on Prevention and Control of Atmospheric Pollution of the People's Republic of China (中華人民共和國大氣污染防治法), Law on Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China (中華人民共和國固體廢物污染環境防治法), Law on Prevention and Control of Water Pollution of the People's Republic of China (中華人民共和國水污染防治法), Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法), Construction Law of the People's Republic of China (中華人民共和國建築法), Regulations for the Administration of Environmental Protection for Construction Projects (建設項目環境保護管理條例), Regulations for the Administration of Production Safety in Construction Works (建設工程安全生產管理條例) and Normative Rules for Environmental Impact Assessment on Highway Construction Projects (公路建設專案環境影響評價規範) issued by the Ministry of Transport, and performed the social responsibility of environmental protection through practical actions.

**(1) Scientific construction**

As expressway construction projects usually involved long distance, long construction periods and wide affected areas, their impact on the surroundings, such as the ecological environment, noise environment, atmospheric environment and water environment, must not be neglected. In the construction process, the Company selected construction machinery with low noise and low emission of exhaust gas as far as possible, the wastes generated in the construction process were treated timely to ensure harmless or recycling treatment so as to reduce their pollution to the environment. Meanwhile, tests on air quality and dust at the construction sites were carried out on regular basis, dedicated personnel were deployed to the construction sites to carry out regular clearance and cleaning to create a pleasant and civilized working environment. The Company actively conducted research on, and promoted the use of, new technology and new technical processes to facilitate sustainable environmental development. The Hefei management office of the Company had innovatively adopted the new sheet-pile non-soil subgrade technology in the subgrade widening portion of the reconstruction and expansion project at the Longtang toll gate of Hefei city ring expressway, less volume of dust was produced during the construction process, the construction period was shortened effectively and attained good effects. In addition, the Company strongly facilitated the recycling of materials, such as old and obsolete asphalt, to promote harmless treatment of construction wastes.

The Company's business of expressway construction projects had been outsourced to construction contractors with specific qualifications. These contractors were obliged to carry out project construction activities in accordance with the laws, including the management of discharge acts according to legal requirements. During the reporting period, the Company was not aware of any non-compliance acts of such contractors in breach of the relevant laws and regulations.



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### (2) Green management

The Company's nature of business was not engaging in industrial production, and the operating activities did not directly generate large amount of wastes, however, the Company still regarded the supervision on emissions as extremely important in its production operating activities, and strived to minimize the impact of the relevant emissions on the environment as far as possible and endeavored to increase the utilization rate of resources.

Emissions of exhaust gas from motor vehicles were the major source of pollutants causing air pollution along expressways. According to the existing technological means of the Company, although it was difficult for the Company to quantify accurately the relevant emission data, such as total emission volume and density, it had been reducing emissions continuously: in the operation and management of expressways, the Company had significantly shortened the toll collecting time for vehicles through measures such as the construction and promotion of the electronic non-stop toll collection system (ETC), and strongly enhanced the efficiency of vehicle traffic at the toll gates, which was also an effective approach to reduce noise level and emissions of exhaust gas. As of 31 December 2017, the expressways administered by the Company (including road sections under entrusted management) had completed the construction of, and had commenced the operation of, 78 ETC toll gates, the annual volume of traffic inflow to the ETC toll gates from expressways reached 19,236,236 vehicles, representing 26.87% of the total volume of traffic inflow, while the volume of traffic outflow from the ETC toll gates reached 17,981,389 vehicles, representing 24.59% of the total volume of traffic outflow, and became an effective supporting force for green travelling experience. At present, the Company is actively promoting an automatic card issuing machine based on the "one on six model" and the dual toll collection system for a mixture of passenger and freight vehicles. The automatic card issuing machines based on the "one on six model" have been promoted and installed in a number of toll booths managed by the Hefei management office of the Company and advertising and promotions companies, and the dual toll collection systems for a mixture of passenger and freight vehicles have also been promoted and installed in the toll stations of Wansu, Longtang and Susong, which have significantly alleviated the traffic flow pressure at the toll stations during the peak periods of traffic flow, increased the utilization rate and toll collection efficiency of single lanes, and effectively reduced the emissions of pollutants. On the other hand, the Company has been actively implementing the requirements of the provincial commissions and provincial governments in supporting innovative developments and promoting applications in the new energy automobile industry, by accelerating the construction of recharging infrastructure, and cooperating with YTMC and State Grid, to construct DC recharging stations for electric vehicles first in their service zones, it will take about 2 hours to fully recharge an ordinary electric car. Furthermore, the payment method for recharging an electric car will be more convenient, users may settle the payment by electricity recharge cards issued by the State Grid or by WeChat Pay or Alipay. This has cleared the worries of drivers and passengers of electric vehicles after entering the expressways and contributed to the green development.

## 2. Utilization of resources

The Company strictly complied with environmental protection regulations, and various energy conservation and emission reduction provisions and requirements of the State, to encourage green office and green travelling actively. The headquarters and the management offices of administered road sections of the Company started from education by organizing serious learning sessions on, inter alia, Environmental Protection Law (環境保護法), Law on Prevention and Control of Water Pollution (水污染防治法) and Law on Prevention and Control of Atmospheric Pollution (大氣污染防治法), and executed the relevant requirements of the local environmental protection authority to improve environmental protection work along the road sections under our administration. All employees were supervised to complete environmental protection work on voluntary basis and seriously accepted supervision and guidance from the environmental protection authority. Office automation was steadily implemented, the portal website of the Company, OA system, financial management system, human resources information system, IT integrated platform, private cloud platform and vehicle management system, etc. were built and had commenced operation, realizing a paperless office, enhancing management efficiency and increasing the awareness of environmental protection among employees. For utilization of resources in the offices, the Company had actively improved operating efficiency and implemented environmental protection measures to reduce the indirect negative environmental impact of our business operation process, such as requesting for double-sided printing and recycling of waste paper, reducing printing on paper products and reducing the paper consumption volume; employees were also requested to register the receipt and use of office materials to encourage employees to conserve resources; LED lighting system was installed in part of the office building; air-conditioning and heating were turned on according to the schedule provided by the property companies of the buildings where the offices were located; the use of company vehicles was managed stringently by adopting scientific deployment, coordination and arrangement, reasonably combining the use of business vehicles, striving to reduce travelling expenses and fuel consumption. During the reporting period, the Company and management offices of all administered road sections consumed 254,223 tonnes of water, 36,010,111 kWh of electricity, 744.2 thousand litres of fuel oil and 675.59 cubic metres of steam.

In recent years, the Company continued to strengthen the basic management of resources utilization in the construction and operation of expressways. Firstly, during the construction process of an expressway, measures for the administration of environmental protection was formulated, by conserving resources, protecting the environment, focusing on water and soil conservation and conserving land, we were able to maximize the utilization of existing natural resources, following the nature and reducing artificial impact. For example, humus on land surface was essential for plant survival, the Company regarded the cultivated soil on land surface as a scarce natural resource on the occupied land site during the construction process of the Xuan-Ning section of the Ningxuanhang Expressway, the humus on land surface was relocated and conserved before commencement of construction and reserved for filling the green areas of surrounding side slopes in future, thus providing a fast, economical and effective method to recover the ecosystem. In the construction of Ning-Xuan section, the cultivated soil on land surface along the line was kept in centralized storage during the construction period, and would be utilized to fill the green belt as planned, this would ensure the greening effect

## Section IX Social Responsibility Report

of the project and protecting the environment, while reducing the amount of abandoned soil and abandoned land at the same time. Secondly, in the maintenance process of expressways, consideration would be given to local factors to conduct active research and application of new technologies in green maintenance characterized by good roadworthiness, long durability, low construction cost, energy saving and environmental friendly, recycling technology for recovery of resources and preventive maintenance technology would be developed. As of the end of 2017, the Company and Anhui Transportation Group had jointly completed 5 thematic research projects including the “Research on Bridge Deck Pavement Technology for Steel Bridges with Steep Gradient Bends” (大坡度彎曲鋼橋橋面鋪裝技術研究) based on maintenance works. In maintenance practice, the Company followed the requirements of the “Circular Economy Promotion Law of the People’s Republic of China” (中華人民共和國循環經濟促進法), the Company applied the new technical process of removing grouting hazards from expressways by treatment of milling wastes into base course fillers, new preventive maintenance technology for anti-skid resistance level and high polymer grouting technology in asphalt road surface maintenance, and by recycling obsolete and old road surface materials such as obsolete and old concrete plates for use in subgrade protection projects, the maintenance cost was effectively reduced and the protection for ecological environment, improvement in utilization efficiency of resources, reduction in energy consumption and reduction in the discharge of pollutants were maximized.

### 3. Environment and Natural Resources

The Company strictly complied with Environmental Protection Law (環境保護法) and the relevant laws and regulations, in carrying out business operations, we strictly observed local statues and environmental protection regulations to actively perform our environmental protection obligations, reinforced the maintenance of road environment continuously and adopted a number of effective measures for ecological protection and measures for the prevention and control of pollution. Firstly, all management offices of road sections under our control increased green management and maintenance efforts, and increased sound proof screens on road sections which are residents-concentrated to reduce the effect of traffic noise pollution on residents along the route. Secondly, we improved the drainage systems of expressways and enhanced management and maintenance of water drainage facilities. The Xiao County Management Office of the Company carried out reconstruction work for ditches on both sides of manual gates on the Anhui Section of Lianhuo Expressway under our control to guide water inside the ditches into River Dai on the eastern side and improved the passage conditions for surrounding residents, while protecting the surrounding crop fields from the impact of floods. Thirdly, emergency management was strengthened, special contingency plans were formulated to tackle with emergency incidents happened to transportation vehicles of hazardous and chemical products and the leakage of hazardous and chemical products in emergency cases efficiently to prevent and reduce the direct discharge of pollutants into agriculture fields, wetlands or rivers through the drainage system. Fourthly, discharge of household sewage water was controlled and treated. Sewage water from toll stations were treated by sewage treatment plants before discharge, household garbage from all management zones would be cleared everyday by designated cleaners to reduce the pollution of household waste. Fifthly, we emphasized on adopting reasonable repair and maintenance reinforcement plans to minimize the environmental impact of maintenance works. Sixthly, we organized environmental activities in villages and townships along the routes.



In the construction of expressways, we strived to achieve synchronization with environmental protection. For example in the construction of the Xuan-Ning section of the Ningxuanhang Expressway, measures were adopted for early tender and early beginning for the greening of side slopes, which were handled according to the principle of concurrent construction with the subgrade earthworks, achieving first tier excavation, first tier protection and first tier greening, so that the stability of the side slopes would be maintained to avoid landslides and mud flows, as well as a better greening and protective effect upon completion of the project and commencement of operation. Meanwhile, for environmental protection measures during the construction period, including sewage and waste treatment for the office and accommodation areas, establishment, repairs and maintenance of construction feeder roads, temporary drainage protection for subgrade to prevent loss of water and soil, plantation and tree conservation within the construction area and rehabilitation of temporary construction sites, the project office also had specific and stringent requirements, such as control of flying dust, noise and vibrations during the process of construction, and minimization of pollution caused by sewage water and waste materials.

### III. Conclusion

In summary, in 2017, the Company, as a social member, has satisfactorily fulfilled its corresponding social responsibilities in various tasks, such as promoting social and economic development, protecting the interests of employees and stakeholders and environmental protection. The Company will further enhance its sense of responsibility as a social member so as to repay the community with concrete actions.

This report has been considered and approved by the 6th Meeting of the 8th Session of the Board of Directors of the Company on 23 March 2018. The Company's Board of Directors and all of its members accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents in this report.

Anhui Expressway Company Limited  
23 March 2018

## Section X Report of the Supervisory Committee

In 2017, all members of the Supervisory Committee have strictly complied with the requirements of the Company Law, Listing Rules, the Articles of Association of the Company and the Standing Orders of the Supervisory Committee, performed their duties prudently and exercised their authority independently according to law in order to ensure the regular operation of the Group and to protect the interests of the shareholders and the Company. The Supervisors have conscientiously performed their duties as supervisors, and knew about and understood the operation and management of the Group through attending Board meetings and shareholders' meeting, so as to ensure the proper operation and healthy development of the Company.

The major jobs of the Supervisory Committee during the reporting period include: through holding meetings of the Supervisory Committee, attending general meetings and Board meetings, knowing about and supervising the behaviors of directors, general managers and other senior executives in daily management and in making operational decisions, judging whether their behaviors are legitimate and reasonable; examining carefully the business performance and financial condition of the Group, discussing and checking the financial reports to be submitted to the shareholders' general meeting by the Board of Directors; supervising, examining and coordinating the development, execution and improvement of the Group's internal control.

In 2017, the Supervisory Committee held 6 meetings, the notice, convening and resolutions of which were in accordance with the statutory procedures and the Articles of Association of the Company. It attended 9 board meetings and 2 shareholders' general meeting. During the reporting period, there was no matters in which the Supervisor representative of the Company negotiates with or sues the Directors.

The Supervisory Committee issued the following opinions related to relevant important items such as the regular reports approved by the Board of Directors and the shareholders' meeting, regulatory and management of internal control, etc. in 2017 in accordance with relevant regulations:

### I. Compliance with laws in operation

During the reporting period, the Supervisory Committee conducted supervisions on the procedures for convening shareholders' general meetings and Board meetings, matters to be resolved, implementation of resolutions of general meetings by Directors, and implementation of Board resolutions by the management, and considered that daily operation and management activities were operated in accordance with the Company Law, Securities Law, Listing Rules, Articles of Association and other relevant provisions. The Company has established a relatively comprehensive internal management and control system. Information was disclosed in a timely, accurate and complete manner. The decision procedures of the Board and the shareholders' general meeting comply with the laws. The Directors and senior management of the Company were able to prudently and diligently perform their duties. There were no actions in violation of the laws and regulations, and no actions which might harm the benefits of the Company.

### II. Financial condition of the Group

The Supervisory Committee carefully examined the 2017 consolidated financial statements prepared by the Company and considered that the financial statements accurately reflected the financial situation, operation results and cash-flows of the Group in 2017 in compliance with the provision of the relevant laws, regulations and the Articles of Association.



### III. Connected transactions of the Group

The Supervisory Committee reviewed all connected transactions of the Group during the year and forms the opinion that all daily connected transactions in the year were reviewed and performed in strict accordance with the legal procedures. Directors associated with the relevant transactions abstained from voting. The actual transaction amount of the daily connected transaction in 2017 is within the approved limit. The aforesaid connected transactions are normal operational business of the Group out of production and operational needs. The prices of the connected transactions were fair, reasonable and the transactional decision procedures were in compliance with the law and regulations. The transaction price reflects the principle of equitability and fairness. No act which is damaging to the interests of the Group and shareholders was reported.

### IV. Self-evaluation report on internal control

The Supervisory Committee has conscientiously reviewed the “self-evaluation report on the internal control of 2017” issued by the Board and considers: The internal control system of the Group was sound and its implementation was effective, complied with the requirements of relevant national laws and regulations, complied with the regulatory requirements of the securities regulatory authorities on the management of the internal control system of listed companies and the actual operation of the Group, and no material defects in the design or implementation of internal control were identified. The report gives an objective and fair view of the actual situation of the internal control of the Group.

In 2018, the Supervisory Committee will continue to strengthen the implementation of the supervisory function, conscientiously perform its duties, and further promote the standardized operation of the Group’s operation and management and the effective operation of the internal control system, participate in relevant meetings in accordance with the law, and timely grasp the compliance of the Group’s major decision-making matters and decision-making process. The Supervisory Committee will conscientiously safeguard the legitimate rights and interests of the Company and its shareholders. All members of the Supervisory Committee of the Company will strengthen their own learning, actively participate in the training organized by the regulatory agencies and sponsors, improve their business standards, give full play to the supervisory role of the Supervisory Committee, and ensure the healthy and stable development of the Group.

**Chen Yuping**

*Chairman of the Supervisory Committee*

Hefei, Anhui, the PRC

23 March 2018

# Independent Auditor's Report



羅兵咸永道

## To the Shareholders of Anhui Expressway Company Limited

*(incorporated in the People's Republic of China with limited liability)*

### Opinion

#### What we have audited

The consolidated financial statements of Anhui Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 174 to 274, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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## Basis for Opinion

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

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

## Independence

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

## Key Audit Matters

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



# Independent Auditor's Report



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A key audit matter is identified in our audit as follows:

## Key Audit Matter

### Accounting treatments on concession intangible assets

Refer to note 4 “Critical accounting estimates and judgements” and note 5 “Concession intangible assets” to the consolidated financial statements

As at 31 December 2017, total concession intangible assets amounted to approximately RMB 10,002,807 thousand, which accounted for 70% of total assets. For the year ended 31 December 2017, the additions and amortisation of concession intangible assets amounted to approximately RMB 1,447,348 thousand and approximately RMB 567,918 thousand respectively.

Construction costs including capitalised borrowing costs are initially recognised as concession intangible assets. Management calculates the capitalised borrowing costs at each year end based on capitalisation rate, which requires significant judgements and assumptions to be made to determine the weighted average of the borrowing rates applicable to the Group's borrowings during the year.

Meanwhile, management amortises the concession intangible assets when the respective underlying toll roads start operation using the straight-line method over the concession years granted, which also requires significant judgements and assumptions to be made to determine the concession years especially for those newly set-up concession assets.

## How our audit addressed the Key Audit Matter

We understood management's policies and processes, evaluated and tested the controls in relation to the capitalisation of related costs as concession intangible assets and management's estimation of the related capitalisation rate, amortisation years and impairment assessment.

In addition, for concession intangible assets' initial recognition and subsequent measurement, individually or in aggregate, we have inspected management's assessment and performed the following audit procedures in the current year:

- understood, evaluated and tested management's controls in connection with concession intangible assets' daily management and accounting treatments;
- verified accuracy, completeness and existence of the additions of concession intangible assets in the current year as follows:
  - confirmed on a targeted basis significant construction payable transactions and balances with suppliers;
  - inspected on a sampling basis the accuracy of additions in concession intangible assets by examining the construction settlement certificates;
  - searched for unrecorded liabilities by inspecting subsequent payments and invoices.



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**Key Audit Matter****Accounting treatments on concession intangible assets (continued)**

The concession intangible assets are stated at the fair value of the construction service provided less accumulated amortisation and impairment losses. Where the carrying amount of the concession intangible assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, which also requires significant judgements and assumptions to be made during management's impairment assessment.

We focus on accounting treatments on concession intangible assets because of the significance of such assets to the consolidated financial statements together with the involvement of significant management's judgements and assumptions.

**How our audit addressed the Key Audit Matter (continued)**

- obtained management's assessment on the determination of the weighted average of the borrowing rates and compared borrowing rates with borrowing agreements;
- verified the accuracy of capitalised borrowing costs;
- assessed the reasonableness of amortisation years;
- recalculated the amortisation charges of concession intangible assets for the year;
- assessed the management's impairment review on concession intangible assets including the forecasted transport volume and pre-tax weighted average cost of capital.

We found that the initial recognition, including capitalised borrowing costs, and subsequent measurement including amortisation years and management's impairment assessment of concession intangible assets are supported by the evidences we obtained.

# Independent Auditor's Report



羅兵咸永道

## Other Information

The directors of the Company are responsible for the other information as set out in the Company's 2017 annual report. The other information comprises the information included in the important notice, definitions, corporate profile and main financial indicators, and directors, supervisors, senior management and staff (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate business summary, report of the board of directors, major events, change of ordinary shares and shareholders, corporate governance structure and governance report, social responsibility report, report of the supervisory committee, documents available for inspection and appendix, which are expected to be made available to us after that date.

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

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

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

When we read the corporate business summary, report of the board of directors, major events, change of ordinary shares and shareholders, corporate governance structure and governance report, social responsibility report, report of the supervisory committee, documents available for inspection and appendix, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.



羅兵咸永道

## Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# Independent Auditor's Report



羅兵咸永道

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



羅兵咸永道

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Arthur Chi Ping Kwok.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 23 March 2018

# Consolidated balance sheet

As at 31 December 2017

(All amounts in Renminbi thousand unless otherwise stated)

ASSETS	Note	As at 31 December	
		2017	2016
<b>Non-current assets</b>			
Concession intangible assets	5	10,002,807	9,236,927
Land use rights	6	10,464	10,493
Property, plant and equipment	7	999,705	954,173
Investment properties	8	331,878	338,391
Intangible assets	9	7,065	3,548
Investment in an associate	11	125,010	104,591
Deferred income tax assets	23	12,313	55,995
Available-for-sale ("AFS") financial assets	12	404,846	235,000
		<b>11,894,088</b>	10,939,118
<b>Current assets</b>			
Inventories	14	7,402	5,276
Trade and other receivables	13	503,418	260,073
Restricted cash	15	—	110,000
Cash and cash equivalents	15	1,829,395	1,900,812
		<b>2,340,215</b>	2,276,161
<b>Total assets</b>		<b>14,234,303</b>	13,215,279
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Ordinary share capital	16	1,658,610	1,658,610
Share premium	16	1,415,593	1,415,593
Other reserves	17	116,522	127,587
Retained earnings		6,245,478	5,542,709
		<b>9,436,203</b>	8,744,499
<b>Non-controlling interests</b>	10(f)	<b>650,390</b>	740,743
<b>Total equity</b>		<b>10,086,593</b>	9,485,242

# Consolidated balance sheet (continued)

As at 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	As at 31 December	
		2017	2016
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term payables	22	1,130,609	960,837
Borrowings	20	1,666,585	1,649,833
Deferred income tax liabilities	23	105,303	140,281
Deferred income	18	30,757	32,931
		<u>2,933,254</u>	<u>2,783,882</u>
<b>Current liabilities</b>			
Trade and other payables	19	999,273	671,382
Current income tax liabilities		157,370	124,083
Provision	21	34,565	22,069
Borrowings	20	23,248	128,621
		<u>1,214,456</u>	<u>946,155</u>
<b>Total liabilities</b>		<u>4,147,710</u>	<u>3,730,037</u>
<b>Total equity and liabilities</b>		<u>14,234,303</u>	<u>13,215,279</u>

The notes on pages 181 to 274 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 174 to 274 were approved by the Board of Directors on 23 March 2018 and the consolidated balance sheet was signed on its behalf by:

Director (喬傳福)

Director (許振)



# Consolidated income statement

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Year ended 31 December	
		2017	2016
<b>Revenue</b>	25	<b>4,308,759</b>	3,063,632
Cost of sales	27	<b>(2,668,061)</b>	(1,686,456)
<b>Gross profit</b>		<b>1,640,698</b>	1,377,176
Other gains - net	26	<b>65,140</b>	60,770
Administrative expenses	27	<b>(104,143)</b>	(107,659)
<b>Operating profit</b>		<b>1,601,695</b>	1,330,287
Finance costs	29	<b>(92,475)</b>	(109,168)
Share of profit of an associate	11	<b>20,419</b>	13,803
<b>Profit before income tax</b>		<b>1,529,639</b>	1,234,922
Income tax expenses	30	<b>(451,948)</b>	(334,032)
<b>Profit for the year</b>		<b>1,077,691</b>	900,890
<b>Attributable to:</b>			
Owners of the Company		<b>1,083,235</b>	925,075
Non-controlling interests		<b>(5,544)</b>	(24,185)
		<b>1,077,691</b>	900,890
<b>Basic and diluted earnings per share</b> (expressed in RMB per share)	31	<b>0.6531</b>	0.5577

The notes on pages 181 to 274 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

		Year ended 31 December	
	Note	2017	2016
<b>Profit for the year</b>		<b>1,077,691</b>	900,890
<b>Other comprehensive (loss)/income:</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	12, 23	<u>(10,051)</u>	<u>10,406</u>
<b>Total comprehensive income for the year</b>		<b><u>1,067,640</u></b>	<b><u>911,296</u></b>
<b>Attributable to:</b>			
Owners of the Company		<b>1,073,184</b>	935,481
Non-controlling interests		<b>(5,544)</b>	(24,185)
		<b><u>1,067,640</u></b>	<b><u>911,296</u></b>

The notes on pages 181 to 274 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Attributable to owners of the Company				Non-controlling interests	Total
		Ordinary share capital (Note 16)	Share premium (Note 16)	Other reserves	Retained earnings		
<b>Balance at 1 January 2016</b>		<u>1,658,610</u>	<u>1,415,593</u>	<u>118,083</u>	<u>4,998,212</u>	<u>789,927</u>	<u>8,980,425</u>
<b>Comprehensive income</b>							
Profit for the year ended 31 December 2016		—	—	—	925,075	(24,185)	900,890
Other comprehensive income							
– Fair value gains on AFS financial assets, net of tax	12	—	—	10,406	—	—	10,406
<b>Total comprehensive income</b>		<u>—</u>	<u>—</u>	<u>10,406</u>	<u>925,075</u>	<u>(24,185)</u>	<u>911,296</u>
<b>Transactions with owners</b>							
Dividends relating to 2015	32	—	—	—	(381,480)	—	(381,480)
Dividends paid to non-controlling interests of subsidiaries relating to 2015		—	—	—	—	(88,127)	(88,127)
Others	17	—	—	(902)	902	—	—
Difference between the carrying amount and undiscounted amount of interest free loan received from non-controlling interests, net of tax	10(b), 22, 23	—	—	—	—	63,128	63,128
<b>Balance at 31 December 2016</b>		<u>1,658,610</u>	<u>1,415,593</u>	<u>127,587</u>	<u>5,542,709</u>	<u>740,743</u>	<u>9,485,242</u>

# Consolidated statement of changes in equity (continued)

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Attributable to owners of the Company				Non-controlling interests	Total
		Ordinary share capital (Note 16)	Share premium (Note 16)	Other reserves	Retained earnings		
<b>Balance at 1 January 2017</b>		<b>1,658,610</b>	<b>1,415,593</b>	<b>127,587</b>	<b>5,542,709</b>	<b>740,743</b>	<b>9,485,242</b>
<b>Comprehensive income</b>							
Profit for the year ended 31 December 2017		—	—	—	1,083,235	(5,544)	1,077,691
Other comprehensive loss		—	—	—	—	—	—
– Fair value losses on AFS financial assets, net of tax	12	—	—	(10,051)	—	—	(10,051)
<b>Total comprehensive (loss)/income</b>		<b>—</b>	<b>—</b>	<b>(10,051)</b>	<b>1,083,235</b>	<b>(5,544)</b>	<b>1,067,640</b>
<b>Transactions with owners</b>							
Dividends relating to 2016	32	—	—	—	(381,480)	—	(381,480)
Dividends paid to non-controlling interests of subsidiaries relating to 2016		—	—	—	—	(101,780)	(101,780)
Others	17	—	—	(1,014)	1,014	—	—
Difference between the carrying amount and undiscounted amount of interest free loan received from non-controlling interests, net of tax	10(b), 22, 23	—	—	—	—	16,971	16,971
<b>Balance at 31 December 2017</b>		<b>1,658,610</b>	<b>1,415,593</b>	<b>116,522</b>	<b>6,245,478</b>	<b>650,390</b>	<b>10,086,593</b>

The notes on pages 181 to 274 are an integral part of these consolidated financial statements.

# Consolidated cash flow statement

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Year ended 31 December	
		2017	2016
<b>Cash flows from operating activities</b>			
Cash generated from operations	34	<b>1,138,795</b>	1,567,349
Interest paid		<b>(87,861)</b>	(92,534)
Income tax paid		<b>(412,264)</b>	(317,726)
<b>Net cash generated from operating activities</b>		<b>638,670</b>	1,157,089
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	<b>(55,956)</b>	(19,135)
Purchase of intangible assets	9	<b>(3,250)</b>	(2,297)
Purchase of investment properties	8	<b>(3,852)</b>	—
Purchase of AFS financial assets	12	<b>(200,000)</b>	—
Net decrease in restricted cash	15	<b>110,000</b>	87,000
Net increase in financial products	13	<b>(230,000)</b>	(45,000)
Proceeds from sales of property, plant and equipment		<b>708</b>	339
Interest received	26	<b>57,904</b>	25,821
Dividends received from AFS financial assets and an associate		<b>3,464</b>	51,129
<b>Net cash (used in)/generated from investing activities</b>		<b>(320,982)</b>	97,857
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		<b>40,000</b>	718,780
Proceeds from long-term payables		<b>212,790</b>	136,410
Repayments of bank borrowings		<b>(125,524)</b>	(361,012)
Repayments of long-term payables		<b>(32,952)</b>	(83,652)
Dividends paid to the non-controlling interests		<b>(101,780)</b>	(92,580)
Dividends paid to the Company's shareholders	32	<b>(381,480)</b>	(381,480)
<b>Net cash used in financing activities</b>		<b>(388,946)</b>	(63,534)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(71,258)</b>	1,191,412
Cash and cash equivalents at beginning of the year		<b>1,900,812</b>	709,246
Exchange (losses)/gains on cash and cash equivalents		<b>(159)</b>	154
<b>Cash and cash equivalents at end of the year</b>		<b>1,829,395</b>	1,900,812

The notes on pages 181 to 274 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 1 General information

Anhui Expressway Company Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 15th August 1996 as a joint stock limited company. The Company and its subsidiaries (the “Group”) are principally engaged in the construction, operation, management and development of the toll roads and associated service sections in the Anhui Province.

The Company’s H shares and A shares have been listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange since November 1996 and January 2003 respectively. The address of its registered office is No. 520, West Wangjiang Road, Hefei, Anhui, the PRC.

As at 31 December 2017, the Group’s toll roads and concession period granted are shown as follows:

<b>Toll road</b>	<b>Length kilometres</b>	<b>Concession periods granted</b>
Hening Expressway	134	From 16 August 1996 to 15 August 2026
National Trunk 205 Tianchang Section	30	From 1 January 1997 to 31 December 2026
Xuanguang Expressway	67	From 1 January 1999 to 31 December 2028
Gaojie Expressway	110	From 1 October 1999 to 30 September 2029
Lianhuo Expressway Anhui Section	54	From 1 January 2003 to 30 June 2032
Xuanguang Expressway Nanhuan Section	17	From 1 September 2003 to 31 December 2028
Ninghuai Expressway Tianchang Section	14	From 18 December 2006 to 17 June 2032
Guangci Expressway	14	From 20 July 2004 to 20 July 2029
Ningxuanhang Expressway Anhui Section	113	From 8 September 2013 to 30 December 2022*

\* In 2013, the section of Xuancheng to Ningguo of Ningxuanhang Expressway Anhui Section was officially opened to traffic. The length of toll road is 46 kilometres and the temporary granted concession period is 5 years starting from 8 September 2013. In 2015, the section of Ningguo to Qianqiuguan of Ningxuanhang Expressway Anhui Section was officially opened to traffic. The length of toll road is 40 kilometres and the temporary granted concession period is 5 years starting from 19 December 2015. In 2017, the section of Liqiao to Xuancheng of Ningxuanhang Expressway Anhui Section was officially opened to traffic. The length of toll road is 27 kilometres and the temporary granted concession period is 5 years starting from 30 December 2017. The formal granted concession period for Ningxuanhang Expressway Anhui Section will be determined according to future assessment and relevant provisions.

These financial statements are presented in thousand of Renminbi (“RMB’000”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 23 March 2018.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 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, as modified by the revaluation of AFS financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### 2.1.1 Changes in accounting policies and disclosures

##### (a) *Amendments of HKFRS effective in 2017 adopted by the Group*

The following amendments of HKFRS have been adopted by the Group for the first time for its financial year beginning on 1 January 2017:

- Amendments to HKAS 12 “Income Taxes”
- Amendments to HKAS 7 “Statement of Cash Flows”
- Amendments to HKFRS 12 “Disclosure of Interests in Other Entities”

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

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policies and disclosures (continued)

**(b) *New standards, amendments and interpretations of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group***

A number of new standards, amendments and interpretations of HKFRS which are relevant to the Group's operations are effective for the financial year beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standards, amendments and interpretations. These new standards, amendments and interpretations are set out below:

- HKFRS 9 "Financial Instruments", effective for annual accounting periods beginning on or after 1 January 2018 (i)
- HKFRS 15 "Revenue from Contracts with Customers", effective for annual accounting periods beginning on or after 1 January 2018 (ii)
- Amendments to HKFRS 2 regarding classification and measurement of share-based payment transactions, effective for annual accounting periods beginning on or after 1 January 2018
- Amendments to HKFRS 4 on applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts", effective for annual accounting periods beginning on or after 1 January 2018
- Amendments to HKFRS 1 "First-time Adoption of HKFRS", effective for annual accounting periods beginning on or after 1 January 2018



# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policies and disclosures (continued)

**(b) New standards, amendments and interpretations of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group (continued)**

- Amendments to HKAS 28 “Investments in Associates and Joint Ventures”, effective for annual accounting periods beginning on or after 1 January 2018
- Amendments to HKAS 40 regarding transfer of investment property, effective for annual accounting periods beginning on or after 1 January 2018
- HK (IFRIC) 22 “Foreign Currency Transactions and Advance Consideration”, 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 (iii)
- HK (IFRIC) 23 “Uncertainty over Income Tax Treatments”, 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. The amendments were originally intended to be effective for annual accounting periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

The Group is assessing the full impact of these new standards, amendments and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 9, 15 and 16 stated below which may give rise to some impact, none of the these is expected to have a significant impact on the consolidated financial statements of the Group:

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policies and disclosures (continued)

**(b) New standards, amendments and interpretations of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group (continued)**

**(i) HKFRS 9 “Financial Instruments”**

Nature of change

HKFRS 9 “Financial Instruments” addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The major equity investments held by the Group are currently classified as AFS financial assets, which a fair value through other comprehensive income (“FVOCI”) election is available. The debt instruments currently classified as loan and receivables and measured at amortised cost meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, the Group does not expect the new standard to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policies and disclosures (continued)

**(b) New standards, amendments and interpretations of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group (continued)**

**(i) HKFRS 9 “Financial Instruments” (continued)**

Impact (continued)

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group’s risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policies and disclosures (continued)

**(b) New standards, amendments and interpretations of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group (continued)**

*(ii) HKFRS 15 “Revenues from Contracts with Customers”*

#### Nature of change

The HKICPA issued HKFRS 15 as a new standard for the recognition of revenue to replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

#### Impact

The Group assessed the impact of the adoption of HKFRS 15 by analysing the Group’s key revenue streams against the 5-step approach and does not expect the adoption would have a material impact to the Group’s results of operations and financial position except for expanded disclosure requirements and changes in presentation.

#### Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policies and disclosures (continued)

**(b) New standards, amendments and interpretations of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group (continued)**

**(iii) HKFRS 16 “Leases”**

#### Nature of change

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

The accounting for lessors will not significantly change.

#### Impact

The standard will affect primarily the accounting for the Group’s operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB 500 thousand. The Group estimates that all of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

Accordingly, the Group does not expect the new standard to have a significant impact on the Group’s results of operations and financial position.

#### Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

## 2 Summary of significant accounting policies (continued)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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

#### (a) *Business combinations*

##### (i) *Business combinations under common control*

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to merger reserve. If the merger reserve is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

##### (ii) *Business combinations not under common control*

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.2 Subsidiaries (continued)

#### 2.2.1 Consolidation (continued)

##### (a) *Business combinations (continued)*

##### (ii) *Business combinations not under common control (continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interests in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

## 2 Summary of significant accounting policies (continued)

### 2.2 Subsidiaries (continued)

#### 2.2.1 Consolidation (continued)

**(b) *Changes in ownership interests in subsidiaries without change of control***

Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

**(c) *Disposal of subsidiaries***

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### 2.2.2 Separate financial statements

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

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

Impairment testing of the investments in subsidiaries is also required according to Note 2.11.



# Notes to the consolidated financial statements

*For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)*

## 2 Summary of significant accounting policies (continued)

### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of an associate" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interests in associates are recognised in the consolidated income statement.

## 2 Summary of significant accounting policies (continued)

### 2.4 Segment reporting

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

The Strategic Development and Investment Committee is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Strategic Development and Investment Committee for the purposes of allocating resources and assessing performance.

The Group's operations are mainly organized under the following two business segments:

- Toll roads services, including construction, operation, management and development of toll roads; and
- Pawn services, including pawn loan services.

The Group has been operating the pawn services business since 2012. But the revenue, profit or loss and assets of the pawn services business were much less than 10% of the relevant combined totals in each year up to 2017. The Group considered that it is not meaningful to treat the pawn services business as separate reportable operating segment and since there are no other significant businesses other than the toll road services, no segment information is presented since year 2016.

The Group is domiciled in Anhui Province, the PRC. Its revenue is generated from Anhui Province, the PRC. As at 31 December 2017 and 2016, all non-current assets of the Group are located in the PRC.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.5 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Group's and the Company's presentation and functional currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

## 2 Summary of significant accounting policies (continued)

### 2.6 Service concession arrangements

The Group has entered into contractual service arrangements with local government authorities (“the Grantor”) for its participation in the construction, development, financing, operation and maintenance of various toll road infrastructures. Under these arrangements, the Group carries out the construction or upgrade work of toll roads for the granting authorities from the Grantor and receives in exchange of a right to operate the toll roads concerned and entitlement to the toll collection from users of the toll road services (the “Service Concessions”). The Group recorded the assets under the Service Concessions, including toll roads and associated land use rights, as “concession intangible assets” on the consolidated balance sheet, to the extent that it received a right to charge users of the public service. The Group doesn’t have obligation to return the assets other than toll roads and associated land use rights to the Grantor at the concession period end.

The Group account for revenue and costs relating to construction or upgrade work under the Service Concessions in accordance with HKAS 11 and account for revenue and costs relating to operation services under the Service Concessions in accordance with HKAS 18. Please refer to Note 2.25(b) and (d) for details.

Concession intangible assets are stated at the fair value of the construction service provided less accumulated amortisation and impairment losses.

The amortisation of concession intangible assets is calculated using the straight-line method to allocate cost over the concession periods granted (Note 1).

Where the carrying amount of the concession intangible assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.11).

The concession periods are approved by the Grantor therefore the Group does not have renewal or termination option for the concession periods granted. At the end of concession period, the Group has to return these concession intangible assets to the Grantor at specific conditions required by the law for toll roads. The Group does not have rights to receive specified assets at the end of concession period.

The re-pricing right of above toll roads is owned by the Grantor.

As part of its obligations under the respective Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages. Please refer to Note 2.23 for details. Other than the aforementioned, the Group does not have obligations to acquire or build items of property, plant and equipment for toll road services.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, after taking into account an estimated residual value, as follows:

Buildings	11 to 30 years
Safety, communication and signalling equipment	10 years
Toll stations and ancillary equipment	7 years
Motor vehicles	9 years
Other machinery and equipment	6 to 9 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains - net" in the income statement.

Construction in progress represents property, plant and equipment under construction or installation and is stated at cost less accumulated impairment losses. Construction in progress is not depreciated until such time when the assets are completed and ready for their intended use.

## 2 Summary of significant accounting policies (continued)

### 2.8 Investment properties

Investment properties, principally comprising buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, the Group chooses the cost method to measure its investment property. Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is calculated using the straight-line method to write off the cost of each investment property over its expected useful life, after taking into account an estimated residual value, as follows:

Investment properties	25 or 30 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

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

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property; or
- end of owner-occupation, for a transfer from owner-occupied property to investment property.

### 2.9 Intangible assets - acquired computer software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

### 2.10 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership exists. The Group acquires the right to use certain land. The lands associated with Service Concessions are recorded as concession intangible assets as described in Note 2.6. For other lands, the premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights and separately presented as non-current assets, which are amortised over the lease period using the straight-line method.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 2 Summary of significant accounting policies (continued)

### 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life or have not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are not subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.12 Financial assets

#### 2.12.1 Classification

The Group only has financial assets in the following categories: loans, receivables and AFS financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.14 and 2.15).

#### (b) *AFS financial assets*

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The Group's AFS financial assets are equity interests in unlisted companies (Note 12). They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period.

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets (continued)

#### 2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. AFS financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

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

#### 2.12.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### 2.12.4 Impairment of financial assets

##### (a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.



# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets (continued)

#### 2.12.4 Impairment of financial assets (continued)

##### (a) *Assets carried at amortised cost (continued)*

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets (continued)

#### 2.12.4 Impairment of financial assets (continued)

##### (b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### 2.13 Inventories

Inventories mainly comprise materials and spare parts for the repair and maintenance of toll roads. The inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### 2.14 Trade and other receivables

Trade and other receivables are amounts due from customers for operation of pawn business, toll roads and associated service sections. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 2.15 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 2 Summary of significant accounting policies (continued)

### 2.16 Share capital

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

### 2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.18 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

### 2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2 Summary of significant accounting policies (continued)

### 2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (a) *Current income tax*

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

#### (b) *Deferred income tax*

##### *Inside basis differences*

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 2 Summary of significant accounting policies (continued)

### 2.20 Current and deferred income tax (continued)

#### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.21 Government grants

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

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

### 2.22 Employee benefits

Each company of the Group contributes on a monthly basis to defined contribution plans in the PRC based on a percentage of the relevant employee's monthly salaries. In addition, the employees of the Group also enter into supplementary pension scheme on a voluntary basis. The Group is required to make annual contributions to an independent fund management company equivalent to the basic monthly salary, subject to certain ceiling, in respect of its employees. The Group's contributions to defined contributions plans are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods.

Additional compensations for employee retirement are recognised in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms. Details of the Group's retirement benefits are set out in Note 24.

## 2 Summary of significant accounting policies (continued)

### 2.23 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.24 Leases - operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

### 2.25 Revenue recognition

#### (a) *Toll income from toll roads operation*

Toll income from toll roads operation is recognised on a receipt basis.

#### (b) *Revenue from construction and upgrade work under the Service Concessions*

Revenue from construction and upgrade work under the Service Concessions is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 2 Summary of significant accounting policies (continued)

### 2.25 Revenue recognition (continued)

*(c) Dividend income*

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

*(d) Service income*

Service income is recognised when the service has been rendered.

*(e) Rental income*

Operating lease rental income is recognised on a straight-line basis over the lease period.

*(f) Interest income from pawn loans to customers*

Interest income from pawn loans to customers is recognised on a time-proportion basis using the effective interest method.

### 2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.27 Enterprise safety fund

According to the regulations of the PRC, the Group is required to accrue 1% of its toll income of prior year as enterprise safety fund from 1 January 2004 onwards unless the accrued balance exceeds 1.5% of toll income of prior year. The fund can only be used for improvements of the safety of its toll roads. Accruals to the fund are treated as an appropriation to reserves, which will be reversed to retained earnings upon utilisation.

## 3 Financial risk management

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and investment of excess liquidity.

The Group's activities do not expose it to significant foreign exchange risk because it principally operates in the PRC and RMB is the currency of the primary economic environment in which the Group operates.

The Group's activities do not expose it to significant price risk because the Group's investments in AFS financial asset is unquoted equity shares, which is not directly related to the changes in market price of securities. The Group is not exposed to commodity price risk either.

#### (a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the Hong Kong dollar ("HKD"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward contracts, transacted with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 December 2017, if RMB had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax profit for the year would have been RMB 186 thousand lower/higher (2016: RMB 8,129 thousand higher/lower), mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash at bank. Profit is less sensitive to movement in RMB/HKD exchange rates in 2017 than 2016 because of the decreased amount of HKD-denominated borrowings.



# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (b) Credit risk

The Group's credit risk mainly arises from deposits with banks and receivables (including pawn loans to customers). The carrying amounts of cash at banks, trade and other receivables represented the Group's maximum exposure in relation to financial assets.

The table below shows the cash at bank balance of the Group as at 31 December 2017 and 2016:

	As at 31 December	
Counterparties	2017	2016
Major financial institutes	<u>1,829,392</u>	<u>2,010,809</u>

The Group has policies to place its deposits only with major financial institutions. As at 31 December 2017 and 2016, most of cash was deposited with major financial institutions in Mainland China and Hong Kong. The Group's management does not expect any loss from non-performance by these counterparties.

Toll income from toll roads operations are settled in cash, which is collected by Anhui Expressway Network Operations Co., Ltd. ("安徽高速公路聯網運營有限公司", "AENO", the toll settlement centre of Anhui Province) on behalf of the Group. Since the toll roll income receivables are expected to be received in the second month, the Company's management does not expect any loss from those receivables. Please refer to Note 13 for details.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Hefei Wan Tong Pawn Co., Ltd. ("合肥皖通典當有限公司", "Wan Tong Pawn"), the Company's subsidiary, is engaged in pawn business. Wan Tong Pawn's business takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge on obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in Wan Tong Pawn's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to above credit risk. Wan Tong Pawn's credit exposures arise principally from pawn loans to customers.

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

Wan Tong Pawn employs a range of policies and practices to mitigate the credit risk. For Wan Tong Pawn's business, the most traditional of these is the taking of specific classes of collateral from customers. The principal collateral types for pawn loans to customers are:

- Real estate;
- Forest rights;
- Equity instruments, mainly equity interests in unlisted companies which are typically related to the borrowers; and
- Accounts receivable and other property rights.

All pawn loans granted are backed by collateral as security. Wan Tong Pawn also focuses on ascertaining legal ownership and the valuation of the real estate collaterals. A loan granted is based on the value of the collaterals. Wan Tong Pawn monitors the value of the collaterals throughout the loan period.

Further to collateral held as security for pawn loans, Wan Tong Pawn introduces other credit enhancement measures for equity interests backed loans, primarily third party guarantee against the security of loan repayment, taking into consideration the borrower's repayment ability, repayment records, collateral status, financial performance, industry outlook and competition, etc.

Impairment provisions are recognised for financial reporting purposes only for loss that have incurred at the balance sheet date based on objective evidence of impairment.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

The table below shows Wan Tong Pawn's gross amounts of loans to customers and the associated impairment allowances by collateral type:

	As at 31 December	
	2017	2016
Pawn loans to customers		
- Forest rights backed pawn loans	62,739	63,000
- Real estate backed pawn loans	55,159	61,249
- Equity interests backed pawn loans	17,250	17,250
- Combination of real estate and equity interest backed pawn loans	9,105	11,726
- Accounts receivable backed pawn loans	4,348	22,348
	<b>148,601</b>	<b>175,573</b>
Less: Impairment allowances		
- Forest rights backed pawn loans	(62,739)	(51,000)
- Real estate backed pawn loans	(32,111)	(30,475)
- Equity interests backed pawn loans	(17,250)	(12,075)
- Combination of real estate and equity interest backed pawn loans	(6,854)	(9,408)
- Accounts receivable backed pawn loans	(2,574)	(9,774)
	<b>(121,528)</b>	<b>(112,732)</b>
	<b>27,073</b>	<b>62,841</b>

Wan Tong Pawn's management determines whether objective evidence of impairment exists, based on the criteria set out as following:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Filing of a lawsuit against the borrower.

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

Wan Tong Pawn's credit risk management policies require the review of individual outstanding loans secured by real estate, equity interests and accounts receivable collateral at least semi-annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis. The assessment normally encompasses collateral held and the anticipated receipts for that individual account, taking into account the borrower's repayment ability, repayment records, collateral status, financial performance, industry outlook and competition, and the financial standing of the third party guarantor, etc.

Collectively assessed impairment allowances are provided for: (i) portfolios of outstanding loans that have been individually assessed with no objective evidence of impairment by homogenous collateral type; and (ii) loss that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

Maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	As at 31 December	
	2017	2016
Pawn loans to customers:		
- Forest rights backed pawn loans	—	12,000
- Real estate backed pawn loans	23,048	30,774
- Equity interests backed pawn loans	—	5,175
- Combination of real estate and equity interest backed pawn loans	2,251	2,318
- Accounts receivable backed pawn loans	1,774	12,574
	<b>27,073</b>	<b>62,841</b>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

The above table represents a worst case scenario of credit risk exposure to the Wan Tong Pawn, without taking into account of any collateral held for or other credit enhancements attached. The exposures set out above for assets are based on net carrying amounts as reported in the consolidated balance sheet.

Pawn loans to customers (Note 13(a)) are summarised as follows:

	As at 31 December	
	2017	2016
Neither past due nor impaired	—	—
Past due but not impaired	—	—
Impaired	<b>148,601</b>	175,573
	<b>148,601</b>	175,573
Less: Impairment allowances	<b>(121,528)</b>	(112,732)
	<b>27,073</b>	62,841

#### (c) Liquidity risk

The Group's toll road income is settled in cash.

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, together with adequate bank borrowing facilities disclosed in Note 20.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet and balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
<b>At 31 December 2017</b>					
Bank borrowings, including interest (Note 20)	<b>84,615</b>	<b>523,428</b>	<b>488,988</b>	<b>926,528</b>	<b>2,023,559</b>
Trade and other payables, excluding other taxation payables, staff salaries and welfare, advance from customers, current portion of long-term payables and interest payable (Note 19)	<b>891,344</b>	—	—	—	<b>891,344</b>
Long-term payables, including interest and current portion (Note 22)	<b>90,823</b>	<b>655,227</b>	<b>205,820</b>	<b>874,638</b>	<b>1,826,508</b>
	<b>1,066,782</b>	<b>1,178,655</b>	<b>694,808</b>	<b>1,801,166</b>	<b>4,741,411</b>

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
<b>At 31 December 2016</b>					
Bank borrowings, including interest (Note 20)	192,568	284,302	568,468	1,103,069	2,148,407
Trade and other payables, excluding other taxation payables, staff salaries and welfare, advance from customers, current portion of long-term payables and interest payable (Note 19)	581,804	—	—	—	581,804
Long-term payables, including interest and current portion (Note 22)	56,319	163,077	244,770	1,248,322	1,712,488
	<u>830,691</u>	<u>447,379</u>	<u>813,238</u>	<u>2,351,391</u>	<u>4,442,699</u>

##### (d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from pawn loans to customers, bank borrowings and long-term payables.

Pawn loans to customers bearing fixed interest rate expose the Group to fair value interest risk. Contractual interest rate re-pricing is matched with maturity date of each pawn loan granted to customer. As at 31 December 2017, maturity dates of pawn loans to customers are all within six months. Therefore the fair value of pawn loans to customers approximated their carrying amount.

Bank borrowings issued at floating rates expose the Group to cash flow interest rate risk. During 2017 and 2016, the Group's bank borrowings at floating rate were denominated in RMB and HKD. As at 31 December 2017, the Group's bank borrowings to the extent of RMB 1,089,833 thousand (31 December 2016: RMB 1,067,627 thousand and HKD 123,898 thousand (equivalent to RMB 110,827 thousand)) were issued at floating rates. As at 31 December 2017, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB 5,449 thousand (2016: RMB 5,678 thousand) higher or lower.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (d) Cash flow and fair value interest rate risk (continued)

As at 31 December 2017, the Group's long-term payables of RMB 597,170 thousand (31 December 2016: RMB 412,520 thousand) were at floating rate and expose the Group to cash flow interest rate risk. As at 31 December 2017, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB 2,433 thousand (2016: RMB 1,932 thousand) higher or lower. The Group's long-term payables of RMB 588,518 thousand (including current portion of long-term payables) (31 December 2016: RMB 579,395 thousand) were interest free and expose the Group to fair value interest rate risk. The fair value of long-term payables is disclosed in Note 22.

### 3.2 Capital risk management

The primary objective of the Group's capital management is to safeguard each entity within the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of issue new shares or control the capital expenditures to reduce debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and long-term payables as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratio of the Group at 31 December 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
Total borrowings (Note 20)	1,689,833	1,778,454
Long-term payables (Note 22)	1,185,688	991,915
Less: cash and cash equivalents (Note 15)	(1,829,395)	(1,900,812)
Net debts	1,046,126	869,557
Total equity	10,086,593	9,485,242
Total capital	11,132,719	10,354,799
Gearing ratio	9.40%	8.40%

## 3 Financial risk management (continued)

### 3.3 Fair value estimation

Below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017 and 2016.

<b>As at 31 December 2017</b>	<b>Level 1 RMB'000</b>	<b>Level 2 RMB'000</b>	<b>Level 3 RMB'000</b>	<b>Total RMB'000</b>
<b>Financial assets</b>				
AFS financial assets	—	—	<b>404,846</b>	<b>404,846</b>
<b>As at 31 December 2016</b>	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
AFS financial assets	—	—	235,000	235,000

The following table presents the changes in level 3 instruments for the year ended 31 December 2017.

	<b>AFS financial assets RMB'000</b>
Opening balance	235,000
Additions	200,000
Losses recognised in profit or loss	(16,754)
Losses recognised in other comprehensive income	(13,400)
Closing balance	<b>404,846</b>



# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 3 Financial risk management (continued)

### 3.3 Fair value estimation (continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

	Fair value as at 31 December 2017	Valuation technique	Unobservable input	Range (weighted average)
AFS financial assets	215,000	Market comparable approach	P/B	10~13/(11.5)
AFS financial assets	189,846	Income approach	Discount rate	11.74%~12.24% /(11.99%)
	<u>404,846</u>			

The nominal value less impairment provision of trade and other receivables, trade and other payables and current borrowings are assumed to approximate their fair values due to short period of maturity dates. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the management of the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

### (a) *Construction revenue recognition under Service Concessions*

As described in Note 2.6, income and expenses associated with construction and upgrade work under the Service Concessions are recognised in accordance with HKAS 11 using the percentage of completion method.

Due to the fact that all construction activities are sub-contracted to third parties and the Group only performs project management, and there was no real cash flow realised or realisable during the construction phase of the infrastructure during the Service Concessions, in order to determine the construction revenue to be recognised during the reporting period, the management made estimates of the respective amounts by making reference to project management service fees in return as if the Group were providing rendered project management services for construction of toll roads for respective the PRC local governments without the corresponding grants of the toll road operating rights and entitlement to future toll revenues. Accordingly, construction revenue under the respective Service Concessions is recognised at the total expected construction costs of the related toll roads plus management fees, computed at a percentage of the project management costs.

In ascertaining the total construction costs, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans, etc. In ascertaining the amount of management fees, the management has made reference to the practice for determining management fees for managing construction contracts transacted by similar toll roads companies in Anhui Province, whereby the fee is determined based on certain percentage of actual management cost incurred of each project, according to the scale and size of the respective projects. The management of the Group believes the profit arising from the project management is very low due to sharp competition in local project management market. The management also believes the situation of low margin will continue in future years. Thus, the profit from construction activities was not recognised in reporting periods.

The management of the Group considers that these are the current best estimates on the magnitude of construction revenue and related profits. If the magnitudes of the final construction costs and the management fee applied as a percentage of the project management cost were to be differed from management's current estimates, the Group would account for the change prospectively.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 4 Critical accounting estimates and judgements (continued)

### **(b) Provision for maintenance obligations**

As described in Note 2.6, the Group has contractual obligations under the Service Concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision. Provision for maintenance obligations at 31 December 2017 of RMB 34,565 thousand had been provided at the present value of expenditures expected to be incurred by the Group to settle the obligations at the balance sheet date (Note 21).

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each toll roads operated by the Group under the Service Concessions and the expected costs to be incurred for each event.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the management of the Company, which were developed based on the Group's resurfacing plan and historical costs incurred for similar activities. In addition, the directors are of the view that the discount rate currently used in the current estimate reflects the time value of money and the risks specific to the obligations.

If the expected expenditures, resurfacing plan and discount rate were different from management's current estimates, the change in provision for maintenance obligations is required to be accounted for prospectively.

### **(c) Estimation of useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives for its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives.

Management will revise the depreciation charges where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

### **(d) Estimation of amortisation periods of concession intangible assets**

The Group amortises the concession intangible assets using the straight-line method over the concession periods granted (Note 1). The concession periods are approved by the Grantor therefore the Group does not have renewal or termination option for the concession periods.

If the Grantor requires to extend or shorten the concession periods, management will revise the amortisation charges which are different to previously calculated, or recognise an impairment loss, if any.

## 4 Critical accounting estimates and judgements (continued)

### (e) *Estimation of deferred income tax assets and income tax*

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. Management revisits the assumptions and profit projections by the balance sheet date. If the final assumptions and profit were to be differed from management's current estimates, the Group would account for the change prospectively.

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the year in which such determination is made.

### (f) *Estimation of payment schedule of long-term payables*

The non-controlling interests provided financing to the Group in the form of long-term loans. The annual repayment of the long-term loans equals certain percentage of annual amortisation of the concession intangible assets and depreciation of property, plant and equipment. Management estimated the annual amortisation of the concession intangible assets and depreciation of property, plant and equipment by reference to the carrying amount of long-term assets and future capital expenditure. If the actual amortisation and depreciation amount was to be differed from management's current estimates, the Group would account for the change prospectively.

### (g) *Impairment allowances on pawn loans to customers*

The Group reviews its loan portfolios to assess impairment at least on a semi-annual basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or local economic conditions that correlate with defaults on assets in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 4 Critical accounting estimates and judgements (continued)

### (h) Impairment of long-term assets

Concession intangible assets, land use rights, property, plant and equipment, investment properties and intangible assets with finite useful lives are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

## 5 Concession intangible assets

	As at 31 December	
	2017	2016
Cost	<b>16,371,634</b>	15,039,368
Accumulated amortisation	<b>(6,368,827)</b>	(5,802,441)
Net book amount	<b>10,002,807</b>	9,236,927

	Year ended 31 December	
	2017	2016
Opening net book amount	<b>9,236,927</b>	9,245,876
Additions	<b>1,447,348</b>	564,496
Transfer in from property, plant and equipment (Note 7)	<b>23,245</b>	—
Transfer out to property, plant and equipment (Note 7)	<b>(135,394)</b>	(7,123)
Disposals	<b>(1,401)</b>	—
Amortisation charges (Note 27)	<b>(567,918)</b>	(566,322)
Closing net book amount	<b>10,002,807</b>	9,236,927

## 5 Concession intangible assets (continued)

As at 31 December 2017 and 2016, the toll roads under the Service Concessions and their respective concession periods granted are disclosed in Note 1.

All of the Group's lands under the Service Concessions are located in Anhui Province, the PRC and are held on lease terms of 25 to 30 years from the dates of acquisition, and expiring from 2026 to 2033.

As at 31 December 2017, the Group's concession intangible assets of RMB 1,050,635 thousand (31 December 2016: RMB 1,020,495 thousand) are still under construction. Those constitute property, plant and equipment upon completion are transferred out.

Borrowing costs with the amount of RMB 34,796 thousand (2016: RMB 18,289 thousand), including amortisation of long-term payables to non-controlling interests with the amount of RMB 1,382 thousand (2016: RMB 548 thousand) (Note 22), have been capitalised in 2017 at an average interest rate of 2.94% (2016: 4.67%).

Amortisation expenses of RMB 567,918 thousand have been charged in "cost of sales" (2016: RMB 566,322 thousand).

As at 31 December 2017, certain land use right certificates for Ninghuai expressway Tianchang section, Hening expressway, Ningxuanhang expressway Anhui section and one toll station in Guangde have not yet been obtained.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 6 Land use rights

The Group's interests in land use rights represented prepaid operating lease payments and their net book value are analysed as follows:

	As at 31 December	
	2017	2016
Cost	22,039	21,039
Accumulated amortisation	(11,575)	(10,546)
Net book amount	<u>10,464</u>	<u>10,493</u>

	Year ended 31 December	
	2017	2016
Opening net book amount	10,493	11,450
Transfer in from property, plant and equipment (Note 7)	1,000	—
Amortisation charges (Note 27)	(1,029)	(957)
Closing net book amount	<u>10,464</u>	<u>10,493</u>

All of the Group's land use rights are located in Anhui Province, the PRC and are held on lease terms of 30 years from the dates of acquisition, and expiring in 2026.

Amortisation expenses of RMB 1,029 thousand (2016: RMB 957 thousand) have been charged in "cost of sales".

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 7 Property, plant and equipment

	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
<b>At 1 January 2016</b>							
Cost	646,322	892,974	198,046	88,431	155,065	85,362	2,066,200
Accumulated depreciation	(136,790)	(565,693)	(125,375)	(63,711)	(128,423)	—	(1,019,992)
Net book value	<u>509,532</u>	<u>327,281</u>	<u>72,671</u>	<u>24,720</u>	<u>26,642</u>	<u>85,362</u>	<u>1,046,208</u>
<b>Year ended 31 December 2016</b>							
Opening net book amount	509,532	327,281	72,671	24,720	26,642	85,362	1,046,208
Additions	—	872	1,592	2,396	1,766	12,509	19,135
Disposals	—	(43)	(255)	(365)	(10)	—	(673)
Transfers	903	14,556	18,574	—	1,290	(35,323)	—
Transfer in from concession intangible assets (Note 5)	—	211	5,751	—	1,161	—	7,123
Transfer out to investment property (Note 8)	(2,297)	—	—	—	—	—	(2,297)
Depreciation (Note 27)	(21,555)	(58,742)	(17,981)	(5,032)	(12,013)	—	(115,323)
Closing net book amount	<u>486,583</u>	<u>284,135</u>	<u>80,352</u>	<u>21,719</u>	<u>18,836</u>	<u>62,548</u>	<u>954,173</u>
<b>At 31 December 2016</b>							
Cost	644,928	908,570	223,708	90,462	159,272	62,548	2,089,488
Accumulated depreciation	(158,345)	(624,435)	(143,356)	(68,743)	(140,436)	—	(1,135,315)
Net book value	<u>486,583</u>	<u>284,135</u>	<u>80,352</u>	<u>21,719</u>	<u>18,836</u>	<u>62,548</u>	<u>954,173</u>
<b>Year ended 31 December 2017</b>							
Opening net book amount	486,583	284,135	80,352	21,719	18,836	62,548	954,173
Additions	—	1,392	5,297	1,594	7,248	40,425	55,956
Disposals	(6)	(628)	(548)	(293)	(294)	—	(1,769)
Transfers	7,699	6,176	11,246	—	2,369	(27,490)	—
Transfer in from concession intangible assets (Note 5)	54,315	76,288	—	202	4,589	—	135,394
Transfer out to concession intangible assets (Note 5)	—	—	—	—	—	(23,245)	(23,245)
Transfer in from investment property (Note 8)	5,325	—	—	—	—	—	5,325
Transfer out to investment property (Note 8)	(12,446)	—	—	—	—	—	(12,446)
Transfer in from intangible assets (Note 9)	—	79	—	—	—	—	79
Transfer out to intangible assets (Note 9)	—	—	(631)	—	—	(3,084)	(3,715)
Transfer out to land use rights (Note 6)	—	—	—	—	—	(1,000)	(1,000)
Depreciation (Note 27)	(21,872)	(53,912)	(19,088)	(5,111)	(9,064)	—	(109,047)
Closing net book amount	<u>519,598</u>	<u>313,530</u>	<u>76,628</u>	<u>18,111</u>	<u>23,684</u>	<u>48,154</u>	<u>999,705</u>
<b>At 31 December 2017</b>							
Cost	702,959	974,062	226,473	84,016	164,511	48,154	2,200,175
Accumulated depreciation	(183,361)	(660,532)	(149,845)	(65,905)	(140,827)	—	(1,200,470)
Net book value	<u>519,598</u>	<u>313,530</u>	<u>76,628</u>	<u>18,111</u>	<u>23,684</u>	<u>48,154</u>	<u>999,705</u>

Depreciation expenses of RMB 97,610 thousand (2016: RMB 102,117 thousand) have been charged in “cost of sales”; depreciation expenses of RMB 11,437 thousand (2016: RMB 13,206 thousand) have been charged in “administrative expenses”.



# Notes to the consolidated financial statements

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## 8 Investment properties

	<b>Buildings</b>
<b>At 1 January 2016</b>	
Cost	496,726
Accumulated amortisation	<u>(142,715)</u>
Net book amount	<u>354,011</u>
<b>Year ended 31 December 2016</b>	
Opening net book amount	354,011
Transfer in from property, plant and equipment (Note 7)	2,297
Amortisation expenses (Note 27)	<u>(17,917)</u>
Closing net book amount	<u>338,391</u>
<b>At 31 December 2016</b>	
Cost	500,135
Accumulated amortisation	<u>(161,744)</u>
Net book amount	<u>338,391</u>
<b>Year ended 31 December 2017</b>	
Opening net book amount	<b>338,391</b>
Additions	<b>3,852</b>
Transfer in from property, plant and equipment (Note 7)	<b>12,446</b>
Transfer out to property, plant and equipment (Note 7)	<b>(5,325)</b>
Amortisation expenses (Note 27)	<u><b>(17,486)</b></u>
Closing net book amount	<u><b>331,878</b></u>
<b>At 31 December 2017</b>	
Cost	<b>507,957</b>
Accumulated amortisation	<u><b>(176,079)</b></u>
Net book amount	<u><b>331,878</b></u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 8 Investment properties (continued)

Amortisation expenses of RMB 17,486 thousand (2016: RMB 17,917 thousand) have been charged in “cost of sales”.

The fair values for the investment properties of the Group as at 31 December 2017 totalled RMB 549,786 thousand (31 December 2016: RMB 521,078 thousand).

The fair values have been arrived based on the open market valuation performed by Anhui Zhonglian Guoxin Assets Valuation Company Limited (“安徽中聯國信資產評估有限責任公司”, the “Valuer”). The valuation including the use of inputs that are not based on an observable market data (that is, level 3 assets). The Valuer is an independent qualified professional firm not connected with the Group and has appropriate qualifications and relevant experience in the valuation of similar properties in the relevant locations.

The valuations were arrived at using the approach of (i) applying capitalised income projections based upon a property’s estimated net market income, and a capitalisation rate derived from an analysis of market evidence and (ii) by making reference to comparables as available in the relevant market.

All of the Group’s property interests held under operating leases to earn rentals are measured using the cost model and are classified and accounted for as investment properties.

### (a) Amounts recognised in consolidated income statement for investment properties

	Year ended 31 December	
	2017	2016
Rental income (Note 25)	49,587	48,646
Direct operating expenses from property that generated rental income	(17,733)	(18,277)
	<u>31,854</u>	<u>30,369</u>

# Notes to the consolidated financial statements

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## 9 Intangible assets

	<b>Acquired computer software licenses</b>
<b>At 1 January 2016</b>	
Cost	9,967
Accumulated amortisation	(7,579)
Net book amount	<u>2,388</u>
<b>Year ended 31 December 2016</b>	
Opening net book amount	2,388
Additions	2,297
Amortisation expenses (Note 27)	(1,137)
Closing net book amount	<u>3,548</u>
<b>At 31 December 2016</b>	
Cost	12,264
Accumulated amortisation	(8,716)
Net book amount	<u>3,548</u>
<b>Year ended 31 December 2017</b>	
Opening net book amount	3,548
Additions	3,250
Transfer in from property, plant and equipment (Note 7)	3,636
Amortisation expenses (Note 27)	(3,369)
Closing net book amount	<u>7,065</u>
<b>At 31 December 2017</b>	
Cost	19,271
Accumulated amortisation	(12,206)
Net book amount	<u>7,065</u>

Amortisation expenses of RMB 3,369 thousand (2016: RMB 1,137 thousand) have been charged in “administrative expenses”.

# Notes to the consolidated financial statements

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## 10 Subsidiaries

The following is a list of the subsidiaries at 31 December 2017:

Name	Place of establishment and kind of legal entity	Principal activities and place of operation	Paid in, issued and fully paid capital ('000)	Proportion of equity interest directly held by the Company and the Group (%)	Proportion of equity interest held by non-controlling interests (%)
Xuan Guang Expressway Company Limited ("宣廣高速公路有限責任公司", "Xuan Guang") (a)	The PRC, limited liability company	Management and operation of expressway in Anhui province, the PRC	RMB 111,760	55.47%	44.53%
Anhui Ningxuanhang Expressway Investment Company Limited ("安徽 宣杭高速公路投資有限公司", "Ningxuanhang") (b)	The PRC, limited liability company	Management and operation of expressway in Anhui province, the PRC	RMB 300,000	51.00%	49.00%
Xuancheng Guangci Expressway Co., Ltd. ("宣城市廣祠高速公路有限責任公司", "Guangci") (c)	The PRC, limited liability company	Management and operation of expressway in Anhui province, the PRC	RMB 56,800	55.47%	44.53%
Wan Tong Pawn (d)	The PRC, limited liability company	Pawn, small loan and related services in Anhui province, the PRC	RMB 157,500	71.43%	28.57%
Anhui Expressway (H.K.) Limited ("安徽皖通高速公路股份(香港)有限公司", "AEHK") (e)	Hong Kong, limited company	Management and operation of expressway outside Mainland China	HKD 2,400	100.00%	—

# Notes to the consolidated financial statements

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## 10 Subsidiaries (continued)

### (a) Xuan Guang

Xuan Guang is an equity joint venture established by the Company and Xuancheng Communication Investment Co., Ltd. (“宣城市交通投资有限公司”, “XCIC”, formerly named “Xuancheng Highway Management Company”) in July 1998 with an operating period of 30 years. The Company invested in total RMB 366,600 thousand in Xuan Guang, in the forms of capital contribution of RMB 36,660 thousand and long-term loan of RMB 329,940 thousand. Long-term loan represented the Company’s share of the total investment in Xuan Guang in excess of the Company’s share of its registered capital. It was free of interest charge. According to the joint venture contract, annual distribution (the “distribution”) equalling net profit plus amortisation of its concession intangible assets and depreciation of its fixed assets (the “amortisation and depreciation”) are to be made wholly to the Company till the total distribution received by the Company equal to its long-term loan to Xuan Guang. Thereafter, the distribution will be shared by the Company and XCIC in proportion to their respective contributions to Xuan Guang’s registered capital. The net profit portion of the distribution received is accounted for as dividend income while the amortisation and depreciation and amortisation portion of the distribution received is accounted for as repayments to the long-term loan advanced to Xuan Guang.

Pursuant to a capital injection contract between the Company and XCIC dated 11th August 2003, XCIC contributed Xuanguang Expressway (Nanhuan section) to Xuan Guang at an agreed price of RMB 398,800 thousand in the form of capital contribution of RMB 39,880 thousand and long-term loan of RMB 358,920 thousand. The long-term loan was interest free as well.

Pursuant to a share transfer agreement dated 11 September 2003 subsequently entered into by the Company and XCIC, the Company acquired XCIC’s interests in Xuan Guang (in the forms of paid-in-capital of RMB 25,335 thousand and shareholder’s loan of RMB 228,015 thousand) at a total consideration of RMB 253,350 thousand. After the acquisition, the Company holds 55.47% interest in Xuan Guang. The profit distribution arrangement of Xuan Guang mentioned above remains unchanged.

In 2007, pursuant to a resolution at the Board of Directors’ 9th meeting of Xuan Guang, cash repayment amount with respect to depreciation and amortisation portion of the distribution was determined to repay the short-term borrowings of Xuan Guang in priority before settlement of long-term payables to the Company and XCIC since 2007, until the short-term borrowings are fully repaid.

According to the contracts, agreements and board resolution mentioned above, for the year ended 31 December 2017, the net profit portion of the distribution attributable to the Company amounted to RMB 129,906 thousand (2016: RMB 104,135 thousand). The net profit portion of the distribution attributable to XCIC amounted to RMB 104,285 thousand (2016: RMB 83,598 thousand).

**10 Subsidiaries (continued)****(b) Ningxuanhang**

Ningxuanhang is an equity joint venture established by the Company and Xuancheng Communication Construction Co., Ltd. (“宣城市交通建設投資有限公司”, “XCCC”) in April 2008 with an operating period of 30 years. The original registered capital of Ningxuanhang was RMB 100,000 thousand. The Company and XCCC’s equity interests in Ningxuanhang were 70% and 30% respectively.

Pursuant to a share transfer agreement dated in January 2012 between XCCC and XCIC, XCIC acquired XCCC’s equity interests in Ningxuanhang. XCCC also transferred its shareholder’s loan to XCIC.

Pursuant to a capital injection agreement among the Company, Anhui Transportation Holding Group Co., Ltd. (“安徽省交通控股集團有限公司”, “ATHC”, parent company of the Company, formerly named “Anhui Expressway Holding Co., Ltd.”), and XCIC dated 20 August 2012, the Company made cash contribution of RMB 129,362 thousand to Ningxuanhang in the forms of paid-in capital of RMB 83,000 and capital surplus of RMB 46,362 thousand; ATHC made cash contribution of RMB 182,353 thousand to Ningxuanhang in the forms of paid-in capital of RMB 117,000 thousand and capital surplus of RMB 65,353 thousand. After the cash contribution, the Company, ATHC and XCIC’s equity interests in Ningxuanhang changed to 51%, 39% and 10%, respectively.

The Company, ATHC and XCIC also provided funding to Ningxuanhang in the form of long-term shareholders’ loans. Details of the undiscounted long-term shareholders’ loans in 2017 are as follows:

	The Company		ATHC		XCIC		Total
	Interest free	Interest bearing	Interest free	Interest bearing	Interest free	Interest bearing	
Beginning of the year	840,796	1,227,462	640,147	412,520	164,141	—	3,285,066
Additions	48,340	301,200	17,940	184,650	10,200	—	562,330
Ending of the year	<u>889,136</u>	<u>1,528,662</u>	<u>658,087</u>	<u>597,170</u>	<u>174,341</u>	<u>—</u>	<u>3,847,396</u>

The interest rate of interest bearing long-term loans ranged from 4.41% to 6.15% per annum in 2017 (2016: 4.41% to 6.15% per annum).

According to the agreement among the Company, ATHC and XCIC, annual net profit is to be made as dividends to the Company, ATHC and XCIC. The amortisation and depreciation are to be made as repayments to bank borrowings and long-term shareholders’ loans. After all the bank borrowings and long-term shareholders’ loans are fully settled, annual net profit and the amortisation and depreciation are distributed to the Company, ATHC and XCIC in proportion to their respective contributions to Ningxuanhang’s paid-in capital.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 10 Subsidiaries (continued)

### (b) *Ningxuanhang (continued)*

The interest free loan of the Company is initially recognised at its fair value, which equals the present value of the future cash to be received discounted using the annual interest rate published by the People's Bank of China for long-term bank loans, and is subsequently carried at amortised cost using the effective interest method. The difference between initial fair value and undiscounted amount of RMB 41,421 thousand of the interest free loan was recognised as an addition to the Company's investment in Ningxuanhang in 2017 (2016: RMB 52,622 thousand).

The interest bearing loan of the Company is accounted for by using effective interest rate method as well. As the interest rate is floating and determined by reference to market interest rate, the fair value approximated its carrying amount.

As at 31 December 2017, all the sections of Ningxuanhang Expressway Anhui Section have been officially opened to traffic (Note 1).

In 2017, the net loss attributable to the Company amounted to RMB 126,885 thousand (2016: RMB 127,609 thousand); the net loss attributable to ATHC amounted to RMB 97,030 thousand (2016: RMB 97,584 thousand); the net loss attributable to XCIC amounted to RMB 24,880 thousand (2016: RMB 25,022 thousand).

### (c) *Guangci*

Guangci is an equity joint venture established by ATHC and XCIC in July 2004 with an operating period of 25 years. The total registered capital of Guangci was RMB 56,800 thousand. ATHC and XCIC's equity interests in Guangci were 51% and 49%, respectively.

Pursuant to a share transfer agreement dated 21 February 2012 among the Company, ATHC and XCIC, the Company acquired ATHC and XCIC's interest in Guangci for a purchase consideration of RMB 215,330 thousand and RMB 18,880 thousand respectively, effective of 1 January 2012. After the acquisition, the Company and XCIC's equity interests in Guangci were 55.47% and 44.53%, respectively.

In 2017, the net profit attributable to the Company amounted to RMB 28,589 thousand (2016: RMB 23,423 thousand). The net profit portion of the distribution attributable to XCIC amounted to RMB 22,951 thousand (2016: RMB 18,801 thousand).

**10 Subsidiaries (continued)****(d) Wan Tong Pawn**

Wan Tong Pawn is an equity joint venture established by the Company and Hefei Hua Tai Group Co., Ltd. (“合肥華泰集團股份有限公司”, “Hua Tai”) in June 2012 with an operating period of 30 years. The total registered capital of Wan Tong Pawn was RMB 210,000 thousand. The Company invested in RMB 150,000 thousand and held 71.43% equity interests in Wan Tong Pawn. Hua Tai invested in RMB 60,000 thousand and held 28.57% equity interests in Wan Tong Pawn.

In September 2015, pursuant to a shareholder agreement, the Company and Hua Tai agreed to redeem their investments of RMB 37,500 thousand and RMB 15,000 thousand respectively as capital redemption from Wan Tong Pawn. After the capital redemption, the total registered capital of Wan Tong Pawn reduced to RMB 157,500 thousand. The Company and Hua Tai held 71.43% and 28.57% equity interests in Wan Tong Pawn.

In 2017, the net loss attributable to the Company amounted to RMB 27,180 thousand (2016: RMB 9,949 thousand); the net loss attributable to Hua Tai amounted to RMB 10,871 thousand (2016: RMB 3,978 thousand).

**(e) AEHK**

As at 30 September 2013, AEHK was set up in Hong Kong. The registered capital of AEHK is HKD 2,400 thousand, and the Company held 100% equity interests of AEHK. In 2015, the Company finished capital injection to AEHK. As at 31 December 2017, AEHK is still in pre-operation stage.

**(f) Material non-controlling interests**

As at 31 December 2017 and 2016, the analysis of non-controlling interests is as follow:

	As at 31 December	
	2017	2016
Non-controlling interests attributable to		
– Xuan Guang	272,288	251,690
– Ningxuanhang	250,286	355,224
– Guangci	107,898	103,040
– Wan Tong Pawn	19,918	30,789
	650,390	740,743



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For the year ended 31 December 2017  
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## 10 Subsidiaries (continued)

### (f) Material non-controlling interests (continued)

#### Summarised financial information on subsidiaries with material non-controlling interests

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

#### Summarised balance sheet

	Ningxuanhang		Xuan Guang		Guangci		Wan Tong Pawn	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Current</b>								
Assets	156,297	78,190	221,281	162,145	53,307	27,629	73,157	81,555
Liabilities	(597,503)	(316,198)	(130,261)	(137,466)	(7,618)	(10,639)	(3,683)	(2,842)
Total current net (liabilities)/assets	(441,206)	(238,008)	91,020	24,679	45,689	16,990	69,474	78,713
<b>Non-current</b>								
Assets	5,022,506	4,504,293	832,129	910,613	196,649	214,439	235	29,046
Liabilities	(4,048,214)	(3,532,441)	(255,007)	(313,406)	—	—	—	—
Total non-current net assets	974,292	971,852	577,122	597,207	196,649	214,439	235	29,046
Net assets	533,086	733,844	668,142	621,886	242,338	231,429	69,709	107,759

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 10 Subsidiaries (continued)

### (f) Material non-controlling interests (continued)

#### Summarised financial information on subsidiaries with material non-controlling interests (continued)

##### Summarised statement of comprehensive income

	Ningxuanhang		Xuan Guang		Guangci		Wan Tong Pawn	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	<u>784,363</u>	351,415	<u>511,998</u>	448,138	<u>89,175</u>	78,833	<u>698</u>	—
(Loss)/profit before income tax	(259,967)	(278,464)	312,296	250,315	68,727	56,304	(10,249)	(17,898)
Income tax income/(expense)	<u>11,172</u>	28,249	<u>(78,105)</u>	(62,582)	<u>(17,187)</u>	(14,080)	<u>(27,802)</u>	3,971
(Loss)/profit for the year	<u>(248,795)</u>	(250,215)	<u>234,191</u>	187,733	<u>51,540</u>	42,224	<u>(38,051)</u>	(13,927)
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive (loss)/income	<u>(248,795)</u>	(250,215)	<u>234,191</u>	187,733	<u>51,540</u>	42,224	<u>(38,051)</u>	(13,927)
Total comprehensive (loss)/income allocated to non-controlling interests	<u>(121,910)</u>	(122,606)	<u>104,285</u>	83,598	<u>22,951</u>	18,801	<u>(10,871)</u>	(3,978)
Dividends paid to non-controlling interests	<u>—</u>	—	<u>83,687</u>	73,846	<u>18,093</u>	14,281	<u>—</u>	—

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 10 Subsidiaries (continued)

### (f) Material non-controlling interests (continued)

#### Summarised financial information on subsidiaries with material non-controlling interests (continued)

##### Summarised cash flows

	Ningxuanhang		Xuan Guang		Guangci		Wan Tong Pawn	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Cash flows from operating activities</b>								
Cash (used in)/ generated from operations	(450,622)	(301,934)	344,389	356,502	51,025	75,626	27,809	4,866
Interest paid	(128,153)	(133,736)	—	—	—	—	—	—
Income tax paid	—	—	(88,041)	(69,087)	(18,109)	(13,352)	—	(131)
Net cash (used in)/ generated from operating activities	(578,775)	(435,670)	256,348	287,415	32,916	62,274	27,809	4,735
Net cash (used in)/ generated from investing activities	(361)	(92)	(7,590)	(14,301)	90	(4)	—	—
Net cash generated from/(used in) financing activities	584,536	401,849	(261,934)	(239,834)	(40,632)	(42,070)	—	—
Net increase/(decrease) in cash and cash equivalents	5,400	(33,913)	(13,176)	33,280	(7,626)	20,200	27,809	4,735
Cash and cash equivalents at beginning of the year	73,295	107,208	89,235	55,955	22,822	2,622	17,586	12,851
Cash and cash equivalents at end of the year	78,695	73,295	76,059	89,235	15,196	22,822	45,395	17,586

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 11 Investment in an associate

	Year ended 31 December	
	2017	2016
Beginning of the year	104,591	90,788
Share of an associate's results:		
– Profit before income tax	32,889	29,582
– Income tax expense	(9,006)	(7,670)
– Dividends declared	(3,464)	(8,109)
End of the year	125,010	104,591

The Group's interest in an associate which is unlisted, is as follows:

Name	Particulars of issued capital held	Country of establishment	% of interest held
<b>31 December 2017 and 2016</b>			
Anhui Expressway Advertisement Co., Ltd. ("安徽高速傳媒有限公司", "AEAC")	Equity capital	The PRC	38%

Set out below is the summarised financial information of AEAC:

### Summarised balance sheet

	AEAC	
	As at 31 December	
	2017	2016
<b>Current</b>		
Assets	226,075	116,481
Liabilities	(101,078)	(102,640)
Total current net assets	124,997	13,841
<b>Non-current</b>		
Assets	203,976	261,398
Liabilities	—	—
Total non-current net assets	203,976	261,398
<b>Net assets</b>	<b>328,973</b>	<b>275,239</b>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 11 Investment in an associate (continued)

### Summarised statement of comprehensive income

	AEAC	
	Year ended 31 December	
	2017	2016
Revenue	162,269	146,700
Profit for the year	62,850	57,664
Total comprehensive income for the year	62,850	57,664
Dividends	9,116	21,340

### Reconciliation of summarised financial information

	AEAC	
	Year ended 31 December	
	2017	2016
Beginning of the year	275,239	238,915
Profit for the year	62,850	57,664
Dividends distribution	(9,116)	(21,340)
End of the year	328,973	275,239
Equity interest in an associate (38%)	125,010	104,591

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 12 AFS financial assets

	Equity interests in unlisted companies and LPs							Total
	AXFG (a)	ATZIIF (b)	ATGBF (c)	AXCM (a)	WTMC (d)	ATZFM (b)	ATGFM (c)	
Beginning of the year	137,000	—	—	83,000	15,000	—	—	235,000
Additions	—	99,625	99,625	—	—	375	375	200,000
Fair value losses on								
AFS financial assets								
recognised in other								
comprehensive income	(4,573)	—	—	(8,827)	—	—	—	(13,400)
Fair value losses on								
AFS financial assets								
recognised in profit or loss	—	—	—	(16,754)	—	—	—	(16,754)
End of the year	<u>132,427</u>	<u>99,625</u>	<u>99,625</u>	<u>57,419</u>	<u>15,000</u>	<u>375</u>	<u>375</u>	<u>404,846</u>

(a) As at 31 December 2017, AFS financial assets represented 6.62% equity interests in Anhui Xin'an Financial Group Co., Ltd. (“安徽新安金融集團股份有限公司”, “AXFG”) with a fair value of RMB 132,427 thousand (31 December 2016: 6.62% and fair value of RMB 137,000 thousand) and 6.62% equity interests in Anhui Xin'an Capital Operation Management Co., Ltd. (“安徽新安資本運營管理股份有限公司”, “AXCM”) with a fair value of RMB 57,419 thousand (31 December 2016: 6.62% and fair value of RMB 83,000 thousand).

(b) Anhui Transportation Zhaoshang Fund Management Co., Ltd. (“安徽交控招商基金管理有限公司”, “ATZFM”) is an equity joint venture established by the Company, Anhui Transportation Capital Investment Management Co., Ltd. (“安徽交控資本投資管理有限公司”, “ATCIM”) and Zhaoshang Zhiyuan Capital Investment Co., Ltd. (“招商致遠資本投資有限公司”, “ZZCI”) in March 2017. The total registered capital of ATZFM was RMB 30,000 thousand. ATZFM is principally engaged in management and investment consulting of Anhui Transportation Zhaoshang Industry Investment Fund LP (“安徽交控招商產業投資基金(有限合夥)”, “ATZIIF”). As at 31 December 2017, the Company invested in RMB 375 thousand and held 2.50% equity interest in ATZFM. Since the Company has no control or significant influence over ATZFM, the investment was recognised as AFS financial assets.

ATZIIF is a limited partnership established by the Company, ATZFM, Anhui Anlian Expressway Co., Ltd. (“安徽安聯高速公路有限公司”, “ALEC”), ATCIM and ZZCI in April 2017. The total registered capital of ATZIIF was RMB 3,000,000 thousand. ATZIIF is principally engaged in fund investments. As at 31 December 2017, the Company invested in RMB 99,625 thousand and held 6.64% equity interest in ATZIIF. As a limited partner, the Company do not engage in management or decision-making of ATZIIF. Since the Company has no control or significant influence over ATZIIF, the investment was recognised as AFS financial assets.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 12 AFS financial assets (continued)

(c) Anhui Transportation Goldstone Fund Management Co., Ltd. (“安徽交控金石基金管理有限公司”, “ATGFM”) is an equity joint venture established by the Company, ATCIM and Goldstone Investment Co., Ltd. (“金石投資有限公司”, “GSIC”) in November 2017. The total registered capital of ATGFM was RMB 30,000 thousand. ATGFM is principally engaged in management and investment consulting of Anhui Transportation Goldstone Buy-out Fund LP (“安徽交控金石並購基金合夥企業(有限合夥)”, “ATGBF”). As at 31 December 2017, the Company invested in RMB 375 thousand and held 2.50% equity interest in ATGFM. Since the Company has no control or significant influence over ATGFM, the investment was recognised as AFS financial assets.

ATGBF is a limited partnership established by the Company, ATGFM, Huaifu Ruixing Investment Management Co., Ltd. (“華富瑞興投資管理有限公司”, “HRIM”), ATCIM and GSIC in December 2017. The total registered capital of ATGBF was RMB 3,000,000 thousand. ATGBF is principally engaged in fund investments. As at 31 December 2017, the Company invested in RMB 99,625 thousand and held 6.64% equity interest in ATGBF. As a limited partner, the Company do not engage in management or decision-making of ATGBF. Since the Company has no control or significant influence over ATGBF, the investment was recognised as AFS financial assets.

(d) As at 31 December 2017, AFS financial assets represented 10% equity interests in Hefei Wan Tong Microcredit Co., Ltd. (“合肥市皖通小額貸款有限公司”, “WTMC”).

## 13 Trade and other receivables

	As at 31 December	
	2017	2016
Financial products	<b>360,000</b>	130,000
Pawn loans to customers (a)	<b>148,601</b>	175,573
Toll roads income receivable (b)	<b>43,870</b>	41,725
Receivables for construction	<b>30,051</b>	—
Interest receivable	<b>8,313</b>	7,813
Receivables from management service of toll roads	<b>8,062</b>	—
Others	<b>28,365</b>	19,688
	<b>627,262</b>	374,799
Less: Provision for impairment of pawn loans (a)	<b>(121,528)</b>	(112,732)
Provision for others (c)	<b>(2,316)</b>	(1,994)
	<b>503,418</b>	260,073

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 13 Trade and other receivables (continued)

### (a) Pawn loans to customers

At 31 December 2017 and 2016, the analysis of pawn loans to customers is as follows:

	As at 31 December	
	2017	2016
Pawn loans to customers		
– Principal	148,601	175,573
– Interest	—	—
	<u>148,601</u>	<u>175,573</u>
Less: Impairment allowances		
– Individually assessed	(97,839)	(93,250)
– Collectively assessed	(23,689)	(19,482)
	<u>(121,528)</u>	<u>(112,732)</u>
Pawn loans to customers, net	<u>27,073</u>	<u>62,841</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 22.32% to 26.40% for the year ended 31 December 2017 (2016: bore fixed interest rates ranging from 21.60% to 26.40%). The Group ceased interest accrual once pawn loans were over due.

As at 31 December 2017, the Group's pawn loans to certain third party customers with carrying amounts of RMB 1,774 thousand (31 December 2016: RMB 20,143 thousand) were secured by their trade receivables of RMB 14,080 thousand (31 December 2016: RMB 83,230 thousand), which were due from Anhui Transportation Construction Management Co., Ltd. ("安徽省交控建设管理有限公司", ATCMC, formerly named "Anhui Expressway Construction Headquarter") who is subsidiary of ATHC.



# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 13 Trade and other receivables (continued)

### (a) Pawn loans to customers (continued)

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

	Year ended 31 December	
	2017	2016
Beginning of the year	(112,732)	(97,119)
Impairment loss recognised (Note 27)	(8,796)	(15,613)
End of the year	(121,528)	(112,732)

(b) As at 31 December 2017, toll roads income receivables mainly represented receivable from AENO of RMB 39,559 thousand (31 December 2016: RMB 39,713 thousand) for uncollected toll roads income.

(c) As at 31 December 2017, other receivables of RMB 2,871 thousand (31 December 2016: RMB 3,008 thousand) were impaired. The amount of the provision was RMB 2,316 thousand (31 December 2016: RMB 1,994 thousand). The ageing of these receivables is as follows:

	As at 31 December	
	2017	2016
Up to 1 year	182	373
1 to 2 years	155	461
2 to 3 years	424	2,174
Over 3 years	2,110	—
	2,871	3,008

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For the year ended 31 December 2017  
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## 13 Trade and other receivables (continued)

### (c) (continued)

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

	Year ended 31 December	
	2017	2016
Beginning of the year	(1,994)	(1,617)
Impairment loss recognised (Note 27)	(322)	(377)
End of the year	<u>(2,316)</u>	<u>(1,994)</u>

(d) As at 31 December 2017 and 2016, the ageing analysis of the trade and other receivables is as follows:

	As at 31 December	
	2017	2016
Up to 1 year	473,017	193,359
1 to 2 years	514	19,818
2 to 3 years	1,057	39,651
Over 3 years	152,674	121,971
	<u>627,262</u>	<u>374,799</u>

As at 31 December 2017 and 2016, 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 13 (a) and (c), all trade and other receivables balances were fully performing.

As at 31 December 2017 and 2016, 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.

## 14 Inventories

	As at 31 December	
	2017	2016
Materials for toll road maintenance	<u>7,402</u>	<u>5,276</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 15 Cash and cash equivalents and restricted cash

	As at 31 December	
	2017	2016
Cash at bank and on hand	1,829,395	2,010,812
Less: restricted cash	—	(110,000)
Cash and cash equivalents	<u>1,829,395</u>	<u>1,900,812</u>

The weighted average effective interest rate per annum on cash at bank in 2017 was approximately 2.46% (2016: 2.56%).

As at 31 December 2017, there is no restricted cash (31 December 2016: the restricted cash is bank deposit with original maturities over three months, including a bank deposit of RMB 100,000 thousand pledged as collateral for the Group's borrowings of HKD 123,898 thousand (equivalent to RMB 110,827 thousand) (Note 20(c))).

The carrying amounts of cash at bank and on hand are denominated in the following currencies:

	As at 31 December	
	2017	2016
RMB	1,827,130	2,008,378
HKD (RMB equivalents)	2,265	2,434
	<u>1,829,395</u>	<u>2,010,812</u>

## 16 Ordinary share capital and share premium

	Number of A shares (thousand)	Number of H shares (thousand)	Ordinary share capital	Share premium	Total
At 1 January 2016	1,165,600	493,010	1,658,610	1,415,593	3,074,203
Changes in the year	—	—	—	—	—
At 31 December 2016	1,165,600	493,010	1,658,610	1,415,593	3,074,203
Changes in the year	—	—	—	—	—
At 31 December 2017	<u>1,165,600</u>	<u>493,010</u>	<u>1,658,610</u>	<u>1,415,593</u>	<u>3,074,203</u>

The total authorised and issued number of ordinary shares is 1,658,610,000 shares with a par value of RMB 1 per share. All issued shares are fully paid.

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of shares issued, net of transaction cost.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 17 Other reserves

	Capital surplus	Statutory surplus reserve fund (Note 33(a))	Discretionary surplus reserve fund	Enterprise safety fund	Merger reserve (a)	Excess of the consideration over carrying amount of the non-controlling interests acquired (b)	Fair value change of AFS financial assets net of tax (Note 12)	Total
<b>Balance at 1 January 2016</b>	2,243	955,881	658	51,185	(186,362)	(710,116)	4,594	118,083
Usage of enterprise safety fund	—	—	—	(902)	—	—	—	(902)
Changes in fair value of AFS financial assets, net of tax	—	—	—	—	—	—	10,406	10,406
<b>Balance at 31 December 2016</b>	2,243	955,881	658	50,283	(186,362)	(710,116)	15,000	127,587
Usage of enterprise safety fund	—	—	—	(1,014)	—	—	—	(1,014)
Changes in fair value of AFS financial assets, net of tax	—	—	—	—	—	—	(10,051)	(10,051)
<b>Balance at 31 December 2017</b>	<u>2,243</u>	<u>955,881</u>	<u>658</u>	<u>49,269</u>	<u>(186,362)</u>	<u>(710,116)</u>	<u>4,949</u>	<u>116,522</u>

Upon approval from the Board of Directors, capital surplus, other than those relating to receipts of donated non-cash assets and equity investments held can be used to increase capital. Capital surplus arising from receipts of donated non-cash assets and equity investments can only be used to increase capital after the donated assets or investments have been disposed of.

The Company appropriates discretionary surplus reserve after shareholders' meeting approves the Board of Directors' proposal. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval.

For enterprise safety fund, please refer to Note 2.27.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 17 Other reserves (continued)

- (a) The merger reserve as at 31 December 2017 and 2016 represented the excess of consideration over the Company's share of paid-in capital of Guangci acquired under common control (Note 10(c)).

	<b>As at 31 December 2017 and 2016</b>
The Company's share of paid-in capital of Guangci	28,968
Less: consideration paid to the then equity owner for acquisition of Guangci under common control	<u>(215,330)</u>
Merger reserve	<u><u>(186,362)</u></u>

- (b) The reserve of excess of the consideration over carrying amount of the non-controlling interests acquired represented RMB 699,147 thousand arising from acquisition of 49% equity interests of Gaojie Expressway in 2006 and RMB 10,969 thousand arising from acquisition of 4.47% equity interests of Guangci in 2012.

## 18 Deferred income

	<b>As at 31 December</b>	
	<b>2017</b>	2016
Government grants	<u><u>30,757</u></u>	<u><u>32,931</u></u>

Deferred income represents government grants relating to assets and is amortised over 25 years (Note 2.21).

Amortisation of RMB 2,174 thousand (2016: RMB 2,174 thousand) has been charged in "other gains - net" (Note 26).

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 19 Trade and other payables

	As at 31 December	
	2017	2016
Payables on acquisition of concession intangible assets	790,477	499,556
Current portion of long-term payables (Note 22)	55,079	31,078
Deposits for construction projects	54,504	60,736
Staff salaries and welfare	26,737	26,664
Other taxation payables	21,704	20,101
Interest payable	4,409	5,504
Service fee payable for collection of toll roads income	3,765	14,345
Others	42,598	13,398
	<u>999,273</u>	<u>671,382</u>

As at 31 December 2017, trade and other payables of RMB 235,632 thousand (31 December 2016: RMB 232,833 thousand) were aged over one year. These payables were mainly for construction projects and will be settled after project completion.

As at 31 December 2017 and 2016, all trade and other payables were denominated in RMB.

As at 31 December 2017 and 2016, the fair values of trade and other payables, except for staff salaries and welfare, approximated their carrying amounts.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 20 Borrowings

	As at 31 December 2017		As at 31 December 2016	
	Interest rate per annum	Amount	Interest rate per annum	Amount
<b>Long-term bank borrowings</b>				
Denominated in RMB				
– guaranteed (a)	4.41%-4.90%	919,270	4.41%-4.90%	893,358
– unsecured (a)	4.41%	170,563	4.41%	174,269
– pledged (b)	1.20%	600,000	1.20%	600,000
Denominated in HKD				
– pledged (c) (RMB equivalents)	—	—	2.194%	110,827
		<u>1,689,833</u>		<u>1,778,454</u>
<b>Less: current portion</b>				
Denominated in RMB				
– guaranteed (a)	4.90%	(18,612)	4.41%-4.90%	(14,088)
– unsecured (a)	4.41%	(4,636)	4.41%	(3,706)
Denominated in HKD				
– pledged (c) (RMB equivalents)	—	—	2.194%	(110,827)
		<u>(23,248)</u>		<u>(128,621)</u>
<b>Non-current borrowings</b>		<u>1,666,585</u>		<u>1,649,833</u>

- (a) The bank borrowings of RMB 255,900 thousand were guaranteed by XCIC, a non-controlling interest of subsidiaries; RMB 663,370 thousand were guaranteed by the ATHC; and RMB 170,563 thousand were guaranteed by the Company as at 31 December 2017 (31 December 2016: RMB 227,900 thousand were guaranteed by XCIC, a non-controlling interest of subsidiaries; RMB 665,458 thousand were guaranteed by the ATHC; and RMB 174,269 thousand were guaranteed by the Company).
- (b) As at 31 December 2017, the bank borrowings of RMB 600,000 thousand was guaranteed by estimated future toll roads cash inflow from the completion of reform and expansion of Hening Expressway (31 December 2016: RMB 600,000 thousand).
- (c) As at 31 December 2017, there is no bank borrowings denominated in HKD (31 December 2016: HKD 123,898 thousand (equivalent to RMB 110,827 thousand) were pledged by bank deposit of RMB 100,000 thousand).

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 20 Borrowings (continued)

At 31 December 2017 and 2016, the Group's borrowings are repayable as follows:

	As at 31 December	
	2017	2016
Within 1 year	23,248	128,621
Between 1 and 2 years	143,217	32,457
Between 2 and 5 years	700,783	632,017
Over 5 years	822,585	985,359
	<u>1,689,833</u>	<u>1,778,454</u>

The Group has the following un-drawn borrowing facilities at the balance sheet date:

	As at 31 December	
	2017	2016
Expiring within one year	<u>6,295,557</u>	<u>6,226,890</u>

The exposure of the Group's bank borrowings to interest rate changes and the contractual repricing dates at the end of reporting period are as follows:

	As at 31 December	
	2017	2016
Within 1 year	<u>1,689,833</u>	<u>1,778,454</u>

As at 31 December 2017 and 2016, the fair values of current and non-current borrowings approximated their carrying amounts as the discounting impact is not significant.

## 21 Provision - maintenance/resurfacing obligations (Note 4(b))

Balance at 1 January 2017	22,069
Addition of provision	141,874
Utilisation of provision	(129,378)
Balance at 31 December 2017	<u>34,565</u>



# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 22 Long-term payables

	Year ended 31 December	
	2017	2016
<b>Long-term payables to XCIC (Note 10(a) (b))</b>		
Beginning of the year	321,376	330,993
Additions - interest-free loans	1,996	2,977
Repayments	(32,952)	(32,952)
Amortisation - capitalised in concession intangible assets (Note 5)	165	28
Amortisation - charged to income statement (Note 29)	19,075	20,330
End of the year	<u>309,660</u>	<u>321,376</u>
<b>Long-term payables to ATHC (Note 10(b))</b>		
Beginning of the year	670,539	656,349
Additions	188,167	49,262
– interest-free loans	3,517	22,352
– interest-bearing loans	184,650	26,910
Repayments	—	(50,700)
Amortisation - capitalised in concession intangible assets (Note 5)	1,217	520
Amortisation - charged to income statement (Note 29)	16,105	15,108
End of the year	<u>876,028</u>	<u>670,539</u>
<b>Long-term payables - total</b>	<b>1,185,688</b>	991,915
Less: current portion of long-term payables (Note 19)	<u>(55,079)</u>	<u>(31,078)</u>
	<u><b>1,130,609</b></u>	<u>960,837</u>

As at 31 December 2017, the interest rate of interest bearing long-term loans ranged from 4.41% to 6.15% (31 December 2016: 4.41% to 6.15%).

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 22 Long-term payables (continued)

The carrying amounts and fair values of long-term payables (including current portion) are as follows:

	Carrying Amounts As at 31 December		Fair Values As at 31 December	
	2017	2016	2017	2016
Long-term payables to ATHC	<b>876,028</b>	670,539	<b>922,112</b>	718,541
Long-term payables to XCIC	<b>309,660</b>	321,376	<b>329,519</b>	343,890
	<b><u>1,185,688</u></b>	<u>991,915</u>	<b><u>1,251,631</u></b>	<u>1,062,431</u>

The fair values of long-term payables are based on cash flows discounted using 4.90%, the annual five-year borrowing interest rate published by the People's Bank of China for long-term bank loans as at 31 December 2017 (31 December 2016: 4.90%).

The undiscounted amounts of long-term payables (including current portion) are as follows:

	As at 31 December	
	2017	2016
Long-term payables to ATHC	<b>1,255,257</b>	1,052,667
Long-term payables to XCIC	<b>457,495</b>	480,248
	<b><u>1,712,752</u></b>	<u>1,532,915</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 23 Deferred tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred taxes relate to the same tax authority. The deferred income tax balance before offsetting are as follows:

	As at 31 December	
	2017	2016
Deferred tax assets:		
– Deferred tax to be realised after more than 12 months	82,426	106,814
– Deferred tax to be realised within 12 months	15,525	13,225
	<u>97,951</u>	<u>120,039</u>

	As at 31 December	
	2017	2016
Deferred tax liabilities:		
– Deferred tax to be settled after more than 12 months	(176,607)	(190,289)
– Deferred tax to be settled within 12 months	(14,334)	(14,036)
	<u>(190,941)</u>	<u>(204,325)</u>

The movements on the Group's deferred income tax assets and liabilities, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

	Accounting for government grants	Provision	Accrued bonus	Accounting for interest bearing shareholder's loans	Fair value change of available-for-sale financial assets (Note 12)	Tax loss carried forward	Total
<b>Deferred income tax assets</b>							
<b>Balance at 1 January 2016</b>	8,777	26,408	6,341	19,654	—	32,581	93,761
Deferred taxation (debited)/credited to income statement	(543)	7,791	—	—	—	19,030	26,278
<b>Balance at 31 December 2016</b>	8,234	34,199	6,341	19,654	—	51,611	120,039
Deferred taxation (debited)/credited to income statement	(543)	(25,558)	—	—	4,189	1,474	(20,438)
Deferred taxation debited to other comprehensive income	—	—	—	—	(1,650)	—	(1,650)
<b>Balance at 31 December 2017</b>	<u>7,691</u>	<u>8,641</u>	<u>6,341</u>	<u>19,654</u>	<u>2,539</u>	<u>53,085</u>	<u>97,951</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 23 Deferred tax assets and liabilities (continued)

Deferred income tax liabilities	Valuation of assets and depreciation - toll roads	Valuation and amortisation of toll roads related land use rights	Accounting for interest free long-term payables	Amortisation difference between accounting and tax regulations	Fair value change of available-for-sale financial assets (Note 12)	Others	Total
<b>Balance at 1 January 2016</b>	(23,279)	(3,646)	(130,726)	(32,937)	(1,531)	(1,796)	(193,915)
Deferred taxation credited to income statement	2,163	345	8,860	2,395	—	339	14,102
Deferred taxation debited to other comprehensive income	—	—	—	—	(3,468)	—	(3,468)
Deferred taxation debited to equity (a)	—	—	(21,044)	—	—	—	(21,044)
<b>Balance at 31 December 2016</b>	(21,116)	(3,301)	(142,910)	(30,542)	(4,999)	(1,457)	(204,325)
Deferred taxation credited to income statement	2,162	345	8,796	2,396	—	342	14,041
Deferred taxation credited to other comprehensive income	—	—	—	—	4,999	—	4,999
Deferred taxation debited to equity (a)	—	—	(5,656)	—	—	—	(5,656)
<b>Balance at 31 December 2017</b>	<u>(18,954)</u>	<u>(2,956)</u>	<u>(139,770)</u>	<u>(28,146)</u>	<u>—</u>	<u>(1,115)</u>	<u>(190,941)</u>

- (a) Deferred taxation charged to equity represented the deferred tax liability arising from the temporary difference between carrying amount and undiscounted amount for the long-term payables to XCIC and ATHC (Note 22), which was treated as shareholder contribution and recorded as a credit item in the equity.

Deferred income tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. In 2017, the Group did not recognise deferred income tax assets of RMB 53,544 thousand (2016: RMB 41,793 thousand) in respect of loss amounting to RMB 214,232 thousand (2016: RMB 167,172 thousand) that can be carried forward against future taxable income. Carrying forward of these tax loss will expire, if unused, between 2018 and 2022 while RMB 165 thousand of which will not be expired.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 23 Deferred tax assets and liabilities (continued)

Offsetting of deferred tax assets and liabilities:

	As at 31 December	
	2017	2016
Deferred tax assets	(85,638)	(64,044)
Deferred tax liabilities	<u>85,638</u>	<u>64,044</u>

The net values of deferred assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	As at 31 December	
	2017	2016
Deferred tax assets	12,313	55,995
Deferred tax liabilities	<u>(105,303)</u>	<u>(140,281)</u>

## 24 Retirement benefit obligations

The Group is required to pay RMB 230 every month to certain retired employees. As at 31 December 2017, the retired employees of the Group were 59 (31 December 2016: 59). Management assessed that there was no material impact to the consolidated financial statement from above retirement benefit obligations.

## 25 Revenue

	Year ended 31 December	
	2017	2016
Toll income from toll roads operation	2,645,780	2,423,267
Revenue from construction or upgrade work under Service Concessions	1,447,348	564,496
Service income from management of toll roads (Note 36(b))	150,040	14,814
Rental income (Note 36(b))	49,587	48,646
– from toll gas stations (a)	22,996	22,951
– from toll road service sectors (b)	9,679	9,768
– from other investment properties	16,912	15,927
Service income from roads emergency assistance	14,026	10,589
Interest income from pawn loans to customers	698	—
Others	1,280	1,820
	<u>4,308,759</u>	<u>3,063,632</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 25 Revenue (continued)

- (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 RMB 25,890 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 RMB 8,446 thousand starting from year 2017, which will increase by 2% each year. The lease period was from 1 January 2017 to 31 December 2019.

Pursuant to a lease agreement with YTMC, Guangci’s toll road service sectors were leased to YTMC with annual rental fee of RMB 1,800 thousand. The lease period was from 1 August 2009 to 20 July 2029.

## 26 Other gains - net

	Year ended 31 December	
	2017	2016
Interest income	58,360	25,434
Dividend income	3,464	32,917
Government grants relating to profits	3,302	—
Amortisation of government grants relating to assets (Note 18)	2,174	2,174
Losses from disposal of concession intangible assets (Note 34)	(1,401)	—
Losses from disposal of property, plant and equipment (Note 34)	(1,061)	(334)
Others	302	579
	<u>65,140</u>	<u>60,770</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 27 Expenses by nature

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

	Year ended 31 December	
	2017	2016
Costs payable to vendors for construction or upgrade work under the Service Concessions (Note 2.6)	<b>1,447,348</b>	564,496
Depreciation and amortisation expenses(Notes 5, 6, 7, 8, 9)	<b>698,849</b>	701,656
Employee benefit expenses (Note 28)	<b>326,795</b>	249,430
Repair expenses	<b>141,874</b>	119,588
Taxes related to revenue (a)	<b>25,170</b>	33,103
Auditor's remuneration		
– Annual audit services	<b>2,100</b>	2,480
Impairment for AFS financial assets (Note 12)	<b>16,754</b>	—
Impairment for pawn loans to customers (Note 13)	<b>8,796</b>	15,613
Impairment for other receivables (Note 13)	<b>322</b>	377
Others	<b>104,196</b>	107,372
	<b>2,772,204</b>	1,794,115

### (a) Taxes related to revenue

Before 1 May 2016, the Group was subject to Business Tax (“BT”) at the rate of 3% for toll roads income and of 5% for others respectively.

From 1 May 2016, the above BT was replaced by Value-added Tax (“VAT”) thoroughly. The tax rate under simple collection method for toll roads income is 3% or 5%. The tax rate under simple collection method for rental income is 5%. The tax rate for road-damaged compensation and pawn loan interest is 0% and 6%, respectively. The tax rate of all other income is 6%.

Revenue from construction or upgrade work under the Service Concessions is not subject to BT or VAT.

In addition to BT, the Group is subject to the following supplemental turnover taxes:

- (i) Urban Construction and Maintenance Tax - levied at 5% or 7% of BT payable and VAT payables.
- (ii) Local Education Surcharge - levied at 3% of BT payable and VAT payable.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 28 Employee benefit expenses

	Year ended 31 December	
	2017	2016
Salaries and wages	237,948	174,832
Supplementary pension insurance	4,547	5,940
Other welfares	84,300	68,658
	<u>326,795</u>	<u>249,430</u>

As at 31 December 2017, the number of employees of the Group was 2,790 (31 December 2016: 2,168).

### (a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for 2017 include two executive directors, one supervisor and one chief executive (2016: two directors and one chief executive), whose emoluments are reflected in Note 39. The emoluments to the remaining one (2016: two) individuals during the year are as follows:

	Year ended 31 December	
	2017	2016
Salaries and wages	379	723
Supplementary pension insurance	46	87
	<u>425</u>	<u>810</u>

Except for the emoluments of directors, supervisors and chief executives listed in the Note 39, the remaining emoluments fell within the following bands:

	Year ended 31 December	
	2017	2016
Nil to HKD 1,000,000 (equivalent to RMB 835,900)	<u>1</u>	<u>2</u>



# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 29 Finance costs

	Year ended 31 December	
	2017	2016
Interest expenses	127,271	127,457
Including: amortisation of long-term payables (Note 22)	36,562	35,986
Less: capitalised interest expenses (Note 5)	(34,796)	(18,289)
	<u>92,475</u>	<u>109,168</u>

## 30 Taxation

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

	Year ended 31 December	
	2017	2016
Current taxation - CIT (a)	445,551	374,412
Deferred taxation debited/(credited) to the consolidated income statement (Note 23)	6,397	(40,380)
	<u>451,948</u>	<u>334,032</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 2016 which was paid to foreign shareholders during 2017.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 30 Taxation (continued)

- (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	
	2017	2016
Profit before income tax	<b>1,529,639</b>	1,234,922
Tax calculated at domestic tax rates applicable to profits in the respective countries	<b>382,410</b>	308,731
Expenses not deductible for tax purpose	<b>176</b>	358
Income not subject to income tax	<b>(15,136)</b>	(20,845)
Tax adjustment made after tax filing by tax bureau	<b>(233)</b>	4,005
Utilisation of tax losses not recognised as deferred tax assets in the previous years	—	(10)
Deductible temporary differences not recognised as deferred tax assets during the year	<b>31,187</b>	—
Tax losses not recognised as deferred tax assets during the year	<b>53,544</b>	41,793
Tax charges	<b>451,948</b>	334,032

## 31 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	
	2017	2016
Profit attributable to equity holders of the Company	<b>1,083,235</b>	925,075
Weighted average number of ordinary shares in issue (thousand)	<b>1,658,610</b>	1,658,610
Basic earnings per share (expressed in RMB per share)	<b>0.6531</b>	0.5577

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 32 Dividends

The dividends paid during the years ended 31 December 2017 and 2016 were RMB 381,480 thousand (RMB 0.23 per share) and RMB 381,480 thousand (RMB 0.23 per share) respectively. A final dividend in respect of 2017 of RMB 0.23 per share, amounting to a total dividend of RMB 381,480 thousand will be proposed at the Annual General Meeting in May 2018. These consolidated financial statements do not reflect this dividend payable.

Proposed final dividend of RMB 0.23  
(2016: RMB 0.23) per ordinary share

Year ended 31 December	
2017	2016
<u>381,480</u>	<u>381,480</u>

## 33 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 2017 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 2017, the retained earnings in the Company's financial statements prepared in accordance with HKFRS amounted to RMB 5,859,029 thousand, which was lower than the retained earnings reflected in the Company's statutory financial statements.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
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## 34 Notes to consolidated cash flow statement

### (a) Cash generated from operating activities

Reconciliation from profit before income tax to net cash inflow from operating activities:

	Year ended 31 December	
	2017	2016
Profit before income tax	<u>1,529,639</u>	<u>1,234,922</u>
Adjustments for:		
Settlement of revenue in form of concession intangible assets	(1,156,427)	(564,496)
Amortisation of concession intangible assets (Note 5)	567,918	566,322
Depreciation of property, plant and equipment (Note 7)	109,047	115,323
Depreciation of investment property (Note 8)	17,486	17,917
Amortisation of land use rights (Note 6)	1,029	957
Amortisation of intangible assets (Note 9)	3,369	1,137
Impairment for AFS financial assets (Note 12)	16,754	—
Impairment for pawn loans to customers (Note 13)	8,796	15,613
Impairment for other receivables (Note 13)	322	377
Loss on disposal of property, plant and equipment (Note 26)	1,061	334
Loss on disposal of concession intangible assets (Note 26)	1,401	—
Share of profit of an associate (Note 11)	(20,419)	(13,803)
Dividend income (Note 26)	(3,464)	(32,917)
Interest income (Note 26)	(58,360)	(25,434)
Interest expenses (Note 29)	92,475	109,168
Operating profit before working capital changes	<u>1,110,627</u>	<u>1,425,420</u>
(Increase)/decrease in inventories	(2,126)	11
(Increase)/decrease in trade and other receivables	(21,963)	60,821
Increase in trade and other payables	39,761	65,924
Increase in provision	12,496	15,173
Cash generated from operating activities	<u>1,138,795</u>	<u>1,567,349</u>

### Non-cash transaction

Non-cash transaction refers to the settlement of revenue in form of concession intangible assets.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 34 Notes to consolidated cash flow statement (continued)

### (b) Net debts reconciliation

	Year ended 31 December	
	2017	2016
Cash and cash equivalents	1,829,395	1,900,812
Borrowings - repayable within 1 year	(23,248)	(128,621)
Borrowings - repayable after 1 year	(1,666,585)	(1,649,833)
Long-term payables - repayable within 1 year	(55,079)	(31,078)
Long-term payables - repayable after 1 year	(1,130,609)	(960,837)
Net debts	<u>(1,046,126)</u>	<u>(869,557)</u>
Cash and cash equivalents	1,829,395	1,900,812
Gross debts - fixed interest rate	(600,000)	(600,000)
Gross debts - floating interest rate	(1,687,003)	(1,590,974)
Gross debts - interest free	(588,518)	(579,395)
Net debts	<u>(1,046,126)</u>	<u>(869,557)</u>

	Cash and cash equivalents	Borrowings due within 1 year	Borrowings due after 1 year	Long-term payables due within 1 year	Long-term payables due after 1 year	Total
Net debts as at 1 January 2016	709,246	(362,787)	(1,052,649)	(31,078)	(956,264)	(1,693,532)
Net cash flows	1,191,412	361,012	(718,780)	83,652	(136,410)	780,886
Foreign exchange adjustments	154	1,775	(7,025)	—	—	(5,096)
Other non-cash movements	—	(128,621)	128,621	(83,652)	131,837	48,185
Net debts as at 31 December 2016	1,900,812	(128,621)	(1,649,833)	(31,078)	(960,837)	(869,557)
Net cash flows	(71,258)	125,524	(40,000)	32,952	(212,790)	(165,572)
Foreign exchange adjustments	(159)	3,097	—	—	—	2,938
Other non-cash movements	—	(23,248)	23,248	(56,953)	43,018	(13,935)
Net debts as at 31 December 2017	<u>1,829,395</u>	<u>(23,248)</u>	<u>(1,666,585)</u>	<u>(55,079)</u>	<u>(1,130,609)</u>	<u>(1,046,126)</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 35 Commitments

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

	As at 31 December	
	2017	2016
Contracted but not provided for		
– Concession intangible assets	2,209,369	2,806,213
– Property, plant and equipment	60,911	—
	<u>2,270,280</u>	<u>2,806,213</u>

## 36 Related party transactions

The Company's parent company is ATHC, a state-owned enterprise established in Anhui Province, the PRC, and is controlled by the PRC government. It owns a significant portion of the expressway assets in Anhui Province.

In accordance with HKAS 24 (Revised), "Related Party Disclosures", government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include ATHC and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and ATHC as well as their close family members.

### (a) Name of related party and relationship

Name	Relationship with the Group
ATHC	Parent company
XCIC	Non-controlling interest of Xuan Guang, Ningxuanhang and Guangci
AEAC	Associate
WTMC	Subsidiary of ATHC
YTMC	Subsidiary of ATHC
AEPC	Subsidiary of ATHC
AENO	Subsidiary of ATHC from 1 September 2016
ALEC	Subsidiary of ATHC
ATCIM	Subsidiary of ATHC
ATZFM	Significantly influenced by ATHC
ATCMC	Subsidiary of ATHC

# Notes to the consolidated financial statements

For the year ended 31 December 2017

(All amounts in Renminbi thousand unless otherwise stated)

## 36 Related party transactions (continued)

### (a) Name of related party and relationship (continued)

Name	Relationship with the Group
Anhui Wuyan Expressway Co., Ltd. ("安徽省蕪雁高速公路有限公司", "AWEC")	Subsidiary of ATHC
Anhui Gaolu Construction Co., Ltd. ("安徽省高路建設有限公司", "AGCC", formerly named "Anhui Modern Transportation Facilities Co., Ltd." ("安徽省現代交通設施工程 有限公司", "MTFC"))	Subsidiary of ATHC
Anhui Expressway Finance Lease Co., Ltd. ("安徽高速融資租賃有限公司", "AWFC")	Subsidiary of ATHC
Anhui Expressway Experiment Research Centre Co., Ltd. ("安徽省高速公路試驗檢測科研中心有限公司", "AERC")	Subsidiary of ATHC
Hefei Bangning Property Management Co., Ltd. ("合肥市邦物業管理有限公司", "BNMC")	Subsidiary of ATHC
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", "ATCD")	Subsidiary of ATHC
Anhui Qixing Project Testing Co., Ltd. ("安徽省七星工程測試有限公司", "AQPT")	Subsidiary of ATHC
Anhui Fuzhou Expressway Co., Ltd. ("安徽省阜周高速公路有限公司", "AFEC")	Subsidiary of ATHC till 22 September 2016
Anhui Expressway Project Management Co., Ltd. ("安徽省高等級公路工程監理有限公司", "AEPMC")	Subsidiary of ATHC till 27 May 2016
Anhui Anqing Expressway and Bridge Co., Ltd. ("安徽安慶長江公路大橋有限責任公司", "AAEBC")	Subsidiary of ATHC
Anhui Wangqian Expressway Co., Ltd. ("安徽望潛高速公路有限公司", "AWQEC")	Subsidiary of ATHC
Anhui Yangji Expressway Co., Ltd. ("安徽省揚績高速公路有限公司", "AYEC")	Subsidiary of ATHC
Anhui Liguang Expressway Co., Ltd. ("安徽省溧廣高速公路有限公司", "ALGEC")	Subsidiary of ATHC
Anhui Hezong Expressway Co., Ltd. ("安徽省合縱高速公路有限責任公司", "AHEC")	Subsidiary of ATHC
Anhui Yuehuang Expressway Co., Ltd. ("安徽省岳黃高速公路有限責任公司", "AYHEC")	Subsidiary of ATHC
Anhui Zhongxing Project Management Co., Ltd. ("安徽省中興工程監理有限公司", "AZPMC")	Subsidiary of ATHC
Anhui Huanyu Highway Construction Development Co., Ltd. ("安徽省環宇公路建設開發有限責任公司", "AHHCD")	Subsidiary of ATHC
Anhui Transportation Xuancheng Qiyun Co., Ltd. ("安徽交運集團宣城汽運有限公司", "ATXQC")	Subsidiary of ATHC
Anhui Xunjie Logistics Materials Trading Co., Ltd. ("安徽迅捷物流有限責任公司物資貿易分公司", "AXLMT")	Subsidiary of ATHC

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 36 Related party transactions (continued)

### (b) Related party transactions

Save as disclosed elsewhere in these financial statements, during the years ended 31 December 2017 and 2016, the Group had the following significant transactions with related parties:

#### (i) Service income from management of toll roads

	Year ended 31 December	
	2017	2016
ATHC	94,940	12,436
AYEC	18,389	—
AAEBC	14,791	—
AWQEC	11,030	—
ALGEC	10,890	—
ALEC	—	1,618
AFEC	—	650
AWEC	—	110
	<u>150,040</u>	<u>14,814</u>

#### (ii) Rental income

	Year ended 31 December	
	2017	2016
AEPC	22,095	23,403
YTMC	10,211	10,717
ATHC	6,422	4,010
AGCC	876	992
ALEC	559	621
ATCMC	476	2,223
AWFC	422	427
WTMC	212	216
ATCIM	167	—
AHEC	102	—
AYHEC	102	—
ATZFM	50	—
BNMC	27	28
	<u>41,721</u>	<u>42,637</u>



# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 36 Related party transactions (continued)

### (b) Related party transactions (continued)

#### (iii) Paid and payable for purchase, construction, testing service and property management

	Year ended 31 December	
	2017	2016
AHHCD	44,509	—
ATCD	42,468	3,547
AGCC	36,505	26,345
AERC	4,144	4,527
AZPMC	3,575	—
BNMC	2,864	2,912
AQPT	1,437	580
AXLMT	656	—
AETMC	—	1,306
	<u>136,158</u>	<u>39,217</u>

It mainly represented payable to above related parties for purchase, construction and testing services in connection with Ningxuanhang Expressway Anhui Section's construction, Hening Expressway's expansion and property management service in connection with High-tech Park, which is owned by the Company.

#### (iv) Rental expenses

	Year ended 31 December	
	2017	2016
XCIC	500	500
ATXQC	95	—
	<u>595</u>	<u>500</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 36 Related party transactions (continued)

### (b) Related party transactions (continued)

#### (v) Toll roads income received on behalf of the Group

	Year ended 31 December	
	2017	2016
AENO	<u>2,543,066</u>	<u>780,393</u>

#### (vi) Service fee for the collection of toll roads income

	Year ended 31 December	
	2017	2016
AENO	<u>10,659</u>	<u>3,516</u>

#### (vii) Interest expenses for interest bearing long-term payables

	Year ended 31 December	
	2017	2016
ATHC	27,145	22,678
XCIC	<u>1,762</u>	<u>1,794</u>
	<u>28,907</u>	<u>24,472</u>

#### (viii) Guarantee received

The long-term bank borrowings of RMB 255,900 thousand and RMB 663,370 thousand were guaranteed by XCIC and ATHC respectively (Note 20).

#### (ix) Key management compensation

Key management includes directors (executive and non-executive), the Company Secretary, the head of Internal Audit and the head of Finance Department. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2017	2016
Salaries and other short-term employee benefits	<u>2,884</u>	<u>2,251</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 36 Related party transactions (continued)

### (c) Related party balances

#### (i) Trade and other receivables (excluding current portion of loans to subsidiaries)

	As at 31 December	
	2017	2016
AENO	39,559	39,713
AWQEC	6,234	—
ALGEC	1,593	—
YTMC	1,226	—
ATHC	235	—
ATCMC	184	—
AYHEC	116	—
	<u>49,147</u>	<u>39,713</u>

#### (ii) Trade payables

	As at 31 December	
	2017	2016
AGCC	14,623	15,290
AHHCD	3,405	—
AZPMC	1,686	—
AERC	1,357	1,789
ATCD	671	21
AQPT	144	580
AEAC	10	10
BNMC	4	4
AEPC	—	960
	<u>21,900</u>	<u>18,654</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 36 Related party transactions (continued)

### (c) Related party balances (continued)

#### (iii) Other payables

	As at 31 December	
	2017	2016
AENO	3,765	14,615
YTMC	3,011	4,811
AEPC	2,038	6
ATCD	1,387	—
ATHC	1,021	741
AGCC	973	452
WTMC	100	100
AZPMC	100	—
AEAC	2	2
	<u>12,397</u>	<u>20,727</u>

#### (iv) Long-term payables (including current portion)

	As at 31 December	
	2017	2016
ATHC	876,028	670,539
XCIC	309,660	321,376
	<u>1,185,688</u>	<u>991,915</u>

As at 31 December 2017 and 2016, amounts due from and due to the related parties as aforementioned, except for long-term payables to XCIC and ATHC as disclosed in Note 22, mainly arose from the above transactions and payments made by the Group and related parties on behalf of each other. These amounts are unsecured, interest-free and are repayable within 1 year.

## 37 Events after the balance sheet date

- (a) Pursuant to a resolution of the Board of Meeting on 23 March 2018, a cash dividend of RMB 381,480 thousand was proposed for the year ended 31 December 2017. Please refer to Note 32 for details.

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 38 Balance sheet and reserves movements of the Company

	As at 31 December	
	2017	2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Concession intangible assets	4,883,343	4,464,651
Land use rights	10,464	10,493
Property, plant and equipment	533,775	577,780
Investment properties	304,029	321,919
Intangible assets	5,644	2,072
Investments in subsidiaries	1,143,015	1,101,595
Loans to subsidiaries	1,869,089	1,597,761
Investment in an associate	18,999	18,999
AFS financial assets	404,846	235,000
	<u>9,173,204</u>	<u>8,330,270</u>
<b>Current assets</b>		
Inventories	5,831	4,837
Trade and other receivables	527,640	236,232
Restricted cash	—	110,000
Cash and cash equivalents	1,612,159	1,695,818
	<u>2,145,630</u>	<u>2,046,887</u>
<b>Total assets</b>	<u><b>11,318,834</b></u>	<u><b>10,377,157</b></u>
<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 (note (a))	947,838	958,903
Retained earnings (note (a))	5,859,029	5,083,002
	<u>9,881,070</u>	<u>9,116,108</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 38 Balance sheet and reserves movements of the Company (continued)

	As at 31 December	
	2017	2016
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	600,000	600,000
Deferred income tax liabilities	20,311	26,849
Deferred income	30,757	32,931
	<u>651,068</u>	<u>659,780</u>
<b>Current liabilities</b>		
Trade and other payables	605,958	361,028
Current income tax liabilities	146,439	107,610
Provisions	34,299	21,804
Borrowings	—	110,827
	<u>786,696</u>	<u>601,269</u>
<b>Total liabilities</b>	<u>1,437,764</u>	<u>1,261,049</u>
<b>Total equity and liabilities</b>	<u>11,318,834</u>	<u>10,377,157</u>

The balance sheet of the Company was approved by the Board of Directors on 23 March 2018 and was signed on its behalf by:

Director (喬傳福)

Director (許振)

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 38 Balance sheet and reserves movements of the Company (continued)

### (a) Reserves movements of the Company

	Retained earnings	Other reserves
<b>Balance at 1 January 2016</b>	4,461,627	949,399
Profit for the year	1,001,953	—
Dividends paid relating to 2015	(381,480)	—
Usage of enterprise safety fund	902	(902)
Changes in fair value of AFS financial assets, net of tax	—	10,406
	<hr/>	<hr/>
<b>Balance at 31 December 2016</b>	5,083,002	958,903
Profit for the year	1,156,493	—
Dividends paid relating to 2016	(381,480)	—
Usage of enterprise safety fund	1,014	(1,014)
Changes in fair value of AFS financial assets, net of tax	—	(10,051)
	<hr/>	<hr/>
<b>Balance at 31 December 2017</b>	<u>5,859,029</u>	<u>947,838</u>

**39 Benefits and interests of directors****(a) Directors' and chief executives' emoluments**

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

For the year ended 31 December 2017:

Name	Fees	Salaries	Contribution	Other	Total
			to retirement benefit scheme		
<b>Executive directors</b>					
Mr. Qiao Chuanfu	—	—	—	—	—
Mr. Chen Dafeng	—	—	—	—	—
Mr. Xu Zhen*	—	510	46	—	556
Mr. Xie Xinyu*	—	408	46	—	454
<b>Non-executive directors</b>					
Mr. Du Jian	—	—	—	—	—
Mr. Yang Xudong (i)	—	—	—	—	—
Mr. Wang Xiufeng (i) (resigned)	—	—	—	—	—
<b>Independent directors</b>					
Mr. Jiang Yifan	120	—	—	—	120
Mr. Jiang Jun	80	—	—	—	80
Mr. Liu Hao (ii)	30	—	—	—	30
Mr. Yang Mianzhi (ii) (resigned)	47	—	—	—	47
<b>Supervisors</b>					
Mr. Jiang Yue	—	—	—	—	—
Mr. Dai Hui (iii)	—	357	35	—	392
Ms. Chen Yuping (iii)	—	—	—	—	—
Mr. Yang Yicong (iii) (retired)	—	—	—	—	—
Mr. Liu Youcai (iii) (resigned)	—	—	—	—	—



# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 39 Benefits and interests of directors (continued)

### (a) Directors' and chief executives' emoluments (continued)

Name	Fees	Salaries	Contribution	Other	Total
			to retirement benefit scheme		
<b>Chief executives</b>					
Mr. Li Huimin	—	408	46	—	454
Mr. Chen Jiping	—	372	42	—	414
Ms. Dong Huihui (iv)	—	166	35	—	201
Mr. Meng Jie (iv) (resigned)	—	—	—	—	—
Ms. Han Rong (iv) (resigned)	—	125	11	—	136
	<u>277</u>	<u>2,346</u>	<u>261</u>	<u>—</u>	<u>2,884</u>

- (i) Mr. Yang Xudong was appointed as non-executive director on 17 August 2017. Mr Wang Xiufeng resigned from the position on 16 August 2017.
- (ii) Mr. Liu Hao was appointed as independent director on 17 August 2017. Mr. Yang Mianzhi resigned from the position on 16 August 2017.
- (iii) Mr. Dai Hui and Ms. Chen Yuping were appointed as supervisors on 23 March 2017 and 17 August 2017. Mr. Yang Yicong and Mr. Liu Youcai resigned from the position on 23 March 2017 and 16 August 2017.
- (iv) Ms. Dong Huihui was appointed as chief executive on 24 March 2017. Mr. Meng Jie and Ms. Han Rong resigned from the position on 24 March 2017.
- \* In 2017, Mr. Xu Zhen and Mr. Xie Xinyu also acted as the chief executive of the Company.

**39 Benefits and interests of directors (continued)****(a) Directors' and chief executives' emoluments (continued)**

For the year ended 31 December 2016:

Name	Fees	Salaries	Contribution to retirement benefit scheme	Other benefits	Total
<b>Executive directors</b>					
Mr. Qiao Chuanfu (i)	—	—	—	—	—
Mr. Chen Dafeng	—	—	—	—	—
Mr. Xu Zhen* (i)	—	421	43	—	464
Mr. Xie Xinyu*	—	347	43	—	390
Mr. Li Junjie (i) (resigned)	—	—	—	—	—
Mr. Zhou Renqiang (i) (retired)	—	—	—	—	—
<b>Non-executive directors</b>					
Mr. Wang Xiufeng (ii)	—	—	—	—	—
Mr. Du Jian (ii)	—	—	—	—	—
Mr. Wu Xinhua (ii) (retired)	—	—	—	—	—
Mr. Ni Shilin (ii) (retired)	—	—	—	—	—
<b>Independent directors</b>					
Mr. Jiang Yifan	120	—	—	—	120
Mr. Yang Mianzhi	80	—	—	—	80
Mr. Jiang Jun (iii)	20	—	—	—	20
Mr. Hu Bin (iii) (resigned)	—	—	—	—	—
<b>Supervisors</b>					
Mr. Liu Youcai (iv)	—	—	—	—	—
Mr. Yang Yicong	—	—	—	—	—
Mr. Jiang Yue (iv)	—	—	—	—	—
Ms. He Kun (iv) (retired)	—	—	—	—	—
Mr. Qian Dongsheng (iv) (retired)	—	—	—	—	—
<b>Chief executives</b>					
Mr. Li Huimin	—	254	43	—	297
Mr. Chen Jiping (v)	—	172	17	—	189
Mr. Meng Jie	—	—	—	—	—
Ms. Han Rong	—	359	43	—	402
Mr. Xu Yiming (v) (resigned)	—	280	29	—	309
	<u>220</u>	<u>1,833</u>	<u>218</u>	<u>—</u>	<u>2,271</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2017  
(All amounts in Renminbi thousand unless otherwise stated)

## 39 Benefits and interests of directors (continued)

### (a) Directors' and chief executives' emoluments (continued)

- (i) Mr. Qiao Chuanfu and Mr. Xu Zhen were appointed as executive directors on 20 May 2016. Mr. Li Junjie and Mr. Zhou Renqiang resigned from the position on 22 January 2016 and 20 May 2016.
- (ii) Mr. Wang Xiufeng and Mr. Du Jian were appointed as non-executive directors on 20 May 2016. Mr. Wu Xinhua and Mr. Ni Shilin resigned from the position on 20 May 2016.
- (iii) Mr. Jiang Jun was appointed as independent directors on 14 October 2016. Mr. Hu Bin resigned from the position on 14 October 2016.
- (iv) Mr. Liu Youcai and Mr. Jiangyue were appointed as supervisors on 20 May 2016. Ms. He Kun and Mr. Qian Dongsheng resigned from the position on 20 May 2016.
- (v) Mr. Chen Jiping was appointed as chief executive on 19 August 2016. Mr. Xu Yiming resigned from the position on 19 August 2016.

\* In 2016, Mr. Xu Zhen and Mr. Xie Xinyu also acted as the chief executive of the Company.

Those directors and supervisors who did not receive any remuneration from the Group during 2017 also have positions in the Company's two largest shareholders (ATHC and China Merchants Huajian Highway Investment Co., Ltd.) who borne all of their remuneration and did not recharge any amount to the Group. Same for 2016.

### (b) Directors' retirement benefits

There is no retirement benefits by a defined benefit pension plan operated by the Group.

### (c) Directors' termination benefits

There is no directors' termination benefits operated by the Group.

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

For the years ended 31 December 2017 and 2016, no consideration was provided to third parties for making available directors' services.

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

For the years ended 31 December 2017 and 2016, there were no loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors.

## Section XII Documents Available for Inspection



Directory of documents Available for Inspection	The original copy of the annual report signed by the Chairman;
Directory of documents Available for Inspection	The accountant's report, signed by the legal representative, director in charge of accounting work, and director in charge of accounting firm and stamped with corporate seal;
Directory of documents Available for Inspection	The original copy of auditor's report, sealed by PricewaterhouseCoopers Zhong Tian LLP, signed by the registered accountant; the financial statement prepared in accordance with the PRC Accounting Standards; the original copy of auditor's report signed by PricewaterhouseCoopers and the financial statement prepared in accordance with the Hong Kong Accounting Standards;
Directory of documents Available for Inspection	The original copies of corporate documents and announcements published in the Shanghai Securities News and China Securities Journal;
Directory of documents Available for Inspection	The Articles of Association.

Chairman: Qiao Chuanfu

The date of the approval of the board: 23 March 2018

### Revision

Applicable    Not applicable

## Section XII Documents Available for Inspection

### Information Disclosure Index

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date (Should The Document Be Uploaded On Both The Websites Of SSE And SEHK, The Publishing Date Of The Document On The Website Of SSE Should Prevail)	Website Designated For Disclosure Of Reports
	H Share Announcement-Continuing Connected Transaction: Operating Rights Lease Agreement		3 January 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> , Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>
2017-001	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	4 January 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-002	Announcement of The Stock Price Abnormal Fluctuation	China Securities Journal, The Shanghai Securities News	12 January 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-003	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	13 January 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-004	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	21 January 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-005	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	25 January 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

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2017-006	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	10 February 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-007	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	28 February 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-008	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	2 March 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-009	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	8 March 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Holding Date of The Board of Directors' Meeting		9 March 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Inside Information Announcement Proposed Connected Transactions: Investment In Establishment of Fund Management Company and Fund Partnership		17 March 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-010	Connected Transactions Announcement for Investment In Establishment of Fund Management Company and Initiating Industrial Investment Fund	China Securities Journal, The Shanghai Securities News	18 March 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk

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Number	Items	Newspapers Designated For Publishing Reports	Publishing Date (Should The Document Be Uploaded On Both The Websites Of SSE And SEHK, The Publishing Date Of The Document On The Website Of SSE Should Prevail)	Website Designated For Disclosure Of Reports
2017-011	Risk Prompted Announcement for Investment In Establishment of Fund Management Company and Initiating Industrial Investment Fund	China Securities Journal, The Shanghai Securities News	21 March 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement – 2016 Annual Results Announcement		26 March 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement- Resignation of Deputy General Manager and Change of Employee Representative Supervisor and Secretary to The Board		26 March 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-012	The Resolutions of The 23th Meeting of The 7th Board	China Securities Journal, The Shanghai Securities News	27 March 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-013	Announcement of The Resolutions of The 14th Meeting of The 7th Supervisory Committee	China Securities Journal, The Shanghai Securities News	27 March 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-014	Announcement of Change of Secretary to The Board	China Securities Journal, The Shanghai Securities News	27 March 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-015	Announcement of Resignation of a Senior Executive of the Company	China Securities Journal, The Shanghai Securities News	27 March 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

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2017-016	Announcement on Amendments to Articles	China Securities Journal, The Shanghai Securities News	27 March 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-017	Announcement on Election of the workers' representative supervisors	China Securities Journal, The Shanghai Securities News	27 March 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-018	The Announcement of Estimating Daily Connected Transactions of 2017	China Securities Journal, The Shanghai Securities News	27 March 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement - Notice of The 2016 Annual General Meeting		31 March 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-019	Announcement of The Notice of 2016 Annual General Meeting	China Securities Journal, The Shanghai Securities News	1 April 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-020	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	1 April 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-021	Announcement of Redemption of Principal And Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	8 April 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk



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	H Share Announcement- Holding Date of The Board of Directors' Meeting		11 April 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-022	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	12 April 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-023	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	13 April 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-024	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	20 April 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement- Connected Transactions: Investment in Establishment of Fund Management Company and Fund Partnership		27 April 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> , Website of the shanghai stock exchange: <a href="http://www.sse.Com.cn">www.sse.Com.cn</a>
2017-025	Progress Announcement for Investment in Establishment of Fund Management Company and Initiating Industrial Investment Fund	China Securities Journal, The Shanghai Securities News	28 April 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement – 2017 First Quarterly Report		28 April 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

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2017-026	Announcement of Shareholder's reduction of shares pre-disclosure.	China Securities Journal, The Shanghai Securities News	29 April 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-027	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	17 May 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement – Voting Results At Annual General Meeting Held on 19 May 2017		19 May 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Resignation of an Independent Director		19 May 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-028	Announcement of The Resolutions of The 2016 Annual General Meeting	China Securities Journal, The Shanghai Securities News	20 May 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-029	Announcement of The Independent Director Resignation	China Securities Journal, The Shanghai Securities News	20 May 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-030	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	24 May 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk

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2017-031	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	27 May 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-032	Announcement of Redemption of Principal And Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	14 June 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement- Continuing Connected Transaction: Entering into The Network Services Agreement		21 June 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> , Website of the shanghai stock exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>
	H Share Announcement - Notice of The 2017 First Extraordinary General Meeting		29 June 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-033	The Resolutions of The 26th Meeting of The 7th Board	China Securities Journal, The Shanghai Securities News	30 June 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-034	Announcement of The Resolutions of The 16th Meeting of The 7th Supervisory Committee	China Securities Journal, The Shanghai Securities News	30 June 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-035	Announcement on Election of the workers' representative supervisors	China Securities Journal, The Shanghai Securities News	30 June 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

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2017-036	Notice to Convene The 2017 First Extraordinary General Meeting	China Securities Journal, The Shanghai Securities News	30 June 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-037	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	1 July 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Continuing Connected Transactions: 2017 Expressway Large and Medium Repair and Maintenance Works Design, Regular Inspection and Special Inspection Contracts		3 July 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk, Website of the shanghai stock exchange: www.sse.Com.cn
	H Share Announcement- Continuing Connected Transactions: Maintenance and Repair Works for Ningxuanhang, Ningji and Jihuang Expressways		3 July 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk, Website of the shanghai stock exchange: www.sse.Com.cn
2017-038	Announcement of Implementation of 2016 equity allocation	China Securities Journal, The Shanghai Securities News	10 July 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-039	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	11 July 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk

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2017-040	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	19 July 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement- Continuing Connected Transaction: Maintenance Works for The Anhui Section of G25 Changshen Expressway and The Tianchang Section of G205 National Trunk		20 July 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> , Website of the shanghai stock exchange: <a href="http://www.sse.Com.cn">www.sse.Com.cn</a>
2017-041	Announcement of Redemption of Principal And Earnings Of Bank Financial Products	China Securities Journal, The Shanghai Securities News	26 July 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-042	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	29 July 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement- Holding Date of The Board of Directors' Meeting		1 August 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement - Voting Results of The 2017 First Extraordinary General Meeting Held on 16 August 2017		16 August 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

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	H Share Announcement- (1) Change of Directors, Supervisor and Members of the Board Committees; and (2) Reappointments of Company Secretary and Secretary to the Board		17 August 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement -List of Directors and Their Roles and Functions		17 August 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-043	Announcement On The Voting Results Of The 2017 First Extraordinary General Meeting	China Securities Journal, The Shanghai Securities News	17 August 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-044	The Resolutions Of The First Meeting Of The 8th Board	China Securities Journal, The Shanghai Securities News	18 August 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-045	Announcement of The Resolutions of The First Meeting of The 8th Supervisory Committee	China Securities Journal, The Shanghai Securities News	18 August 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement - Announcement of Interim Results For The Six Months Ended 30 June 2017		27 August 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-046	The Resolutions of The Second Meeting of The 8th Board	China Securities Journal, The Shanghai Securities News	28 August 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk

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2017-047	Announcement of Redemption of Principal And Earnings Of Bank Financial Products	China Securities Journal, The Shanghai Securities News	6 September 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-048	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	7 September 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-049	Connected Transactions Announcement for Investment In Establishment of Fund Management Company and Initiating Merger and Acquisition Fund	China Securities Journal, The Shanghai Securities News	23 September 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-050	Announcement Of Redemption Of Principal And Earnings Of Bank Financial Products	China Securities Journal, The Shanghai Securities News	10 October 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement- Holding Date Of The Board Of Directors' Meeting		10 October 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-051	Announcement Of Redemption Of Principal And Earnings Of Bank Financial Products	China Securities Journal, The Shanghai Securities News	11 October 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

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2017-052	Announcement Of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	14 October 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Continuing Connected Transactions: Survey and Design Contract for Reconstruction And Expansion of The Zhouzhuang to Longxi Overpass Section of Hening Expressway		27 October 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk, Website of the shanghai stock exchange: www.sse.Com.cn
2017-053	The Resolutions of The 4th Meeting of The 8th Board	China Securities Journal, The Shanghai Securities News	28 October 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement - 2017 Third Quarterly Report		29 October 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2017-054	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	6 December 2017	Website of the Shanghai Stock Exchange: www.sse.com.cn, Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Connected Transactions: Establishment of Fund Management Company and Fund Partnership		14 December 2017	Website of the Stock Exchange of Hong Kong Limited: www.hkex.com.hk



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2017-055	Progress Announcement for Investment in Establishment of Fund Management Company and Initiating Merger and Acquisition Fund	China Securities Journal, The Shanghai Securities News	15 December 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-056	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	16 December 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement- Announcement in relation to establishment of toll stations for the operation of Ningxuanhang Expressway (Liqiao to Xuancheng section)		29 December 2017	Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-057	Announcement in relation to establishment of toll stations for the operation of Ningxuanhang Expressway (Liqiao to Xuancheng section)	China Securities Journal, The Shanghai Securities News	30 December 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2017-058	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	30 December 2017	Website of the Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of the Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

## I. Profile of the highways

Name of roads	Length (km)	Number of lanes	Number of toll stations	Number of service areas	Terms of operation
Hening Expressway	134	4 (partial 8 lanes)	8	4	Commencing from 16 August 1996 to 15 August 2026
New Tianchang Section of National Trunk 205	30	4	1	—	Commencing from 1 January 1997 to 31 December 2026
Gaojie Expressway	110	4	3	4	Commencing from 1 October 1999 to 30 September 2029
Xuanguang Expressway	84	4	4	2	Commencing from 1 January 1999 to 31 December 2028 (South Ring Road: Commencing from 1 September 2003 to 31 December 2028)
Lianhuo Expressway Anhui Section	54	4	5	1	Commencing from 1 January 2003 to 30 June 2032
Guangci Expressway	14	4	1	—	Commencing from 20 July 2004 to 20 July 2029
Ninghuai Expressway Tianchang Section	14	6	1	1	Commencing from 18 December 2006 to 17 June 2032
Ningxuanhang Expressway (Anhui Section)	117	4	7	3	

Note: On 8 September 2013, the section of Xuancheng to Ningguo of Ningxuanhang Expressway Anhui Section was officially opened to traffic for trial operation. The length of toll road is 46 kilometres and the temporary granted concession period is 5 years starting from September 2013 and ending in September 2018. In December 2015, the section of Ningguo to Qianqiuguan of Ningxuanhang Expressway was officially opened to traffic. The length of toll road is 40 kilometres and the temporary granted concession period is 5 years starting from December 2015 to December 2020. In December 2017, the section of Liqiao to Xuancheng of Ningxuanhang Expressway was officially opened to traffic. The length of toll road is 31 kilometres and the temporary granted concession period is 5 years starting from December 2017 to December 2022. The formal granted concession period will be determined according to future assessment and relevant provisions.

## Appendix:

### **Hening Expressway (G40 Hushan Expressway Hening Section)**

Hening Expressway is a 134km long dual carriageway four-lane expressway owned by the Company in Anhui Province linking Dashushan and Zhouzhuang (the Dashushan to Longxi Overpass Section is of eight-lane). This expressway forms an integral part of the “Two Verticals and Two Horizontals” National Trunk Highway from Shanghai to Chengdu in Sichuan Province, which also forms part of the National Trunk 312 linking Shanghai and Yining in Xinjiang. It is currently a major source of profit and cash flow for the Company.

### **The New Tianchang Section of National Trunk 205**

The New Tianchang Section of National Trunk 205 is a dual carriageway four-lane vehicular highway of Class 1 standard of 30km long situated in Tianchang in Anhui Province. Tianchang Section is a part of National Trunk 205, which starts in Shanhaiguan, Hebei Province and ends in Guangzhou, Guangdong Province. This national trunk also forms part of the highway linking Lianyungang and Nanjing in Jiangsu Province.

### **Ninghuai Expressway Tianchang Section**

Ninghuai Expressway Tianchang Section is an important road section of Ninghuai Expressway, with a whole length of 13.989km, and has the standard of dual carriageway six-lane expressway. It was completed and opened to traffic on 18 December 2006. The road runs through Tianchang city east of Anhui Province, starting from the terminal of the Jiangsu Nanjing Section of Ninghuai Expressway in Tianchang city, and ending at the Jiangsu Huaian Section of the Ninghuai Expressway. It is an important part in the key highway and national “7918” expressway network from Changchun to Shenzhen for the economic development of the eastern Anhui and the whole of northern Jiangsu, at the same time is also an important part in the key backbone in the trunk road network in Anhui Province. It directly or indirectly links various National Trunks of Hurong, Jinghu, Tongshan, Lianhuo, Ninghang and national key planned highway constructions of Jiayin to Nanping, Shanghai to Luoyang.

### **Gaojie Expressway (G50 Huyu Expressway Gaojie Section)**

The Gaohe to Jiezidun Expressway, with a length of approximately 110km, is an existing dual carriageway four-lane expressway that forms part of the “Two Verticals and Two Horizontals” National Trunk System between Shanghai and Chengdu in Sichuan. The Expressway, originating from Gaohe Town, Huaining County, Anhui Province, links up with the Hening Expressway, operated by the Company, through Hefei-Anqing Highway and terminates at the border between Hunan and Anhui at Jiezidun, Susong County, Anhui Province. It further runs westward to link up with cities like Wuhan, Chongqing and Chengdu and is an important trunk road that links up the central and western region with the southeastern coastal region.

### **Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section)**

The Xuanzhou to Guangde Expressway is an existing dual carriageway four-lane expressway located in the south-eastern part of Anhui Province with total mileage of 84km constructed in two phases. Xuanzhou-Guangde section, which is about 67km long, was opened to traffic in September 1997. Xuanzhou south ring road is a 17km long expressway, which links Xuanguang Expressway near Shuangqiao, Xuanzhou, and was opened to traffic in July 2001 and merged into the Company in August 2003. This expressway starts from Xuanzhou in Anhui Province and ends near Jiepai, Guangde in Anhui Province and forms part of the National Trunk 318 extending from Shanghai to Nielamu in Tibet. National Trunk 318 is a key transport artery, linking the coastal regions with the inland and the western boarder of the PRC.

### **Guangci Expressway (G50 Huyu Expressway Guangci Section)**

Guangci Expressway is an important part of Hefei-Hangzhou Highway, as well as a significant component of “one of the horizontal roads” designed in the highway network of Anhui province – “two roads along the rivers, three vertical roads, six horizontal roads and nine roads between cities”. The 14km-long route starts from Xuanguang Expressway, and stretches all the way to Cishangang-Jiepai Expressway which has been open to traffic with its whole length within the territory of Guangde County. Guangci Expressway is an inter-provincial highway connecting Hefei to Hangzhou and Shanghai, Jiangsu to Mount Huangshan and Hangzhou, which plays an important role in promoting the opening up and development as well as the economic growth of Wan-nan Area of Anhui province, and in strengthening the cooperation and exchange among Anhui, Jiangsu, Zhejiang and Shanghai provinces.

### **Lianhuo Expressway Anhui Section (G30 Lianhuo Expressway Anhui Section)**

Lianhuo Expressway Anhui Section is a 54km long dual carriage four-lane expressway, part of the “Two Verticals and Two Horizontals” National Trunk between Lianyungang and Huoerguosi in Anhui Province. Connecting with the highways located in Henan and Jiangsu Province and the expressways between Beijing and Fuzhou, it plays an important role in China’s politics, economy, military affairs and National Truck Networks.

### **Ningxuanhang Expressway Anhui Section**

Ningxuanhang Expressway Tianchang Section is a 117km long dual carriage four-lane expressway with asphalt concrete road surface, which starts at the border between Anhui and Jiangsu at Jinshankou, passing through Xuancheng and Ningguo, terminates at the boarder between Anhui and Zhejiang at Qianqiuguan. This expressway forms an important part of the “Four Verticals and Eight Horizontals” of expressway network in Anhui Province, which is the tie communicating Anhui and Zhejiang and linking two big economic regions of Nanjing and Hangzhou. This expressway is planned to construct by three sections, the first is Xuancheng to Ningguo section with 46 km long, the second is Liqiao to Xuancheng section with 31 km long and the third is Ningguo to Qianqiuguan section with 40 km long.

## Appendix:

### II. Vehicles classification and toll Rates (effective from 0:00 a.m 10 November 2010)

- Vehicles classification and toll rates for expressways (Ninghuai Expressway Tianchang Section excluded)

Unit: per vehicle per km

Vehicles type	Passenger vehicles	Toll rates
Type 1	7 seats or below (including 7 seats)	RMB 0.45
Type 2	Between 8 seats and 19 seats	RMB 0.80
Type 3	Between 20 seats and 39 seats	RMB 1.10
Type 4	40 seats or above (including 40 seats)	RMB 1.30

- Vehicles Classification and Toll Rates of Ninghuai Expressway Tianchang Section (effective from 0:00 a.m 10 January 2012)

Vehicles type	Passenger vehicles	Toll rates (RMB/km)	Minimum toll collection
Type 1	7 seats or below (including 7 seats)	0.45	5
Type 2	Between 8 seats and 19 seats	0.675	10
Type 3	Between 20 seats and 39 seats	0.90	10
Type 4	40 seats or above (including 40 seats)	0.90	10

#### Toll rates of New Tianchang Section of National Trunk 205

Type of Vehicles	Toll Rates
Motor bicycles and tricycles	RMB3 per vehicle per trip
Small tractors (including manual tractors) and other four-wheeled small and simple mechanical vehicles	RMB5 per vehicle per trip
Passenger wagons below 20 seats	RMB10 per vehicle per trip
Passenger wagons between 20 and 50 seats (including 50 seats)	RMB15 per vehicle per trip
Passenger wagons over 50 seats	RMB25 per vehicle per trip

### III. Toll rates applicable to goods vehicles with reference to their weight

#### – Toll rates applicable to goods vehicles with reference to their weight on expressways

##### 1. Weight toll rates for expressways

Total weight of goods and vehicle	10 tonnes < Total weight of goods and vehicle	
	≤10 tonnes	≤40 tonnes >40 tonnes
Basic toll rate	RMB0.09/tones for every km	RMB0.09/tones for every km and will be linearly reduced to RMB0.05/tones for every km

- Notes
1. Vehicles, which weight less than 5 tonnes, shall be charged according to 5 tonnes scale
  2. If the toll chargeable is less than RMB20, RMB20 shall be charged
  3. The toll charges less than RMB2.5 will be rounded down, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.

##### 2. Toll rates applicable to goods vehicles with reference to their weight of National Trunk 205

Total weight of goods and vehicle	10 tonnes < Total weight of goods and vehicle	
	≤10 tonnes	≤40 tonnes >40 tonnes
Basic toll rate	RMB1.5/ton per vehicle per trip	RMB1.5/ton per vehicle per trip and will be linearly reduced to RMB1.1/ton per vehicle per trip

- Notes
1. If the toll chargeable is less than RMB10, RMB10 shall be charged
  2. For expressways, less than RMB2.5 will be rounded down, for RMB2.51-RMB7.5 will be rounded to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10

#### – Extra tolls to be imposed on overloaded goods vehicles:

1. Overweight within 30% (including 30%), adjusted toll rate is RMB0.09/tonne per kilometer.
2. Overweight between 30% and 100% (including 100%), adjusted toll rate is between 3 times of RMB0.09/tonne per kilometer and increased linearly to 6 times of RMB0.09/tonne per kilometer.
3. Overweight more than 100%, adjusted toll rate is 6 times of RMB0.09/tonne per kilometer.

The standards for overloaded goods vehicles and extra toll rates as stipulated for expressways will be applicable for New Tianchang Section of National Trunk 205.

## Appendix:

### IV. The additional toll rates applicable to Lixuan Expressway

The additional toll rates applicable to Lixuan Expressway shall be the toll standard prescribed under the “Notices on Adjusting the Toll Standards of Road and Bridge Tolls in the Province” (Wan Jiao Cai [2010] No. 391) issued by the Department of Transportation of Anhui Province and Price Administration of Anhui Province plus the additional toll for 1 extra-large bridge/tunnel. The additional extra-large bridge/tunnel toll is calculated by reference to the type of vehicle and the proportion of the travel distance of the vehicle on Lixuan Expressway to the total length of Lixuan Expressway, and is collected on top of the basic toll on a vehicle-per-trip basis.

#### Additional toll standards for extra-large bridges/tunnels

Vehicle type	Type and specification		Additional Toll Rates (RMB/vehicle per trip)
	Passenger vehicles	Goods vehicles	
Type 1	7 seats or below (including 7 seats)	≤ 2 tons	10
Type 2	Between 8 seats and 19 seats	Between 2 tons and 5 tons (including 5 tons)	15
Type 3	Between 20 seats and 39 seats	Between 5 tons and 10 tons (including 10 tons)	20
Type 4	40 seats	Between 10 tons and 15 tons (including 15 tons)	25
Type 5		20-foot container >15 tons 40-foot container	30

Note: “extra-large bridges/tunnels” on expressways means bridges with a length of over 1,000 meters or tunnels with a length of over 3,000 meters.

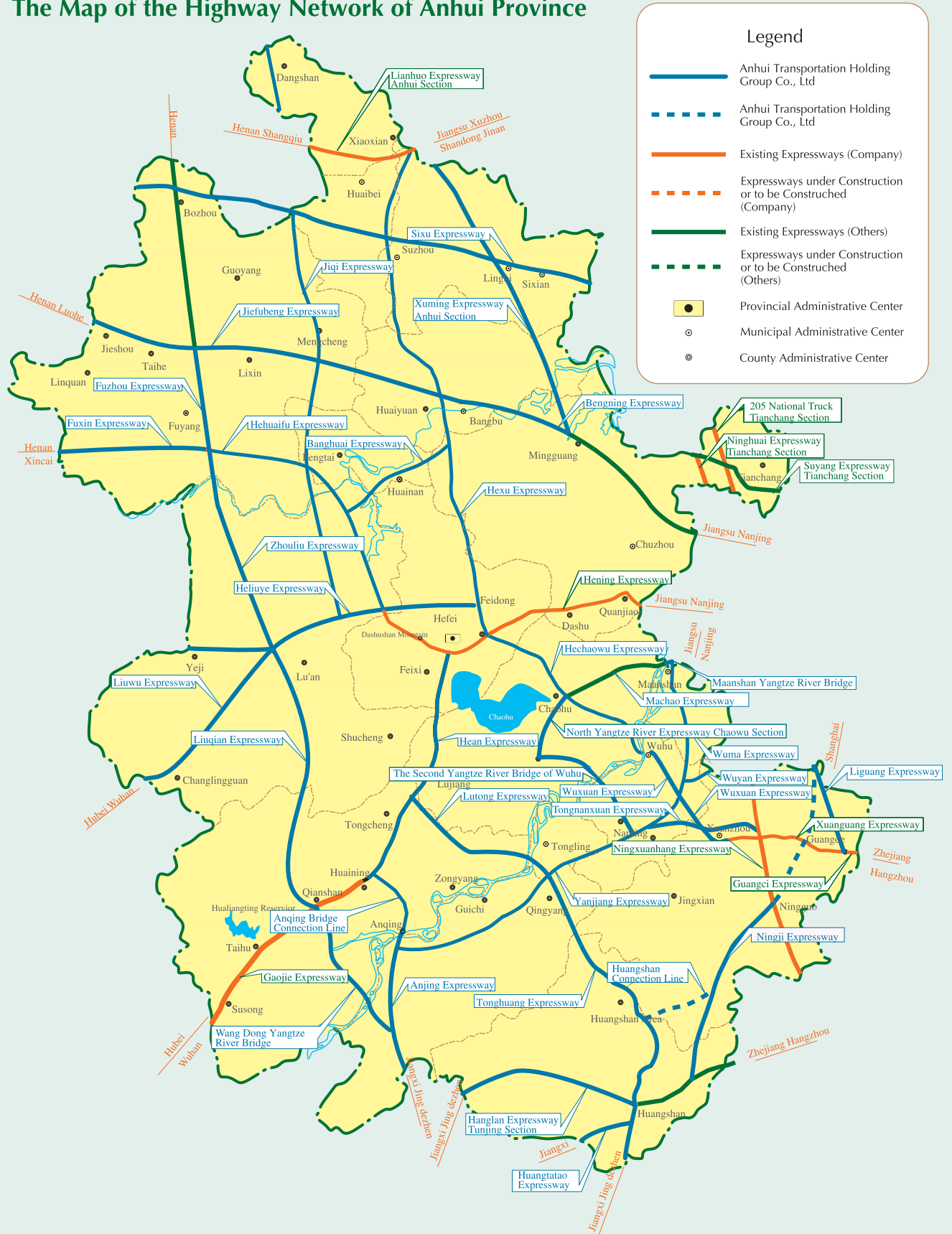
The additional toll for extra-large bridges/tunnels will be collected on top of the basic toll calculated on the standard set out above.

# National Trunk Highways





# The Map of the Highway Network of Anhui Province



### Legend

- Anhui Transportation Holding Group Co., Ltd
- - - - Anhui Transportation Holding Group Co., Ltd
- Existing Expressways (Company)
- - - - Expressways under Construction or to be Constructed (Company)
- Existing Expressways (Others)
- - - - Expressways under Construction or to be Constructed (Others)
- Provincial Administrative Center
- Municipal Administrative Center
- County Administrative Center



**Anhui Expressway Company Limited**