



Anhui Expressway Company Limited

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

(Stock Code : 0995)



2018
Annual Report

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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 2018 financial statements prepared in accordance with the PRC accounting standards was RMB 1,241,559 thousand. The Company's net profit as shown on the 2018 financial statements prepared in accordance with the Hong Kong accounting standards was RMB 1,229,354 thousand. As the statutory reserve fund has reached over 50% of the total share capital of the Company, no appropriation is required this year. The profit from year 2018 available for distribution to shareholders was RMB 1,241,559 thousand and RMB 1,229,354 thousand in accordance with the PRC accounting standards and the Hong Kong accounting standards respectively. Pursuant to the relevant PRC regulations, the lower of the two amounts shall be the basis of distribution. Therefore, the profit available for distribution to shareholders for the year 2018 was RMB 1,229,354 thousand. The board of directors of the Company recommended the payment of a final dividend of RMB 414,652.50 thousand on the basis of RMB 2.50 for every 10 shares (tax included) based on the total issued share capital of 1,658,610,000 shares at the end of 2018. In 2018, 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

Unless otherwise specified, 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

1. Definitions

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

“Articles of Association”	the articles of association of the Company as amended from time to time
“the Company”, “Company”	Anhui Expressway Company Limited
“the Group”	Collectively the Company, its subsidiaries and associated companies
“ATHC” or “Anhui Transportation Holding Group”	Anhui Transportation Holding Group Company Limited (formerly known as Anhui Expressway Holding Group Company Limited and Anhui Expressway Holding Corporation)
“Board”	the board of Directors
“China Merchants Highway”	China Merchants Highway Network Technology Holding Company Limited (formerly known as China Merchants Hua Jian Highway Investment Company Limited)
“Director(s)”	director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“reporting period”	the year ended 31 December 2018
“SSE”	Shanghai Stock Exchange
“SEHK” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong)
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Xuanguang Company”	Xuanguang Expressway Company Limited
“Expressway Media”	Anhui Expressway Media Company Limited
“Xin’an Financial”	Anhui Xin’an Financial Group Company Limited
“Xin’an Capital”	Anhui Xin’an Capital Operation Management Company Limited
“Xuancheng Transportation”	Xuancheng Transportation Investment Company Limited (formerly known as Xuancheng Highway Construction Management Company Limited)
“Ningxuanhang Company”	Anhui Ningxuanhang Expressway Investment Company Limited
“Guangci Company”	Xuancheng City Guangci Expressway Limited Liability Company
“Wantong Pawnshop” or “Wantong Pawn”	Hefei Wan Tong Pawnshop Co., Limited
“Wantong Micro Credit”	Hefei Wantong MicroCredit Company Limited
“Huatai Group”	Hefei Huatai Group Corporation Limited
“HK Subsidiary”	Anhui Expressway (H.K.) Limited

Section I Definitions

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

	Secretary to the Board of the Company	Representative of Securities Affairs
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	0551-65338696	0551-65338696
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	http://www.anhui-expressway.net
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 Journal, Shanghai Securities News
Websites designated for disclosure of annual report assigned by CSRC	http://www.sse.com.cn http://www.hkex.com.hk http://www.anhui-expressway.net
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

Section II Corporate Profile and Main Financial Indicators

5. Company Stock Information

Company Stock Information				
Stock Category	Stock Exchange	Stock Abbreviations	Stock Code	Stock Abbreviations before alteration
A Shares	Shanghai Stock Exchange	皖通高速	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, Xu Qinqin
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, Central, 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	2018	2017	Unit: yuan Currency: RMB	
			Change of the current period over the same period of last year (%)	2016
Revenue	2,966,948,529.24	2,861,411,105.06	3.69	2,499,135,630.47
Net profit attributable to shareholders of the Company	1,123,042,225.39	1,091,343,092.28	2.90	933,257,550.08
Net profit after extraordinary items attributable to shareholders of the Company	1,120,711,864.99	1,101,477,260.50	1.75	931,530,732.81
Net cash flows from operating activities	1,807,617,059.70	1,882,799,767.78	-3.99	1,752,401,524.95
	As at the end of 2018	As at the end of 2017	Change of the current period over the same period of last year (%)	As at the end of 2016
Net assets attributable to shareholders of the Company	10,069,996,981.61	9,379,097,885.86	7.37	8,678,962,620.04
Total assets	14,780,287,813.81	14,176,003,506.16	4.26	13,120,801,927.91

(2) Main Financial Indicators

Financial indicators	2018	2017	Change of the current period over the same period of last year (%)	2016
Basic earnings per share (RMB/share)	0.6771	0.6580	2.90	0.5627
Diluted earnings per share (RMB/share)	0.6771	0.6580	2.90	0.5627
Basic earnings per share after extraordinary items (RMB/share)	0.6757	0.6641	1.75	0.5616
Returns on net assets (weighted average) (%)	11.56	12.12	A decrease of 0.56 percentage point	11.16
Returns on net assets after extraordinary items (weighted average) (%)	11.53	12.24	A decrease of 0.71 percentage point	11.14

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 Currency: RMB	
	2018	2017	2016	2015	2014
Revenue	3,875,803	4,308,759	3,063,632	3,158,404	3,036,589
Profit before income tax	1,537,528	1,529,639	1,234,922	1,249,385	1,159,629
Profit attributable to owners of the Company	1,115,361	1,083,235	925,075	929,377	852,105
Basic earnings per share (yuan)	0.6725	0.6531	0.5577	0.5603	0.5137

Summary of assets

As at 31 December

				Unit: '000 Currency: RMB	
	2018	2017	2016	2015	2014
Total assets	14,829,956	14,234,303	13,215,279	12,246,075	11,630,793
Total liabilities	4,200,849	4,147,710	3,730,037	3,265,650	3,098,728
Total net assets (deducting minority shareholders' interests)	10,118,674	9,436,203	8,744,499	8,190,498	7,684,452
Net assets per share (deducting minority shareholders' interests) (yuan)	6.1007	5.6892	5.2722	4.9382	4.6331

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 Currency: RMB

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the 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	1,123,042	1,091,343	10,069,997	9,379,098
Items and amount adjusted according to Hong Kong Accounting Standards: Valuation, depreciation/ amortization and related deferred taxes	-7,681	-8,108	48,677	57,105
Hong Kong Accounting Standards	<u>1,115,361</u>	<u>1,083,235</u>	<u>10,118,674</u>	<u>9,436,203</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.

Section II Corporate Profile and Main Financial Indicators

9. Main Financial Statistics of 2018 on a quarterly basis (in accordance with the PRC Accounting Standards)

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	728,444,474.11	739,064,393.90	781,583,704.33	717,855,956.90
Net profit attributable to shareholders of the Company	268,062,776.36	287,533,970.96	296,155,062.10	271,290,415.97
Net profit after extraordinary items attributable to shareholders of the Company	268,192,156.47	286,759,658.33	295,253,753.82	270,506,296.37
Net cash flows from operating activities	501,582,496.88	349,466,696.84	561,484,706.87	395,083,159.11

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

Applicable Not applicable

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

Unit: yuan Currency: RMB

Extraordinary items	Amount of 2018	Note (if applicable)	Amount of 2017	Amount of 2016
Gains and losses from disposals of non-current assets	-31,483.55		-2,462,459.48	-334,638.25
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)	2,477,442.35	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.	5,474,674.48	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	0.00
Other non-operating income and expenses	550,161.24		303,001.14	579,185.79
Effects of minority shareholders' interests	83,270.37		-55,407.72	-86,184.14
Effect of income tax	-749,030.01		3,359,586.84	-604,333.81
Total	<u>2,330,360.40</u>		<u>-10,134,168.22</u>	<u>1,726,817.27</u>

Section II Corporate Profile and Main Financial Indicators

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 at fair value through other comprehensive income	404,845,417.06	336,299,364.67	-68,546,052.39	0.00

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).

As of 31 December 2018, the structure of the Company, its subsidiaries (the “Group”), associated companies and other equity investments 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, the People's Republic of China on 15 August 1996. It is the first highway company listed in Hong Kong and the only listed highway company in Anhui province. On 13 November 1996, 493.01 million H shares issued by the Company were listed on the Stock Exchange of Hong Kong Limited. On 7 January 2003, 250 million A-shares issued by the Company were listed on the Shanghai Stock Exchange. As of 31 December 2018, the total share capital of the Company is 1,658,610,000 shares with a par value of RMB1 per share.

The principal business of the Company include investment, construction, operation and management of toll roads within Anhui province. The Company acquires operating expressway assets through various means such as investment and construction, acquisition or co-operative operation. The Company 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. Toll roads are large-scale transportation infrastructures with long payback cycle, the characteristics is capital intensive, the investment return period is long and the income is relatively stable.

The Company owns all or part of the toll road equity in Hening Expressway (G40 Hushan Expressway Hening Section), 205 National Highway Tianchang Section New Line, Gaojie Expressway (G50 Huyu Expressway Gaojie Section), Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section), Guangci Expressway (G50 Huyu Expressway Guangci Section), Ninghuai Expressway Tianchang Section, Lianhuo Highway Anhui Section (G30 Lianhuo Expressway Anhui Section) and Ningxuanhang Expressway, etc., all of which are located in Anhui Province. As of 31 December 2018, the Company has 557 kilometers of operating highway with total assets of about RMB14,780,288 thousand. 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, etc.) for some road sections to Anhui Transportation Holding Group and its subsidiaries. Currently, the total mileage of toll roads under the entrusted management amounted to 711 km.

In addition, the Group is also actively exploring and experimenting with advertising businesses along the expressway, financial business and fund investment businesses to further expand profit ability and achieve sustainable development of the Group.

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. The Company adopts the operating toll road model.

3. Explanation on industry

From the historical development stage, with the maturity and perfection of the road network, the highway in the PRC has entered the stable development period. In 2018, China added 6,000 kilometers of expressways, with a total length of 142,500 kilometers, representing an increase of 4.4% year-on-year. From the perspective of future planning, the expressway network will continue to be improved during the 13th Five-Year Plan period, and the expressway mileage will be increased from 124,000 km in 2015 to 150,000 km by 2020.

Section III Corporate Business Summary

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 expressway companies are facing the issue of shortening of the toll period year by year, while there is significant difference in the reform progress and direction for transition of diversification of the state-owned enterprises in different provinces.

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

Unit: '0,000 Currency: RMB

Stock code	Paper titles	Total assets	Net assets	Asset-liability ratio (%)	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	1454155.99	1038109.50	28.61	224909.26	4.73	84660.95	2.60	8.86	8.65
000429.SZ	GPED A	1601022.83	960168.75	40.03	238663.39	5.48	140773.94	-1.91	13.41	10.70
000548.SZ	Hunan Investment	204767.13	162845.26	20.47	18970.84	-79.05	1921.23	-85.43	1.59	17.04
000755.SZ	Shanxi Road Bridge	939710.13	89645.81	90.46	129546.05	-48.12	-10416.86	41.20	-12.86	20.92
000828.SZ	Dongguan Development	1039863.77	614669.64	40.89	122306.23	13.02	71313.02	-0.50	12.07	8.99
000886.SZ	Hainan Expressway	327212.36	277061.46	15.33	37438.06	-14.20	15596.51	40.90	5.75	43.20
000900.SZ	Modern Investment	2438231.59	952867.66	60.92	899217.13	17.64	80224.73	23.76	9.04	7.18
001965.SZ	China Merchants Highway	8321541.52	4987866.41	40.06	451414.92	21.12	336030.72	1.24	6.85	15.65
200429.SZ	GPED B	1601022.83	960168.75	40.03	238663.39	5.48	140773.94	-1.91	13.41	7.48
600020.SH	Zhongyuan Expressway	4889324.03	1171956.63	76.03	411059.64	-7.72	98141.36	-10.86	7.85	6.90
600033.SH	Fujian Expressway	1741968.83	1089218.74	37.47	197013.31	6.67	78425.14	2.80	6.87	12.55
600035.SH	Chutian Expressway	1076654.20	628183.05	41.65	219765.04	20.81	48865.55	1.66	7.99	9.43
600106.SH	Chongqing Road Bridge	656822.01	355595.50	45.86	18070.25	0.98	21537.47	-6.67	6.04	12.50
600269.SH	Ganyue Expressway	3283477.23	1580091.33	51.88	315631.24	-3.34	79944.15	2.32	5.72	9.82
600350.SH	Shandong Expressway	5924880.73	2969388.14	49.88	431391.54	-16.58	342272.68	16.05	9.90	8.13
600368.SH	Wuzhou Traffic	1040021.76	341638.06	67.15	124602.26	5.24	28874.26	-2.13	8.75	10.44
600377.SH	Ninghu Expressway	4667608.14	2919219.97	37.46	764170.29	9.32	373429.00	25.43	14.77	12.75
600548.SH	Shenzhen Expressway	4437171.79	1676511.62	62.22	414016.05	13.31	164625.50	30.82	10.80	12.86
601107.SH	Sichuan Expressway	3550945.48	1495947.98	57.87	432298.58	-25.27	95681.67	-2.23	6.41	11.98
601188.SH	Longjiang Traffic	499606.09	423297.05	15.27	55295.15	40.92	26063.74	-5.24	5.99	12.46
601518.SH	Jilin Expressway	666148.44	379528.17	43.03	62275.14	-14.21	21461.52	-2.97	6.61	13.29
Arithmetic mean		2398197.95	1193999.02	45.84	276510.37	-2.08	106676.20	3.28	7.42	13.00
Media		1601022.83	960168.75	41.65	224909.26	5.24	79944.15	1.24	7.85	11.98

Note: Source from Wind, and the information were as at 30 September 2018.

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 2018	31 December 2017	Rate of change	Explanation on change
Other receivables	170,744,720.40	502,419,132.47	-66.02%	Mainly due to the redemption of bank investment product of RMB 360 million at the end of the previous period during the reporting period.
Construction in progress	128,028,388.34	48,154,736.80	165.87%	Mainly due to the increase in the expense for expansion of Longtang toll crossing during the reporting period compared to the same period last year.
Other payables	188,612,287.66	123,075,854.10	53.25%	Mainly due to the increase in deposits received for construction projects at the end of the reporting period as compared to the same period last year.
Non-current liabilities due within one year	385,765,806.20	78,327,428.46	392.50%	Mainly due to the increase in bank loans and minority shareholders' loans due within one year at the end of the reporting period compared with the same period last year.
Other comprehensive income	-59,025,476.50	4,949,235.41	-1292.62%	Mainly due to the decrease in fair value of financial assets at fair value through other comprehensive income during the reporting period.

Among which assets of RMB1,981,603.12 are in overseas, representing 0.01% of the 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 highway 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. As the Yangtze River Delta integration strategy becomes a national strategy, 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 good 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 and out of the industry.

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I. Management Discussion and Analysis

During the report period, the company deeply implemented the “1123” development strategy, closely focused on the annual work plan, cultivated the principal highway business, focused on improving the operational management and service level, and consolidated the foundation of steady development.

1. Carry out operations management work around safety, income increase and cost reduction

- a. Fee management has been steadily improved. The annual toll revenue reached RMB2.777 billion (pre-tax), of which electronic payment amounted to RMB1.462 billion, accounting for 52.65% of the total. The efficiency of road network operation and service level were further improved. The evaluation of Xuanning Expressway’s 30 - year official concession period was completed.
- b. Management informatization reduces cost and increases income. During the reporting period, the Company reformed the multi-path identification system, which improved the accuracy of license plate recognition and had a significant effect on plugging leaks and increasing revenue. The handheld device for Green Channel exemption checking was put into use to improve the accuracy of Green Channel inspection and identification and further improve the production efficiency. In 2018, in the case of the average increase of 3.95% in the cumulative amount of Green Channel vehicles toll exemption in Anhui province, the amount of Green Channel vehicles in the road segment of the company only increased by 0.66% year on year. Automatic card issuing machine can achieve full coverage, reduce labor input and labor cost.
- c. Maintenance mode innovation to improve efficiency. The Company fully covered the design of maintenance engineering plans, improved the rationality and scientific nature of engineering plans, organized construction and acceptance settlement according to drawings, and standardized the use of maintenance engineering funds; At the same time, small scattered maintenance works of each section unit were packaged for unified bidding, so as to explore the scale and intensive effect and reduce the maintenance project cost.
- d. Production safety remained stable. The Company ensured that the responsibility for production safety is implemented and that risks are prevented and controlled, strengthened the screening, treatment, inspection and supervision of hidden dangers, and strengthened safety education and training. The Company continued to strengthen supervision over the construction of road sections for reconstruction and expansion, strengthened joint logistics among all parties involved, and ensured that there is no interference between construction and safe passage, thus ensuring the safety and smooth operation of the road sections for reconstruction and expansion of the Hening Expressway.

2. Conduct operation and management work centering on stability, improvement and innovation

a. Diversified development goes hand in hand

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, urged them to comprehensively strengthen 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. During the reporting period, both Wantong Pawn and Wantong Micro Credit achieved a turnaround.

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b. Equity returns and dividends have risen steadily

During the reporting period, the Company further strengthened the management and control of participating companies, and the investment income and dividends increased steadily. A total dividends of RMB 180 million were obtained in 2018, representing an increase of 38.25% from the same period last year. Among them, the Company received dividends of RMB 130 million, RMB 28.59 million, RMB 21.14 million and RMB 200 thousand respectively from Xuanguang Company, Guangci Company, Expressway Media and China Merchants Fund Management Company.

3. Corporate governance is improving

During the reporting period, the corporate governance structure of the Company was 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. In order to seriously implement the comprehensive strict self-governance of the Party, unswervingly adhere to the Party's leadership of state-owned enterprises, according to the requirement in central governmental documents and from the superior Party committee on promoting Party construction in state-owned enterprise, the Company has officially incorporated Party building work into the Articles of Association, to ensure the establishment of Party organization in the Company from the system level and give full play to its role as the political core. The Company continued to optimize the internal control system, conducted testing on the effectiveness of internal control and risk assessment, and improved the supervision mechanism.

4. Analysis of the prevailing development trend

At present, the Company is in a critical period of accelerating development and transformation. From the external situation, first, the 19th National Congress of the Communist Party of China proposed to build China into a "country with strong transportation network", and the related industries with transportation as the carrier will gradually rise, and the investment in smart transportation, green transportation and "transportation + tourism" is expected to become a market hotspot. Anhui Province's five major developments to accelerate the construction of modernization also made the speed-up traffic construction as a first-hand move and hard support. The construction and development of expressways are still the main theme of Anhui's transportation industry. Second, China's overall economic situation is stable and positive, and the constantly deepened opening up to the outside world has provided conditions for the company to implement a diversified development strategy, which has brought about good development opportunities.

At the same time, the development of the Company also faces risks and challenges, which need to be actively and effectively addressed. First, the Toll Road Management Regulations (revised draft) is not yet promulgated. Second, the impact of various toll relief and exemption policies on the Company's economic benefits has increased significantly, and the pressure of maintaining traffic flow on the operating section has increased.

Overall, the Company's development opportunities and challenges coexist in the future, the macro situation is generally favorable, its own development foundation is good, the long-term development resilience is very strong. The Company will actively seize the opportunity, fully take advantage of the trend; enhance the sense of crisis and urgency of development, based on advantages, make up the short board, highlight the characteristics, and strive to create a new situation of high-quality development.

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

During the reporting period, in accordance with the Hong Kong Accounting Standards, the Group achieved a revenue of RMB 3,875,803 thousand (2017: RMB 4,308,759 thousand), representing a decrease of 10.05% over the corresponding period of the previous year; profit before income tax of RMB 1,537,528 thousand (2017: RMB 1,529,639 thousand), representing an increase of 0.52% over the corresponding period of the previous year; profit attributable to the owners of the Company of RMB 1,115,361 thousand (2017: RMB 1,083,235 thousand), representing an increase of 2.97% over the corresponding period of the previous year; basic earnings per share of RMB 0.6725 (2017: RMB 0.6531), representing an increase of 2.97% over the corresponding period of the previous year. The main reason for the decrease in turnover is the decline in revenue from construction or upgrade work under Service Concessions.

Operations of toll highways (in accordance with the PRC Accounting Standards)

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

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

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

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

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

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

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

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The amount of Anhui transportation card discounts for the year is approximately RMB 204 million (2017: RMB 164 million), representing an increase of 24.39% year on year; Among them, the amount of preferential reduction and exemption of Anhui transportation card for trucks was RMB 179 million, accounting for 87.91% of the total amount of preferential reduction and exemption of Anhui transportation card and representing an increase of 29.41% year on year.

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

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

Items	Interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		2018	2017	Change (%)	2018	2017	Change (%)
Hening Expressway	100%	24,876	27,254	-8.73	888,218	973,386	-8.75
New Tianchang Section of National Trunk 205	100%	5,987	5,495	8.95	75,309	62,498	20.50
Gaojie Expressway	100%	17,133	15,893	7.80	684,742	631,298	8.47
Xuanguang Expressway	55.47%	25,341	23,642	7.19	544,842	505,445	7.79
Lianhuo Expressway Anhui Section	100%	14,682	14,721	-0.26	264,128	257,896	2.42
Ninghuai Expressway Tianchang Section	100%	34,568	38,441	-10.08	108,037	120,952	-10.68
Guangci Expressway	55.47%	27,361	24,687	10.83	99,723	89,997	10.81
Ningxuanhang Expressway	51%	3,944	3,980	-0.90	111,513	84,872	31.39

Items	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per kilometer per day (RMB)		
		2018	2017	2018	2017	Change(%)
Hening Expressway	100%	75:25	74:26	18,160	19,902	-8.75
New Tianchang Section of National Trunk 205	100%	21:79	24:76	6,878	5,708	20.50
Gaojie Expressway	100%	59:41	60:40	17,055	15,723	8.47
Xuanguang Expressway	55.47%	74:26	75:25	17,770	16,485	7.79
Lianhuo Expressway Anhui Section	100%	68:32	68:32	13,401	13,085	2.41
Ninghuai Expressway Tianchang Section	100%	81:19	79:21	21,142	23,670	-10.68
Guangci Expressway	55.47%	78:22	78:22	19,515	17,612	10.81
Ningxuanhang Expressway	51%	80:20	77:23	2,616	1,991	31.39

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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.

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

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

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

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

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

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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 Wantong Pawn in proportion to their respective capital contribution, and the current registered capital of the company is RMB 157.50 million.

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

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

(I) Analysis of Principal Business (in accordance with the PRC Accounting Standards)

1. 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	2,966,948,529.24	2,861,411,105.06	3.69
Cost of sales	1,282,803,758.59	1,184,758,823.87	8.28
Finance cost	53,115,973.85	29,581,720.45	79.56
Other income	2,477,442.35	5,474,674.48	-54.75
Net cash flows from operating activities	1,807,617,059.70	1,882,799,767.78	-3.99
Net cash flows used in investing activities	-714,135,025.76	-1,477,410,063.34	Not applicable
Net cash flows used in financing activities	-469,402,476.69	-476,807,036.46	Not applicable

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2. Analysis on Revenue and Costs

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

The increase of operating cost is mainly caused by the depreciation and amortization of assets after the opening of Lixuan section of Ningxuanhang Expressway on 30 December 2017;

The increase of financial expenses is mainly caused that the borrowing interest began to be expensed after the opening of Lixuan section of Ningxuanhang Expressway on 30 December 2017;

The decrease of other income is mainly caused by the compensation for the demolition of gas stations given by Feidong County government in the same period last year, but no such income was received this year;

The decrease in net cash flow from operating activities was mainly due to the issuance of pawn loans after the pawn business restarted during the reporting period;

The sharp decrease in the net outflow of cash flow generated by investment activities is mainly caused by the net expenditure of RMB 360 million on purchasing bank financial management and the payment of RMB 200 million for the investment of fund companies in the same period last year;

The decrease in net cash flow from financing activities was mainly due to the repayment of bank loans of RMB 110 million in the same period last year.

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

Unit: yuan Currency: RMB

Principal businesses in terms of industries

In terms of industries	Revenue	Cost of sales	Gross profit rate (%)	Change in revenue (compared with the previous year) (%)	Change in cost of sales (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year) (%)
Toll highway business	2,724,600,058.68	1,096,591,383.60	59.75	1.86	5.83	A decrease of 1.51 percent point
Pawn business	6,353,919.99	0.00	N/A	809.96	N/A	N/A

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Principal businesses in terms of product

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

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	2,730,953,978.67	1,096,591,383.60	59.84	2.07	5.83	A decrease of 1.43 percent point

Principal business in terms of industries, products and regions analysis

Applicable Not applicable

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- (2) Production situation analysis
 Applicable Not applicable
- (3) Cost analysis statement

Unit: yuan Currency: RMB

In terms of industries

Industry	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	712,746,828.19	55.56	676,013,810.12	57.06	5.43	
	Roads repairing expenses	135,433,486.68	10.56	141,873,597.42	11.97	-4.54	
	Other costs	434,623,443.72	33.88	366,871,416.33	30.97	18.47	
	Subtotal	1,282,803,758.59	100.00	1,184,758,823.87	100.00	8.28	
Pawn business		0.00	0.00	0.00	0.00	N/A	
Total cost	Total	1,282,803,758.59	100.00	1,184,758,823.87	100.00	8.28	

In terms of products

Product	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	712,746,828.19	55.56	676,013,810.12	57.06	5.43	
	Roads repairing expenses	135,433,486.68	10.56	141,873,597.42	11.97	-4.54	
	Other costs	434,623,443.72	33.88	366,871,416.33	30.97	18.47	
	Subtotal	1,282,803,758.59	100.00	1,184,758,823.87	100.00	8.28	
Pawn business		0.00	0.00	0.00	0.00	N/A	
Total cost	Total	1,282,803,758.59	100.00	1,184,758,823.87	100.00	8.28	

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Other presentation of Cost Analysis

The other costs in toll highways business was increased by 18.47% compared with last year, mainly because the changes of miles and service of toll roads managed by the Company during this year.

(4) Major customers and major suppliers

Applicable Not applicable

The major customers of the Group are mainly users of our toll highways, and there are 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.

3. Expenses

Administrative expenses

In 2018, the Group's administrative expenses were RMB 84,383,089.78, representing an increase of 1.91% as compared to the same period last year (2017: RMB 82,803,658.82). Such increase was mainly due to the slight increase in the number of administrative staff of the Group as compared to that of the corresponding period last year.

Finance costs

In 2018, the Group's finance costs were RMB 53,115,973.85, representing an increase of 79.56% as compared to the same period last year (2017: RMB 29,581,720.45). Such increase was mainly caused by the borrowing interest which began to be expensed after the opening of Lixuan section of Ningxuanhang expressway on 30 December 2017.

Income tax

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

In 2018, the Group's income tax expenses were RMB 450,897,742.11, representing a decrease of 0.86% (2017 RMB 454,797,898.10). The decrease of income tax expense is mainly caused by the decrease of deferred income tax expense in the reporting period.

Value-added 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 value-added tax rate of road rescue income, expressway management income, operating income of service sections was 6%; value-added tax was levied by simple approach based on 5% of the rental income; the sales tax rate of Wantong Pawn's pawning loan interest income was 6%.

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4. *Research input*

Research input statement

Applicable Not applicable

Presentation of Condition

Applicable Not applicable

5. *Cash flows*

In 2018, the Group's net cash inflows from operating activities were RMB 1,807,617 thousand, representing a decrease of 3.99% as compared with that in 2017, mainly due to the increase in pawn loans granted after the pawn company restarted its business during the reporting period;

In 2018, the Group's net cash outflows from investing activities were RMB 714,135 thousand, representing an decrease of 51.66% from RMB 1,477,410 thousand in the same period last year, mainly due to the purchase of bank financing expenses of RMB 360 million and the payment of RMB 200 million Capital contribution in fund companies in the same period last year;

In 2018, the Group's net cash outflows from financing activities were RMB 469,402 thousand. Net outflow decreased by 1.55% from RMB 476,807 thousand in the same period last year, mainly due to the repayment of bank loans in the amount of RMB 110 million in the same period last year. In 2018, the aggregated sum of external borrowings obtained by the Group was RMB 42,000 thousand. At the end of the reporting period, there was still outstanding bank borrowings of RMB1,708,585 thousand, all of which was long-term borrowings which mainly comprised floating rate bank borrowings for the construction of Ningxuanhang Expressway and a special borrowing from CDB of RMB 0.6 billion for the road widening construction work of Hening Expressway. The weighted average annual interest rate is 3.4748%. The principal will be repaid between 2019 and 2035.

The Group was awarded with good credit ratings. In 2018, the total credit facilities granted was RMB 6.55 billion, and the facilities not yet utilized amounted to RMB 5.545 billion.

(II) **Presentation of major changes in profits caused by non-core business**

Applicable Not applicable

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(III) 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	2,513,474,676.21	17.01	1,829,395,118.96	12.90	37.39	
Other receivables	170,744,720.40	1.16	502,419,132.47	3.54	-66.02	
Construction in progress	128,028,388.34	0.87	48,154,736.80	0.34	165.87	
Other payables	188,612,287.66	1.28	123,075,854.10	0.87	53.25	
Non-current liabilities due within one year	385,765,806.20	2.61	78,327,428.46	0.55	392.50	
Other comprehensive income	-59,025,476.50	-0.40	4,949,235.41	0.03	-1,292.62	

Other explanations:

The increase in cash and cash equivalents was mainly due to the accumulation of main business operations during the reporting period;

The decrease in other receivables was mainly due to the redemption of bank investment product of RMB 360 million at the end of the previous period during the reporting period.

The increase in construction in progress was mainly due to the increase in the expense for the expansion of Longtang toll crossing during the reporting period compared with the same period of last year;

The increase in other payables was mainly due to the increase in deposits received from construction projects at the end of the reporting period as compared with the same period last year;

The increase of non-current liabilities due within one year was mainly caused by the increase of bank loans and minority shareholders' loans due within one year compared with the same period last year;

The decrease in other comprehensive income was mainly due to the decrease in fair value of other equity instrument investments at the end of the reporting period.

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

Applicable Not applicable

3. *Other Presentation*

Applicable Not applicable

(IV) 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 RMB 100 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, high-speed rails, air transport and other means of transport and the changes in road network structure continued to affect the diversion of traffic away from road sections.

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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*

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.

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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. With the continuous strengthening of the degree of informatization in the industry, the trend of industrialization of information based on technologies such as big data and cloud computing has been established, and the exploration of information and expansion in application is widening and deepening. With the development of highway networking toll collection and networking surveillance, network data will become increasingly huge, and how to integrate existing data and conduct in-depth data mining to provide customers with more useful information prediction becomes the focus and breakthrough for the next stage of development of highway informatization.

(V) Investment Analysis

1. Overall analysis of external equity investment

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

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

In 2017, Anhui Transportation China Merchants Investment Fund Management Co., Ltd, Anhui Transportation China Merchants Industrial Fund (Limited Partnership), Anhui Transportation Jinshi Fund Management Co., Ltd and Anhui Transportation Jinshi Merger and Acquisition Fund (Partnership) had completed their respective industrial and commercial registration procedures, and the Company has contributed the first phase investment of RMB 100 million to each of the two funds.

In January 2018, Anhui Transportation China Merchants Industrial Fund (Limited Partnership) completed the filing procedures of the private investment fund in Asset Management Association of China. In April 2019, Anhui Transportation Jinshi Merger and Acquisition Fund (Partnership) completed the filing procedures in Asset Management Association of China.

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- (1) Material equity investments
 Applicable Not applicable
- (2) Material non-equity investments

Unit: '00,000,000 Currency: RMB

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

- (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
Equity instrument investment - unlisted companies and LPs				
– Xin'an Financial	132,426,795.11	0.00	-38,617,084.08	93,809,711.03
– Xin'an Capital	57,418,621.95	0.00	-29,928,968.31	27,489,653.64
– Wantong Micro Credit	15,000,000.00	0.00	0.00	15,000,000.00
– Anhui Transportation China Merchants Industrial Fund	99,625,000.00	0.00	0.00	99,625,000.00
– Anhui Transportation Jinshi Merger and Acquisition Fund	99,625,000.00	0.00	0.00	99,625,000.00
– Anhui Transportation China Merchants Investment Management Co., Ltd.	375,000.00	0.00	0.00	375,000.00
– Anhui Transportation Jinshi Fund Management Co., Ltd	375,000.00	0.00	0.00	375,000.00
Total	<u>404,845,417.06</u>	<u>0.00</u>	<u>-68,546,052.39</u>	<u>336,299,364.67</u>

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(vi) Material asset and equity disposal

Applicable Not applicable

(vii) Analysis of principal subsidiaries and associates (in accordance with the PRC Accounting Standards)

Unit: '000 Currency: RMB

Name of company	Equity capital the Group possesses	Registered capital	31 December 2018		2018		Main business
			Total assets	Net assets	Revenue	Net profit	
Xuanguang Company	55.47%	111,760	1,042,461	697,328	552,075	261,681	The construction, management and operation of Xuanguang Expressway
Ningxuanhang Company	51%	300,000	5,028,452	201,475	144,483	-345,224	Highway's construction, design, supervision, toll, maintenance, management, technology consultation and related advertisement service
Guangci Company	55.47%	56,800	258,589	249,957	98,618	58,632	The construction, management and operation of Guangci Expressway
Expressway Media	38%	50,000	460,318	339,296	163,112	65,942	Design, making, publication of and agency for domestic advertisements
Xin'an Financial	6.62%	1,900,000	3,628,773	2,740,772	190,386	31,200	Financial investment, equity investment, management consulting
Xin'an Capital	6.62%	1,120,000	2,941,706	955,388	65,790	-137,302	Internet financial services, network information services, pawn business, etc.
Wantong Pawn	71.43%	157,500	73,353	70,142	6,354	434	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
Wantong MicroCredit	10%	150,000	116,175	114,504	3,292	824	Distributing petty loans, small size enterprises management consulting and financial advisory

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Name of company	Equity capital the Group possesses	Registered capital	31 December 2018		2018		Main business
			Total assets	Net assets	Revenue	Net profit	
AEHK	100%	1,981	1,913	1,865	0	25	Highway enterprises; its business covers relevant consultation and technology service for building, investment and operation of road abroad, and currently, the operation has yet to begin
Anhui Transportation China Merchants Industrial Fund	6.64%	3,000,000	1,514,633	1,515,374	47,710	19,128	Investment in areas of transportation, service, energy conservation and environmental protection
Anhui Transportation Jinshi Merger and Acquisition Fund	6.64%	3,000,000	1,509,452	1,504,116	28,432	4,116	Equity investment, asset management, enterprise management consulting
Anhui Transportation China Merchants Investment Management Co., Ltd.	2.5%	30,000	31,698	28,914	28,230	9,395	Daily management and investment consultation of Anhui Transportation China Merchants Industrial Fund
Anhui Transportation Jinshi Fund Management Co., Ltd.	2.5%	30,000	34,988	32,189	23,545	17,189	Daily management and investment consultation of Anhui Transportation Jinshi Merger and Acquisition Fund

(VIII) Subjective condition of Controlled Structuralization of the Company

Applicable Not applicable

III. Discussion and Analysis on Future Development of the Company

(I) 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, long payback period of investments and government guidance, 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 to 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) 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 impact on highway passenger transport. However, the impact of railway and other modes of transportation 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 in 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.

(II) 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”.

Main business should be highlighted. 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 Holding 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.

Develop channels should be diversified. 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 and operation 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 take advantage of the policy of trial filing on remitted foreign financing funds and use the HK Subsidiary to engage in domestic and overseas financing activities, 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.

Operation management should be efficient. 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.

Brand effect should be significant. 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.

(III) Business plan

Expecting no significant change in the operating environment, the Group has set the 2019 target for overall toll revenue of about RMB 2.731 billion (actual amount in 2018: RMB 2.694 billion); Due to the need of the national inspection in 2020 and the increase of the mileage of entrusted management, the maintenance cost in 2019 is expected to increase as compared with that in 2018. Due to the fund demand for the expansion of Hening Expressway, the financial expenses have increased. Due to the adjustment of the entrusted management model, labor costs are expected to decrease as compared with those in 2018.

Measures for the plan:

1. *Optimize the main business and enlarge the industrial scale*

Road production resources are the basis of the company's development. Make full use of the franchising right of the expressway, constantly expand and strengthen the main business, and constantly strengthen the company's competitiveness in the expressway industry. Accelerate road capacity expansion and upgrading, orderly implement and complete the expansion project of Hening Expressway from Longxi Overpass to Zhouzhuang in accordance with the plan, and achieve a successful conclusion. Pay close attention to the growth and change of traffic flow in each section and constantly improve the road capacity.

2. *Strengthen operational management and improve core competitiveness*

Through technological advancement and innovation auditing methods, we will do a good job in plugging and increasing revenues and increase the rate of fee collection. Improve the internal and external auditing level, establish a toll station, sub-center, and company three-level data auditing business system to realize the transformation from manual auditing to automated data auditing. Make use of integration of information technology and operational business, reducing labor costs and increasing labor productivity. We will steadily promote the management informationization management of each business segment of the operation, and continuously improve the automation level of green service inspection, inspection and rescue, system operation and maintenance, and realize the automation of data sharing, automatic report circulation and supervision and audit of each business segment, and improve production management efficiency. Strengthen the standardized management of charges and improve the service level. Continue to strengthen safety production management. Establish and improve the emergency production plan system for safe production, and give full play to the important role of social resources in emergency support work. Continue to do a good job in road damage claims and rescue work, strengthen on-site rescue efficiency, flexibly deploy rescue forces, and ensure rapid disposal of accident sites.

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(IV) 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 changes directly affect the demand for highway transport, which in turn affects the traffic flow performance of all toll projects and results of operation of the Group. The current downward pressure on the macro-economy is increasing, resulting in weakened demand for goods logistics and slowdown on toll growth. Toll roads are in the period of deepened policy adjustment. In its work report in 2018, the State Council proposed “to deepen reform of toll road system and reduce road bridge fees”; the State Council Executive Meeting has made the decision deployment to “promote the cancellation of highway boundary toll stations between provinces”; the Ministry of Transport proposed to expand highway differential fees, accelerate the development of the ETC, and push forward the amendments of the Regulations on the Administration of Toll Roads. In its work report in 2019, the State Council proposed “to substantially cancel the highway boundary toll stations between provinces in two years, achieving non-stop express toll collection, so as to reduce congestion and bring convenience to people”. It is expected that the toll road industry will enter into a period of intensive policy adjustment in the future, which is expected to have an impact on the Company’s operating results. At the same time, the people’s need for a better life in the new era has placed a higher standard on the Company in terms of ensuring smooth road network traffic, environmental protection and poverty alleviation.

Measures to be taken: conducting analysis and research on adjustment to relevant industry policies, and actively communicating and coordinating government authorities, so as to protect the interests of the Company and its investors to the greatest extent; carefully analyzing the characteristics of change in traffic volume and vehicle structure in the road network, improving the management model for emergency toll collection, enhancing the capacity of traffic and reducing the management costs and expenses for executing the policies through refined management.

Main business income growth space narrowed

With the further improvement of highway network, parallel lines and alternative lines will continue to increase, and network diversion will have a negative impact on the growth of toll revenue. With the gradual opening of Suyang Expressway, Sisi Expressway and other competitive sections, the Company has a large diversion of traffic flow from the road sections under its jurisdiction, and the amount of toll has decreased significantly year-on-year. In addition, most sections of the Company have been open to traffic for a long time and have entered the mature stage, with increasingly serious road condition damage and increasing road maintenance cost in the later stage. The road network effect has not yet been formed on the newly opened road sections, the amount of various policy exemptions continues to rise, and diversified modes of travel such as bullet trains and high-speed railways have all had an impact on the operating performance of toll road projects of the Group.

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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 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 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. 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, 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 MicroCredit, etc. is not strong and the proportion of returns is relatively small. Especially in recent years, small loan companies, Internet finance, guarantee companies and commercial banks have vigorously pursued new financing business, imposing greater impact on the pawn industry.

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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 share capital in 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.

(V) 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 corporate social responsibility. The Company complies with relevant laws and regulations in the areas of environmental protection, employment, operational practices and community development, and effectively supervises the implementation of its work in all areas through the Environmental, Social and Governance (“ ESG ”) working group. During the reporting period, the Company did not have any environmental and social related issues that had a significant impact on the Company's operation.

In 2018, in response to the Hong Kong SEHK's latest expectations for the disclosure of ESG information by listed companies, the Company established the ESG working group reporting to the board of directors. The Company has formed an efficient management system under the leadership of senior management, organized by the secretary to the Board, and cooperated with various functional departments and management offices, so as to guide the daily management and information disclosure of ESG work.

During the reporting period, the Company conducted systematic stakeholder communication for the first time, providing an important reference for determining the priority of disclosure of ESG issues. The Company strictly implemented road safety management, and no major operational safety accidents occurred during the reporting period. For the first time this year, the Company has also fully disclosed the key environmental performance indicators to show the achievements of the Company's environmental management system and reflect the results of environmental management. At the same time, the Company continued to promote the “Smile Service” brand development, continuously improved the staff's service quality through comprehensive training. In terms of public welfare and charity, the Company continued to carry out targeted poverty alleviation work, and helped poor people improve their lives in various aspects such as industry, employment, education and infrastructure construction. For details on maintaining and promoting good relations between the Company and stakeholders and ESG management, please refer to Section IX “Environmental, Social and Governance Report”.

The Board confirmed that during the reporting period, the Company had complied with the applicable provisions of the Environmental, Social and Governance Reporting Guide as set out of the Listing Rules. The Environmental, Social and Governance Report complies with the disclosure requirements of the guide and the reporting principles of importance, quantification, balance and consistency, the discussions therein forms part of the Report of the Board of Directors.

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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

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 “Independent Auditor’s Report and 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 40 to Section XI “Independent Auditor’s Report and Consolidated Financial Statements”. The Company’s retained earnings as at 31 December 2018 calculated in accordance with HKFRS amounted to RMB 6,720,482 thousand (2017: RMB 5,859,029 thousand), and the Company’s undistributed profits as at 31 December 2018 calculated in accordance with the PRC Accounting Standards amounted to RMB 7,153,378 thousand (2017: RMB 6,280,734 thousand).

X. Liquidity, financial resources and capital structure

During the reporting period, the Group obtained borrowings from banks of RMB 42 million (2017: RMB 40 million). At the end of the reporting period, the outstanding balance of bank borrowings were RMB 1,709 million (2017: RMB 1,690 million), all of which were long-term borrowings (2017: all of which were long-term borrowings).

As at the end of the reporting period, among the bank borrowings, RMB 600 million (2017: RMB 600 million) bore fixed interest rate of 1.2% per annum (2017: 1.2%); and the remaining borrowings bore floating interest rates ranging from 4.41% to 4.9% per annum (2017: 4.41% to 4.9%).

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Details of currency composition of bank borrowings are set out in Note 20 to Section XI “Independent Auditor’s Report and Consolidated Financial Statements. Details of currency composition of cash and cash equivalents have been disclosed in Note 15 to Section XI “Independent Auditor’s Report and 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% (2017: 4.41% to 6.15%), the details are set out in Note 22 to Section XI “Independent Auditor’s Report and 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) as at 31 December 2018 was 5.13% (31 December 2017: 9.40%) (in accordance with Hong Kong accounting standards).

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 response. In order to adjust the capital structure, the Group may reduce the debt ratio by issuing new shares or controlling capital expenditure when necessary.

The Group’s strategy in 2018 as compared with 2017 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 2018, bank borrowings of RMB 600 million was secured by a pledge over the toll revenue entitled by the Group after the completion of the proposed reorganization and expansion construction of Hening Expressway (2017: RMB 600 million).

As at 31 December 2018, the Group had no contingent liabilities (2017: Nil).

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 (2017: 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 “Independent Auditor’s Report and Consolidated Financial Statements”.

Section IV Report of the Board of Directors

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, 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 conversion to share capital from capital reserves plan

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

XIX. Charitable Donations

During the year ended 31 December 2018, the Group made charitable donations of approximately RMB 230 thousand (2017: RMB 50 thousand).

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.

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

(I) 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 22 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.

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. Amendments to the Articles of Association have been considered and adopted at the 2017 annual general meeting.

Section V Major Events

The 2018 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 2017 has been executed in July 2018.

(II) 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 (%)
2018	0	2.5	0	414,652.50	1,123,042.23	36.92
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

(III) Condition of cash tender of stock repurchase included in the cash dividends

Applicable Not applicable

(IV) 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

II. Implementation of Undertakings

- (I) **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
Commitment related to the share reform	Other	Anhui Transportation Holding 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 Holding 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 Holding 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

- (II) **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 profits achieve the original projections.**

Achieved Not achieved Not applicable

- (III) **Information on completion of profit guarantee and its effect on goodwill impairment test.**

Applicable 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. An analysis and explanation of the causes and effects of changes in accounting policies, accounting estimates or correction of major accounting errors

(I) An analysis and explanation of the causes and effects of changes in accounting policies, accounting estimates

In accordance with Hong Kong accounting standards

1. Changes in accounting policies

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

1.1 Impact on the consolidated financial statements

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

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

Section V Major Events

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

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

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

Section V Major Events

1.2 HKFRS 9 “Financial Instruments”

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

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

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

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

(a) Classification and measurement

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

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

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

Section V Major Events

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

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

(i) Equity investment previously classified as AFS financial assets

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

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

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

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

Section V Major Events

(b) Impairment of financial assets

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

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

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

1.3 HKFRS 15 "Revenue from Contracts with Customers"

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

(II) Analysis and Explanation for corrections of significant accounting errors

Applicable Not applicable

(III) Communication with previous accounting firm

Applicable Not applicable

(IV) Other explanations

Applicable Not applicable

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	17 years
The name of Hong Kong Accountant	PricewaterhouseCoopers
Compensation of Hong Kong Accountant	RMB 700,000
Term of audit of Hong Kong Accountant	17 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 2018 respectively at the 2017 Annual General Meeting. As at 2018, they have provided services to the Company for 17 years and PricewaterhouseCoopers Zhong Tian LLP changed the signing CPA in 2006, 2011, 2012, 2015, 2017 and 2018.

Explanation for change of auditing firm during audit

Applicable Not applicable

VII. Exposure to the risk of suspension of listing

(I) The cause for suspension of listing

Applicable Not applicable

(II) 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 litigations and arbitration events

The Company had significant litigations and arbitrations in the year

The Company did not have significant litigations and arbitrations in the year

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 shareholder and effective controller during the report period

The Company and its controlling shareholder and effective controller are in good standing, there are no events such as unsatisfied judgements and unsatisfied debt of substantial amounts.

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

(I) Relevant incentive items which has been disclosed any without further changes

Applicable Not applicable

(II) Incentives not disclosed in announcements or incentives that have subsequent updates

Equity incentive

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

(I) Connected Transactions

In the year ended 31 December 2018, the Company has entered into the following connected transactions:

Supplemental Agreement to the Widening Work Agreement

On 30 December 2016, the Company, Xunjie Logistics and the users under the Xunjie Logistics Agreement entered into a cement procurement agreement (the "Xunjie Logistics Agreement"). According to the Xunjie Logistics Agreement, the Company has agreed to purchase cement from Xunjie Logistics for the widening work in respect of the expansion of Hening Expressway Zhouzhuang to Longxi Overpass Section (No. HNSN-02) and the users under the Xunjie Logistics Agreement shall be responsible for the calculation and reporting of the material consumption plan, quality inspection, storage and lump-sum use. The aggregated amount of the Xunjie Logistics Agreement is RMB39,598,757.00, with planned supply of cement amounting to 193,528 tonnes, and the supply term shall provisionally be 36 months, commencing from 1 January 2017 and ending on 31 December 2019, which is subject to the actual time required by the users under the Xunjie Logistics Agreement.

On 20 June 2018, the Company, the users under the Xunjie Logistics Agreement, Xunjie Logistics and Huanyu Company entered into a supplemental agreement, pursuant to which the parties agree that, from 20 June 2018 onwards, Xunjie Logistics' rights and obligations under the Xunjie Logistics Agreement shall be borne by Huanyu Company, and Xunjie Logistics shall no longer enjoy the benefits stipulated under the Xunjie Logistics Agreement or undertake the obligations stipulated under the Xunjie Logistics Agreement. The remaining terms of the Xunjie Logistics Agreement remain unchanged. The users under the Xunjie Logistics Agreement agreed to the amendment of party of the original agreement, and agree to perform the agreement pursuant to terms of the original agreement. The supplemental agreement will serve as a supplement agreement to the Xunjie Logistics Agreement, with equal binding effect. For further details, please refer to the announcement of the Company dated 30 December 2016 "Continuing Connected Transactions: Widening Work Agreements" and the announcement of the Company dated 20 June 2018 "Continuing Connected Transactions: Supplemental Agreement to the Widening Work Agreement".

Agreement Relating to Conversion of Debts into Capital Reserve of Ningxuanhang Company

In order to improve the capital structure of Ningxuanhang Company and the Group, Company, ATHC and Xuanhang Transportation (the "Shareholders") entered into a debts conversion agreement (the "Debts Conversion Agreement") with Ningxuanhang Company on 28 December 2018. According to the agreement, the interest-free long-term shareholders' loans from the Shareholders to Ningxuanhang Company as at 31 December 2017 would be converted to Ningxuanhang Company's other reserve. Other related investments from the Shareholders to Ningxuanhang Company during the periods beginning after 1 January 2018 would be accounted as Ningxuanhang Company's other reserve. As a result, the Group's long-term payables will decrease by RMB 377,972 thousand, and non-controlling interests will increase by RMB 497,045 thousand.

Anhui Transportation Holding Group is a controlling shareholder and connected person of the Company under the Listing Rules. Xuancheng Transportation is a substantial shareholder of Ningxuanhang Company (as defined under the Listing Rules), and is therefore a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As the Company and Anhui Transportation Holding Group currently hold 51% and 39% equity interest in Ningxuanhang Company respectively, Ningxuanhang Company is a connected subsidiary of the Company under Chapter 14A of the Listing Rules.

The amount of transaction for the transactions under the Debts Conversion Agreement between Ningxuanhang Company and the Company, Anhui Transportation Holding Group and Xuancheng Transportation were RMB 465,151,978.00, RMB 395,505,459.79 and RMB 98,043,228.59, respectively. The Debts Conversion Agreement would take effect upon being signed by legal representatives/authorized representatives of the Company, Anhui Transportation Holding Group, Xuancheng Transportation and Ningxuanhang Company and subject to all the necessary authorization and approvals for the implementation of the Debts Conversion Agreement.

The transaction between the Company and Ningxuanhang Company under the Debts Conversion Agreement has been duly approved by the shareholders at the extraordinary general meeting held on 3 April 2019. For the details of the Debts Conversion Agreement and the transactions contemplated thereunder, please refer to the announcement of the Company dated 28 December 2018 and the circular dated 15 February 2019: "Discloseable Transaction and Connected Transactions: Agreement Relating to Conversion of Debts into Capital Reserve of Ningxuanhang Company".

Section V Major Events

(II) Continuing connected transactions

The Group's related party transactions or continuing related party transactions for the year ended 31 December 2018 have been disclosed in Note 38 to the consolidated financial statements. Some of these related party transactions constituted 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
April 28, 2015	Expressway Petrochemical	Subsidiary of substantial 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	5,934
December 30, 2016	Huanyu Company	Subsidiary of substantial shareholder	service provider	To accept engineering material supply service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	14,836
December 30, 2016	Xunjie Logistics (Note 1)	Subsidiary of substantial shareholder	service provider	To accept engineering material supply service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	15,840
December 30, 2016	Expressway Construction	Subsidiary of substantial shareholder	service provider	To accept engineering material supply service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	17,892
December 30, 2016	Qixing Project	Subsidiary of substantial shareholder	service provider	To accept construction inspection service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	2,661
December 30, 2016	Zhongxing Construction	Subsidiary of substantial shareholder	service recipient	To accept project construction management service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	2,970

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
January 3, 2017	Yida Company	Subsidiary of substantial shareholder	service recipient	To lease service areas	From January 1, 2017 to December 31, 2019	To recognize on a straight-line basis over the lease period	6,612
July 3, 2017	Expressway Construction	Subsidiary of substantial shareholder	service provider	To accept project construction service	From April 1, 2017 to March 31, 2018	Tender price of tender agreement	802
October 27, 2017	Anhui Transportation Planning and Design Institute (Note 2)	Subsidiary of substantial shareholder	service provider	To accept planning and design services	From October 2017 to September 2019	Tender price of tender agreement	—
January 8, 2018	Anhui Transportation Holding Group	substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2018 to December 31, 2018	Determination through negotiation with reference to cost	110,668
January 8, 2018	Wangqian Company	Subsidiary of substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2018 to December 31, 2018	Determination through negotiation with reference to cost	12,668
January 8, 2018	Anqing Company	Subsidiary of substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2018 to December 31, 2018	Determination through negotiation with reference to cost	15,572
January 8, 2018	Anhui Transportation Holding Group (Note 3)	substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2018 to December 31, 2018	Determination through negotiation with reference to cost	8,449
January 8, 2018	Liguang Company (Note 3)	Subsidiary of substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2018 to December 31, 2018	Determination through negotiation with reference to cost	10,141

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
January 8, 2018	Anhui Transportation Holding Group (Note 4)	substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2018 to December 31, 2018	Determination through negotiation with reference to cost	12,691
January 8, 2018	Yangji company (Note 4)	Subsidiary of substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2018 to December 31, 2018	Determination through negotiation with reference to cost	18,518
January 8, 2018	Anhui Expressway Network Operations	Subsidiary of substantial shareholder	service provider	To accept toll collection service	From January 1, 2018 to December 31, 2018	Determination through negotiation with reference to cost	13,035
January 8, 2018	Anhui Transportation Planning and Design Institute	Subsidiary of substantial shareholder	service provider	To accept planning and design services	From January 1, 2018 to December 31, 2020	Tender price of tender agreement	1,297
March 29, 2018	Expressway Petrochemical	Subsidiary of substantial shareholder	service recipient	To lease gas station of the Company	From April 1, 2018 to March 31, 2021	To recognize on a straight-line basis over the lease period	17,802
August 10, 2018	Huanyu company	Subsidiary of substantial shareholder	service provider	To accept engineering construction service	From August 10, 2018 to December 31, 2019	Tender price of tender agreement	2,442

Note 1: Pursuant to the supplemental agreement entered into between the Company, users under the Xunjie Logistics Agreement, Xunjie Logistics and Huanyu Company on 20 June 2018, from 20 June 2018 onwards, Xunjie Logistics' rights and obligations under the agreement shall be borne by Huanyu Company. The actual amount of this connected transaction for the year ended 31 December 2018 was the sum of the Company's payments to Xunjie Logistics and Huanyu Company combined

Note 2: 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.

Note 3: The Group's contractor and service provider is Xuanguang Company.

Note 4: The Group's contractor and service provider is Ningxuanhang Company.

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.

The Company confirmed that the aforesaid continuing connected transactions were disclosed in accordance with the disclosure requirements under Chapter 14A of the Listing Rules.

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, and confirmed 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) 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 SEHK.

(III). Matters not disclosed in the provisional announcement

Applicable Not applicable

Section V Major Events

(III) 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

(IV) 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

(V) 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 invests to related parties			Related parties invest to the Company		
		Initial Balance	Amount incurred	Closing Balance	Initial Balance	Amount incurred	Closing Balance
ATHC	Controlling shareholder	0	0	0	1,255,257	143,200	1,398,457
Xuancheng Transportation	Other connected persons	0	0	0	457,495	-27,552	429,943
Total		0	0	0	<u>1,712,752</u>	<u>115,648</u>	<u>1,828,400</u>

The circumstances under which the related debt is formed

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

Impact of related debts and claims

(VI) Others Applicable Not applicable**XV. Material Contracts and their Implementation****(I) Entrusted management, subcontracting and leasing items****1. Entrusted management** Applicable Not applicable**2. Subcontracting** Applicable Not applicable**3. Leasing** Applicable Not applicable

Section V Major Events

(II) Guarantee

(RMB' 00,000,000)

External guarantee of the company (excluding the guarantee for subsidiaries)

Guarantees provided by the Company and its subsidiaries for its subsidiaries

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

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

Total guarantee amount	1.66
Total guarantee amount as a percentage of net asset value (%)	1.55
Including:	
Guarantee provided to shareholders and the actual controller	0
The amount of direct or indirect guarantee for guarantees with over 70% debt to asset ratio	0
The amount of guarantee that exceeds 50% of the net assets	0
Total above	0

Potential risk of unexpired guarantee

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

1. Entrusted Wealth Management

(1) Overall situation of Entrusted Wealth Management

Unit: '0,000 Currency: RMB

Type	Source of fund	Accruals	Unexpired balance	Overdue outstanding amount
Bank financial products	Self-owned funds	40,000	0	0

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

Other cases

Applicable Not applicable

(2) Individual entrusted wealth management

Unit: '0,000 Currency: RMB

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

Other cases

Applicable Not applicable

(3) Entrusted financial impairment preparation

Applicable Not applicable

Section V Major Events

2. Entrusted Loans overall situation

Unit: '0,000 Currency: RMB

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

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

Other cases

Applicable Not applicable

(2) Individual entrusted loans

Unit: '0,000 Currency: RMB

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected return (if any)	Real income or loss	Real recovery	Through a legal procedure or not
Everbright Bank Hefei Daoxianglou Branch	Bank	1,000	18 July 2013	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	58.43	58.43	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,000	22 July 2013	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	292.13	292.13	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	2,500	19 August 2013	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	146.06	146.06	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,600	7 March 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	93.48	93.48	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	782	19 March 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	45.69	45.69	Undue	Yes

Section V Major Events

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected return (if any)	Real income or loss	Real recovery	Through a legal procedure or not
Everbright Bank Hefei Daoxianglou Branch	Bank	2,267	21 April 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	132.45	132.45	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,114	16 May 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	240.36	240.36	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,300	7 July 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	262.91	262.91	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,875	7 July 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	109.55	109.55	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,366	4 September 2014	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	207.01	207.01	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	2,589.23	13 January 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	159.24	159.24	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,887	16 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	116.05	116.05	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	2,300	23 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	141.45	141.45	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	199	23 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	12.24	12.24	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,370	14 May 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.65%	201.71	201.71	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,768.5	25 June 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.65%	269.42	269.42	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,533.5	26 August 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.40%	298.81	298.81	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,315	24 September 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.15%	170.72	170.72	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,743	6 November 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	232.41	232.41	Undue	Yes

Section V Major Events

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected return (if any)	Real income or loss	Real recovery	Through a legal procedure or not
Everbright Bank Hefei Daoxianglou Branch	Bank	5,253	16 December 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	257.40	257.40	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,661	24 December 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	277.39	277.39	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,009	25 January 2016	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	49.44	49.44	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,825	14 June 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	168.68	168.68	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,428	24 August 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	62.97	62.97	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,213	18 September 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	141.69	141.69	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,989	17 November 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	87.71	87.71	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,009	20 December 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	132.70	132.70	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	368	9 February 2017	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	16.23	16.23	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	6,069	13 April 2017	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	267.64	267.64	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,683	9 May 2017	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	74.22	74.22	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	6,477	31 August 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	317.37	317.37	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,029	15 September 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	197.42	197.42	Undue	Yes

Trustee	Type of entrusted loans	Amount of entrusted loans	Beginning date of entrusted loans	Termination date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected return (if any)	Real income or loss	Real recovery	Through a legal procedure or not
Everbright Bank Hefei Daoxianglou Branch	Bank	3,927	11 October 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	192.42	192.42	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,437	9 November 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	217.41	217.41	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,130	19 December 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	153.37	153.37	Undue	Yes
China Merchants Bank Hefei Sipailou Branch	Bank	5,000	12 December 2018	11 December 2028	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	13.61	13.61	Undue	Yes
China Merchants Bank Hefei Sipailou Branch	Bank	5,000	13 December 2018	11 December 2028	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	12.93	12.93	Undue	Yes

Other cases

Applicable Not applicable

(3) Entrusted loan impairment provision

Applicable Not applicable

3. Other cases

Applicable Not applicable

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

XVII. The fulfillment of the social responsibility

(I) 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

- (1) Lishu Village in Liufan Township, Taihu County, a State-level poverty village, is the Company's designated help village. In accordance with the requirements of "unit assistance, cadre resident in the village, and guarantee of the whole village", Gaojie management office selected a cadre to be the first secretary in the village and the leader of the supporting team, leading the poverty alleviation team in the village to conduct targeted poverty alleviation work. The management office has successively invested in a number of projects, such as featured planting and breeding, photovoltaic power station, transportation project, education aid, agricultural product sales in the service area and so on, through various means, such as poverty alleviation through transportation, Party construction pairing and industry support, which has effectively promoted the poverty alleviation of poor households and the development and growth of village collective economy. In 2018, Gaojie management office carried out the support fund of RMB2.18 million through raising in many ways, continued to help the local development of agriculture, forestry and animal husbandry industry, broadened the channels for agricultural products sales, intensified the building of double-base etc. The management office set up a paired assistance desk account for 144 cadres, guided and helped 339 poverty-stricken households to formulate assistance project database and annual assistance plan, successfully lifted 137 people in 40 households out of poverty, and reduced the incidence of poverty to 6.2%. In addition, Gaojie management office has cooperated with a number of primary schools, special education schools and nursing homes, etc., with a total investment of about RMB210,000, helping 80 poor students, 56 poor disabled people and 40 "three remaining" personnel successively.
- (2) In 2018, Xuanguang Company paired to help Xiaokang Village, Caicun Town, Jingxian County, Xuanchang City, Anhui province, investing RMB50,000 to build a beautiful village. The deputy secretary of the general Party branch of the company provided assistance funds and material subsidies of RMB3,600, and provided assistance to poor households in the Yeja Group of Suling Village, Taohuatan Town, Jingxian County, for a total of 12 times throughout the year.

3. Effect of targeted poverty alleviation

Unit: '0,000 Currency: RMB

Items	Quantity arid development
Overall Situation	
Among: 1. Funds	314.6
2. Material	25.36
3. Number of recorded poverty population lifted out of poverty (person)	1,111
Input by category	
1. Industrial development out of poverty	√ Agricultural and forestry industries poverty alleviation
Among: 1.1 Industry Poverty alleviation project type	<input type="checkbox"/> Tourism poverty alleviation <input type="checkbox"/> Electric commerce poverty alleviation <input checked="" type="checkbox"/> Asset income poverty alleviation <input type="checkbox"/> Technology Poverty Alleviation <input checked="" type="checkbox"/> Other
1.2 Number of industrial poverty reduction project (piece)	3
1.3 Investment amount of industrial Poverty Reduction Project	130
1.4 Help the poor people who were established card for archives out of poverty (person)	380
2. transfer employment poverty alleviation	
Among: 2.1 Investment amount of vocational skills training	5
2.2 Number of vocational skills training(person/time)	50
2.3 Help poor households with registration cards to achieve employment number (person)	91
3. Relocation out of poverty	
Among: 3.1 number of people helping to move households for employment (person)	5

Section V Major Events

Items	Quantity	arid development
4. Poverty alleviation through education		
Among: 4.1 investment amount of subsidizing poor students		12
4.2 number of poor students funded (person)		80
4.3 improve the amount of investment in education resources in poor areas		2
5. Health poverty alleviation		
Among: 1.1 industry poverty alleviation project type		
6. Ecological protection and poverty alleviation		
Among: 6.1 project name	<input type="checkbox"/>	Carry out ecological protection and construction
	<input type="checkbox"/>	Establish ecological protection compensation methods
	√	Establish ecological public welfare posts
	<input type="checkbox"/>	other
6.2 input amount		1.6
7. Guarantee		
Among: 7.1 investment amount to help “three left-behind” personnel		6
7.2 number of “three left-behind” persons (person)		40
7.3 amount invested in helping poor disabled people		10
7.4 number of people with poverty and disability		56
8. Social poverty alleviation		
8.2 input amount of targeted poverty alleviation work		25
9. Other projects		
Among: 9.1. Number of items (piece)		5
9.2. Investment amount		148.36
9.3 number of people who have been lifted out of poverty by the establishment of documentation card person		810
9.4. Discriptions of other project		

Direct provision of fund, sale of crops, poverty alleviation through transportation, poverty alleviation through Party construction, “service area + poverty alleviation”, etc.

Awards (Content, Level)

The Company was awarded the Enterprising Award in the Forum on Social Responsibility of Listed Companies in Anhui by the Anhui Association of Listed Companies.

Please refer to our environmental, social and governance report 2018 for details

4. Plans of Subsequent Precision Poverty Alleviation

- (1) We will further strengthen party building at the grassroots level, strictly implement various systems of organization and living, and improve the quality of party members in the village. We will continue to deepen the “pairing and joint construction of party building in enterprises and villages”, increase guidance for party building in non-public industry branches, and train and support a number of party members to become rich experts through the combination of “double training and double leading”.
- (2) We will fully implement the targeted poverty alleviation policy, continue to make targeted policies for each household and each person, actively coordinate assistance units, and further increase assistance to the poorest households. We will ensure steady poverty alleviation by means of education subsidies, skill training, industrial awards and subsidies, employment subsidies, and the provision of public welfare posts.
- (3) We will continue to improve the development of the industrial chain, launch the project of processing plants for agricultural products, facilitate the standardization and branding of agricultural products, and promote the sale of agricultural products. We will make full use of local resources, increase financial and technological support, and strengthen the collective economy. We will give full play to the role of village collective cooperatives as platforms and services, improve the industrial chain, and promote sustained and high-quality development of the collective economy.
- (4) We will continue to accelerate the pace of double-base construction, accelerate the construction of transportation infrastructure, strive for the early start of the overall relocation project of Lishu Primary School, solve the problems of poor sanitation, water supply, power supply and signal coverage quality, actively strive for the provincial demonstration site of beautiful rural construction, focus on revitalizing rural areas and promoting prosperity and development.

(II) Social Responsibility works

For details, please refer to Section IX “2018 Environmental, Social and Governance Report”.

(III) 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. Explanation on companies which are not key pollutant discharge entities

The company strictly implement the transportation energy conservation and environmental protection “much starker choices-and graver consequences-in” development plan in” the green development concept into the production and living of the transportation development “concept, the infiltration of green environmental protection to various aspects such as maintenance, service, office, in improving the quality of transportation at the same time, focus on building green operating system, power green transportation development.

a. Green curing

Road maintenance is the main link of waste generation in the process of highway operation. The company is committed to improving the road maintenance management level, integrating the ideas of green construction and low-carbon operation into the whole process of road maintenance, and fully considering the impact of road maintenance and facility construction on the ecological environment. Company in the process of curing, strictly abide by the law of the People’s Republic of China environmental protection law of the People’s Republic of China on the prevention and control of environmental pollution by solid waste environmental protection regulations on the administration of the construction projects’ environmental protection measures for the administrative punishment and the relevant local laws and regulations and industry regulations, promote the regeneration of the waste material recycling, try to reduce the damage caused by road to the environment.

The Company in the road maintenance project produced waste mainly from milling waste. We mainly take the following measures for recycling or rational disposal of waste. On the one hand, the generated waste is used as much as possible in the process of urbanization, or it is given to surrounding villagers to build dams for reuse. On the other hand, for waste materials that have not been used for secondary use, the company follows the principle of “reduction, harmlessness and resource utilization”. After unified collection, it is handed over to a qualified professional company for disposal. Or landfill. In 2018, the company used 9,671 tons of stone and recycled 720 tons. The proportion of recycled materials accounted for 7.5% of the total stone use.

b. Green service

The Company adheres to scientific and technological innovation, green services, committed to the use of new technologies, new systems, the construction of green and low-carbon resource-saving enterprises. The Company strictly abide by the law of the People's Republic of China on energy conservation law of the People's Republic of China cleaner production promotion law "and other laws and regulations, actively implement the anhui provincial party committee, provincial government support the development of new energy automotive industry innovation and popularization and application requirements, the concept of green service integrated into the daily operation of the process, insist on improving the service quality of green and energy saving.

- (1) Replace the green lighting system. Under the premise of ensuring the necessary lighting of the road, the company actively promotes the transformation of green lighting along the expressway and service areas with the concept of energy saving and green operation. Traditional halogen lamps are replaced with LED energy-saving lamps, and a remote control system is installed to set the time of turning on and off lights according to the time of sunrise and sunset as well as the weather requiring special lighting to save electricity.
- (2) Set up ETC lanes. ETC lanes are set up at the toll stations of the company's management offices to effectively reduce delays and congestion caused by parking charges, and improve the traffic efficiency of vehicles at the toll gates. At the same time, the use of ETC lanes reduces the frequency of starting and braking due to queuing. According to the estimation of the traffic department, the average fuel consumption of each vehicle passing the ETC lane is 0.0314 l/trip, and the CH compound emission is reduced by 0.7 g/trip. ETC channel can also reduce fuel consumption of boost crew by 20% on average. Reduce co2 emissions by about 50%; Carbon monoxide emissions were reduced by about 70%. In 2018, the company will open 13 ETC lanes, and so far there are 94 ETC lanes (excluding the escrow section), further promoting social vehicles to reduce exhaust gas and greenhouse gas emissions.

Section V Major Events

- (3) Construction of charging piles for electric vehicles. Since 2015, the company in collaboration with the state grid, yi da company start the electric vehicle charging infrastructure investment, and in recent years, constantly improve the electric car intelligent charging service platform, take the lead in the service area construction of the charging pile. This effectively solves the worries of the drives and passengers driving electric vehicles on the expressway and actively promotes the transformation of customers' energy consumption patterns.

c. Green office

The Company fully integrates the concept of energy conservation and emission reduction into daily office work, and advocates that employees start from details and start from every drop to save every kilowatt hour of electricity, every drop of water and every piece of paper. The company started with employee education and organized employees to earnestly study the Law of the People's Republic of China on Environmental Protection Law, the Law of the People's Republic of China on Water Pollution Prevention and Control, the Law of the People's Republic of China on the Prevention and Control of Air Pollution, and the relevant regulations of the local environmental protection department of the place of operation. Thereby enhancing the environmental awareness of employees in their daily work. The company has formulated a series of measures to implement the concept of green office, steadily promoted the implementation of office automation, carried out video meetings, electronic office, etc., to create a "green, low-carbon" office atmosphere.

Please refer to our environmental, social and governance report 2018 for details.

3. Explanation on companies other than key polluters do not disclose environmental information

Applicable Not applicable

4. Explanation on the follow-up progress or changes of environmental information contents shall be disclosed during the reporting period.

Applicable Not applicable

(IV) Other explanations

Applicable Not applicable

XVIII. Convertible Bonds**(I) Debt issuance**

Applicable Not applicable

(II) Bond holders and the guarantors during the reporting period

Applicable Not applicable

(III) 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

(IV) All previous adjustments of the price of transfer shares

Applicable Not applicable

(V) 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

(VI) Other description of Convertible Bonds

Applicable Not applicable

XIX. Pre-emptive Rights

Neither the Company's articles of association 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.

Section V Major Events

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 SEHK accounting for about 29.72% of the total share capital.

2. Explanation of Change of ordinary share capital

Applicable Not applicable

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

Applicable Not applicable

4. Other Disclosures that the Company deems necessarily or required by the Securities Regulatory Authority.

Applicable Not applicable

(II) Change of restricted shares

Applicable Not applicable

II. Issue of share and listing

(I) Issue of securities during the reporting period

Applicable Not applicable

Information of Issue of securities during the reporting period (Please explain 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 Employees' Shares

Applicable Not applicable

Section VI Change of Ordinary Shares and Shareholders

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	31,712
The total number of shareholders of ordinary shares at the end of the month before the date of the publication of the annual report	31,659

(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		Nature of shareholders
					State	Number	
Anhui Transportation Holding Group Company Limited	0	524,644,220	31.63	0	Nil		State-owned shares
HKSCC NOMINEES LIMITED	-120,000	489,027,899	29.48	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
Chen Xiaohong	3,353,126	7,485,865	0.45	0	Nil		Domestic natural person
Basic endowment insurance fund-combination 001	Unknown	6,966,810	0.42	0	Nil		Others
Hong Kong Securities Clearing Co. Ltd	2,209,195	5,596,394	0.34	0	Nil		Others
Ding Xiuling	0	5,411,435	0.33	0	Nil		Domestic natural person
Great Wall Life Insurance Co., Ltd. - Dividend - Personal dividend	Unknown	4,529,546	0.27	0	Nil		Others
Minsheng Tonghui Asset - ICBC - Minsheng Huitong Hui No. 6 Asset Management Product	Unknown	4,000,000	0.24	0	Nil		Others
Citic bank Co., Ltd. - China Construction Trust 500 Index Enhanced Securities Investment Fund	Unknown	3,505,581	0.21	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	489,027,899	Overseas listed foreign shares	489,027,899
China Merchants Highway Network Technology Holding Company Limited	404,191,501	Renminbi-denominated ordinary shares	404,191,501
Chen Xiaohong	7,485,865	Renminbi-denominated ordinary shares	7,485,865
Basic Endowment Insurance Fund-Combination 1001	6,966,810	Renminbi-denominated ordinary shares	6,966,810
Hong Kong Securities Clearing Co. Ltd	5,596,394	Renminbi-denominated ordinary shares	5,596,394
Ding Xiuling	5,411,435	Renminbi-denominated ordinary shares	5,411,435
Great Wall Life Insurance Co., Ltd. - Dividend - Personal Dividend	4,529,546	Renminbi-denominated ordinary shares	4,529,546
Minsheng Tonghui Asset - ICBC - Minsheng Huitong Hui No. 6 Asset Management Product	4,000,000	Renminbi-denominated ordinary shares	4,000,000
Citic Bank Co., Ltd. - China Construction Trust 500 Index Enhanced Securities Investment Fund	3,505,581	Renminbi-denominated ordinary shares	3,505,581

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

There is no connected relationship between the State owned 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 the Measures for the Administration of Disclosures of Shareholder Equity Changes of Listed Companies (《上市股東持股變動信息披露管理辦法》).

Section VI Change of Ordinary Shares and Shareholders

Note:

1. The total number of shareholders of A shares were 31,642 and H shares were 70 as at the end of the reporting period.
2. The total number of shareholders of A shares were 31,590 and H shares were 69 at the end of the month before the date of the publication of the annual report.
3. H shares held by HKSCC NOMINEES LIMITED represent the holding of many clients.

shareholdings and restrictions of top ten restricted shareholders

Applicable Not applicable

(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 SFO

As at 31 December 2018, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the persons (other than 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 SFO are as follows:

Name of shareholder	Capacity	Number of shares	Type of shares	% of H shares	Pledged or locked-up
China Merchants Highway Network Technology Holding Company Limited	Interests in controlled corporation	89,160,000 (L)	H shares	18.08%	Unknown
HSBC Holdings plc	Interests in controlled corporation	98,525,221 (L) 99,825,933 (S)	H shares	19.98% 20.25%	Unknown

Note: The letter "L" denotes a long position in the share capital, the letter "S" denotes a short position in the share capital

Name of shareholder	Capacity	Number of shares	Type of shares	% of A shares	Pledged or locked-up
Anhui Transportation Holding Group	Beneficial owner	522,644,220	A shares	45.01%	No
China Merchants Highway Network Technology Holding Company Limited	Beneficial owner	404,191,501	A shares	34.68%	No

Note: Save as disclosed in this annual report, as at 31 December 2018, according to the register required to be stored under the provisions of section 336 of Part XV of the SFO, 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 2018.

Section VI Change of Ordinary Shares and Shareholders

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

(I) The controlling shareholder of the Company

1. Legal person

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 Holding Group holds 515,935,900 shares of Huishang Bank, representing 4.24% of its total shares, and 157,880,000 shares of Anhui Transport Planning and Design Institute, representing 48.63% 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

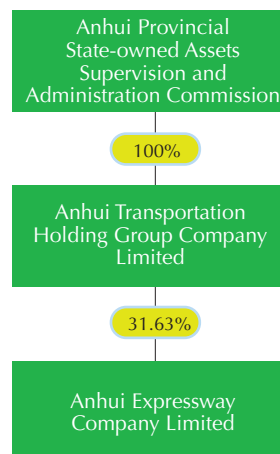
Applicable Not applicable

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 shareholder

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

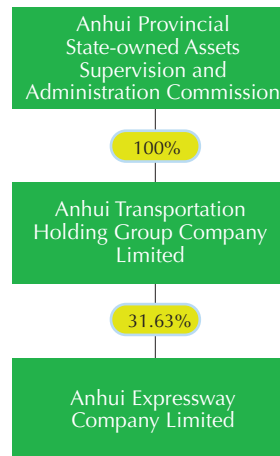
4. Index and date of the effective controller's change during the reporting period

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.

Section VI Change of Ordinary Shares and Shareholders



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

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

(Unit: RMB' 00,000,000)

Name	Legal representative	Date of establishment	Organization code	Registered capital	Major business scope and management activities, etc.
China Merchants Highway Limited Network Technology Holding Company	Wang Xiufeng	1993.12.18	91110000101717000C	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 (other than sedans) 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).

Section VI Change of Ordinary Shares and Shareholders

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, the Group had not 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.

Section VII Directors, Supervisors, Senior Management and Staff

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	Whether or
						(before tax) from the Company during the reporting period (RMB '0,000)	not obtained remuneration from any related party of the Company
Qiao Chuanfu	Chairman	Male	60	2016.05.20	2020.08.16	0	Yes
Chen Dafeng	Director	Male	56	2014.08.17	2020.08.16	0	Yes
Xu Zhen	Director General Manager	Male	55	2016.05.20	2020.08.16	51.46	No
Xie Xinyu	Director Deputy General Manager	Male	52	2014.08.17	2020.08.16	43.74	No
Yang Xudong	Director	Male	46	2017.08.17	2020.08.16	0	Yes
Du Jian	Director	Male	48	2016.05.20	2020.08.16	0	Yes
Kong Yat Fan	Independent Director	Male	47	2014.08.17	2020.08.16	12	No
Jiang Jun	Independent Director	Male	46	2016.10.14	2020.08.16	8	No
Liu Hao	Independent Director	Male	41	2017.08.17	2020.08.16	8	No
Chen Yuping	Supervisory board chairman	Female	56	2017.08.17	2020.08.16	0	Yes
Dai Hui	Supervisor	Male	59	2017.03.23	2020.08.16	43.74	No
Jiang Yue	Supervisor	Male	37	2016.05.20	2020.08.16	0	Yes
Li Huimin	Deputy General Manager	Male	55	2015.12.16	2020.08.16	43.74	No
Chen Jiping	Deputy General Manager	Male	48	2016.08.19	2020.08.16	43.74	No
Dong Huihui	Secretary to the Board	Female	51	2017.03.24	2020.08.16	40.44	No
Total	/	/	/	/	/	294.86	/

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

Section VII Directors, Supervisors, Senior Management and Staff

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 Holding Group Company Limited. 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.
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. Fellow 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 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 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 (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 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 Jinyi 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	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 May 2018, she has been appointed as a director and deputy secretary of Party Committee 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.
Dai Hui	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.
Jiang Yue	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

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.

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

1. Positions held in shareholders entities

Name	Name of shareholder entity	Position held in shareholder entity	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 new wisdom technology Company Limited.	Chairman	2017.7	
Chen Yuping	Anhui Transport Holding Group Company Limited	Director and deputy secretary of the Party Committee	2018.5	
		General Counsel	2014.12	2018.5
Jiang Yue	China Merchants Highway Network Technology Holding Company Limited	Capital Operation Department Project Manager	2009.7	

Presentation of positions held in shareholders entities

Section VII Directors, Supervisors, Senior Management and Staff

2. Positions held in other entities

Name	Name of other entity	Position held in other entity	The start date of term of office	The expiration date of term of office
Qiao Chuanfu	Huishang Bank	Director	2015.7	2018.9
Xu Zhen	Anhui Ningxuanhang Expressway Investment Company Limited	Chairman	2017.11	
Xie Xinyu	Anhui Xinan Financial Group Company Limited	Director	2011.7	
	Anhui Xinan Capital Operation Management Holding Company Limited	Director	2015.6	
	Anhui Transportation Holding Group (H.K.) Company Limited	Chairman	2013.9	
	Anhui Expressway(H.K.) 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	Chair of the finance department and operation of finance and industry research institute	2012.3	
	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	2018.11
Liu Hao	Jinyi Co., Ltd.	Independent director	2018.10	
	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	
Dai Hui	Shanghai Xuerong Bio-Technology Company Limited	Independent director	2017.8	
	Anhui Ningxuanhang Expressway Investment Company Limited	Supervisory board chairman	2017.11	
	Jilin Expressway Company Limited	Supervisor	2016.4	
Chen Jiping	Xuanguang Expressway Company Limited	Director	2017.4	
	Anhui Ningxuanhang Expressway Investment Company Limited	Director	2017.11	
	Xuancheng City Guangci Expressway Company Limited	Director	2017.4	
Dong Huihui	Anhui Ningxuanhang Expressway Investment Company Limited	The secretary to the Board	2017.11	

Section VII Directors, Supervisors, Senior Management and Staff

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 2,948.6 thousand
Actual remuneration in aggregate received by all Directors, Supervisors and senior management as at the end of the reporting period	RMB 2,948.6 thousand

In 2018, 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

Applicable Not applicable

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

Applicable Not applicable

Section VII Directors, Supervisors, Senior Management and Staff

VI. Staff of the parent company and major subsidiaries

1. Staff

Number of serving staff of the parent company	2,261
Number of serving staff of major subsidiaries	<u>814</u>
The total number of serving staff	<u>3,075</u>
Number of retired staff for whom the parent company and major subsidiaries bear costs	<u>101</u>

Profession composition

Profession type	Number
Production staff	2,442
Sales staff	0
Technical staff	160
Financial staff	40
Administration Staff	<u>433</u>
Total	<u>3,075</u>

Education

Education type	Number
Postgraduate degree	52
Bachelor's degree	536
Tertiary vocational diploma	1,572
Secondary vocational diploma	634
High school and below	<u>281</u>
Total	<u>3,075</u>

Section VII Directors, Supervisors, Senior Management and Staff

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 national and local social security laws and regulations, 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 timely paid relevant contribution in full. In 2018, the Company paid contribution to the abovementioned 5 social insurances in the sum of RMB 43,230 thousand and paid contribution to housing fund in the sum of RMB 28,040 thousand.

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 2018, the enterprise annuity expenses were RMB 3,600 thousand in total.

3. Training plan

The Company attaches great importance to the education training work, and constantly optimizes the training system, according to the “interim measures for Staff Training Management, the Company Headquarters Education Training Work Rules, and other requirements, formulate the 2018 Anhui Expressing Staff Education and Training Plan, encourage employees to” out of the company “or the training of teachers” come in “, and take training management mode of hierarchical classification, in the security operation, operation and management, professional skills, levy management and national policies, and so on have formulated the training plan, system effectively improve the management, skills and professional knowledge level of the staff.

In 2018, the company carried out targeted and professional training for employees at different positions and levels. For example, the company conducted special training for newly promoted leading cadres and reserve cadres, and held “middle-level cadres management ability improvement class” to improve the core competitiveness of management personnel and overall leadership. For the professional and technical personnel, continue to promote the post rotation system, different positions of personnel to carry out post responsibility re-learning, deepen the staff’s understanding of the post, training and post matching new ability. In the aspect of network learning, the focus is to encourage employees to learn independently, to promote e-learning online learning, and to encourage learning and communication by using mobile phone client and online interaction.

Section VII Directors, Supervisors, Senior Management and Staff

4. Labor Outsourcing

Applicable Not applicable

VII. Other

Applicable Not applicable

VIII. 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 2018 or at the end of 2018, 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.

Section VII Directors, Supervisors, Senior Management and Staff

3. Interests held by Directors and Supervisor in competing business

During the reporting period, according to the Listing Rules, 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 Listing Rules 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.

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 2018, 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 SFO), which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which he has or is deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, 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. Arrangements for the purchase of shares or bonds

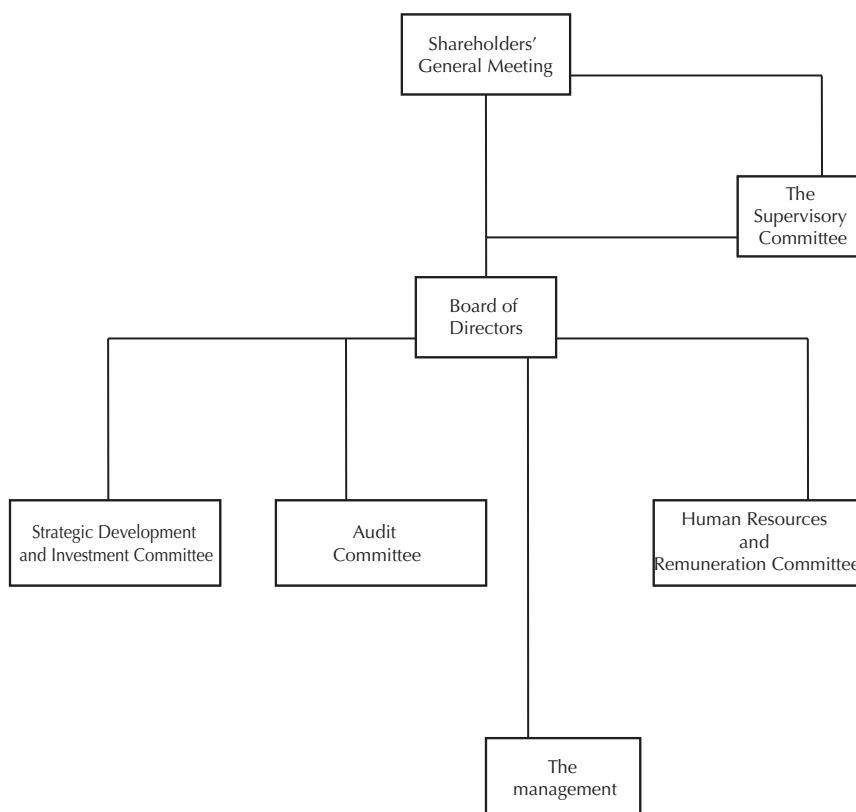
At any time during the year or at the end of 2018, none of the Company, any of its subsidiaries, the parent company of the Company or any subsidiaries of the parent company was a party to any arrangement to enable any Director or Supervisor to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Section VIII Corporate Governance Structure and Governance Report

I. Information on Corporate Governance

Good corporate governance is not only for meeting the basic requirements of regulatory authorities on listed companies but, more importantly, meeting the inherent needs for the development of the Company. A scientific and standardized system, mutually balanced 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.

Currently, the Company has established a corporate governance structure composed of the general meeting of shareholders, the board of directors, the board of supervisors and the management, and has formulated multi-level governance rules based on the Company's articles of association, and clarified the responsibilities, authorities and codes of conduct of each party. The general meeting of shareholders, the board of directors, the special committees and the board of supervisors shall, in accordance with laws and regulations and governance rules, perform their respective duties in a balanced, orderly and coordinated manner, and continuously improve the level of corporate governance and decision-making efficiency of the Company. The current governance structure of the Company is shown as follows:



Section VIII Corporate Governance Structure and Governance Report

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

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

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

In accordance with amendments of the Listing Rules and Code on Corporate Governance revised by the SEHK, On 22 March 2019, the Board amended the Term of Reference of Human Resources and Remuneration Committee and the Work Rules and Procedures of the Audit Committee of the Company.

Section VIII Corporate Governance Structure and Governance Report

1. Shareholders and Shareholders' General Meeting

The Company convened and held shareholders' general meetings in strict compliance with the provisions of legal regulations including the Company Law of the People's Republic of China and the requirements of the Articles of Association and the Rules of Procedure for Shareholders' General Meeting, 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 the People's Republic of China and the Articles of Association of the Company and have never bypassed the general meeting 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, human resources 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.

The Board of Directors has established three special committees, namely 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.

Section VIII Corporate Governance Structure and Governance Report

The members of the current session of the 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 of the People's Republic of China. 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 4 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 strictly adhered to the principle of "truthfulness, accuracy, completeness, timeliness and equality", ensured all shareholders have equal right to access to the relevant information of the Company, and continuously improved the focus, effectiveness and transparency of its information disclosure. In strict compliance with the Management System of Disclosure of Information and in accordance with the statutory disclosure requirements, the Company simultaneously published announcements on SSE and SEHK, and issued 4 periodic reports, 29 A shares extraordinary announcements and 24 H shares extraordinary announcements during the reporting period, which disclosed important information on the Company's results and financial information, dividends distribution, connected transactions, operations of the shareholders' general meeting,

Section VIII Corporate Governance Structure and Governance Report

During the reporting period, the content of all disclosures by the Company was strictly in accordance with the relevant listing rules and regulations of SSE and SEHK on information disclosure, and satisfied the disclosure requirements in both exchanges. The relevant announcements were published in China Securities Journal and Shanghai Securities News, and on the websites of SSE, the SEHK and the Company.

5. Insider trading information management

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 2018.

6. Capital occupation and related transactions

During the reporting period, the company continued to strengthen self-inspection on capital occupation and related transactions, ensured that all major events are subject to the necessary statutory approval procedures, strictly controlled the risk of various violations, and further improved the Company's standard operation level. In the specific operation, the Company focused on the related party capital exchanges, and strictly controlled the related party capital occupation; At the same time, related party transactions are strictly in accordance with the necessary review procedures and statutory disclosure procedures required by the exchanges, to prevent the transmission of interests through improper related party transactions, to prevent performance fraud, and to ensure that related party transactions have no negative impact on the company, fair and reasonable and in line with the interests of the company and all shareholders.

7. 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. During the reporting period, the Company's main investor relations activities are mainly carried out through the following ways:

Section VIII Corporate Governance Structure and Governance Report

- ◇ Timely respond to investor enquiries through the SSE “E-interactive” platform, investor hotline, company website and email;
- ◇ Receive investors and analysts to investigate the Company on site;
- ◇ Conduct various promotional activities, including performance promotion roadshows and press conferences. The Company has held the 2017 annual and 2018 interim results presentation in Hong Kong in March and August 2018 respectively. A press conference was convened to introduce the business performance and enhance the interaction with fund managers or investment institutions for each presentation.

8. Investor return mechanism

The Company has established in Chapter 18 of the Articles of Association a stable and active dividend policy. Since the listing, the Company has been paying cash dividends continuously for 22 consecutive years. By the end of 2017, the Company has paid a total cash dividend of about RMB 5.414 billion, with a total dividend of RMB 3.2975 per share, so that shareholders of the Company can get good returns from the development of the Company

The Company plans to pay a cash dividend of RMB 0.25 per share in this year, with a dividend rate of 33.73%.

9. Internal audit and control management

The Company attaches great importance to internal audit and internal control, and puts emphasis on internal control to promote the development of the Company, improve management, improve efficiency and strengthen internal control to prevent risks. At the same time, for daily risk monitoring, the Company regularly carries out information collection and business status analysis, and constantly adjusts risk management measures according to internal and external changes.

During the reporting period, the Company actively carried out the audit of financial revenues and expenditures and budget and carried out the follow-up audit of major projects. At the same time, the Company implemented the outgoing audit system and seriously carried out the economic responsibility audit. The Company also actively organized and implemented internal control evaluation and defect rectification to ensure the effective implementation of internal control policies.

Section VIII Corporate Governance Structure and Governance Report

10. Social responsibility

As a transportation infrastructure listed company, the Company actively comply with national laws and regulations, strictly follow the articles of association, the rules of SSE and SEHK on corporate governance, based on the industry, consciously fulfill social traffic demand, and promote social and economic development of the basic social responsibility, continue to create a good return on investment for shareholders, create interest for employees, customers and business partners and other stakeholders.

During the reporting period, the Company has complied with the relevant laws and regulations that have a significant impact on the Company, and undertaken a multi-dimensional social responsibility, including the corresponding responsibilities for stakeholders such as shareholders, employees, consumers and community environment. For details, please refer to the Company's environmental, social and governance report for 2018. The full text of the report is available on the SSE website, the SEHK website and the company website.

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

Applicable Not applicable

II. Profile of the General Meeting

Session	Date	Query indexes for published resolutions	Disclosure date of the published resolution
2017 Annual General Meeting	18 May 2018	Shanghai Securities News China Securities Journal http://www.sse.com.cn http://www.hkex.com.hk http://www.anhui-expressway.net	19 May 2018

Section VIII Corporate Governance Structure and Governance Report

Resolutions passed in 2017 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 2017 (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 2018 and to authorize the Board to determine their remuneration (Ordinary resolution);
- To approve the general mandate for the issue of additional 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).

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				Times of absence	Two successive absence from the meeting (yes or no)	Attendance at shareholders' meeting Times of attending
			Times of attending in person	Times of attending through communication means	Times of attending by delegate				
Qiao Chuanfu	No	7	2	5	0	0	No	1	
Chen Dafeng	No	7	2	5	0	0	No	1	
Xu Zhen	No	7	2	5	0	0	No	1	
Xie Xinyu	No	7	2	5	0	0	No	1	
Yang Xudong	No	7	0	5	2	0	No	0	
Du Jian	No	7	2	5	0	0	No	1	
Kong Yat Fan	Yes	7	1	5	1	0	No	1	
Jiang Jun	Yes	7	1	5	1	0	No	0	
Liu Hao	Yes	7	1	5	1	0	No	0	

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

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

Applicable Not applicable

Section VIII Corporate Governance Structure and Governance Report

Number of board meetings this year	7
Among: Number of on-site meeting	2
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 provision of external guarantees and daily connected transactions, and have held 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.

Section VIII Corporate Governance Structure and Governance Report

Currently, the composition of these committees is as follows:

Committee	Strategic Development and Investment Committee	Human Resources and Remuneration Committee	Audit Committee
Director			
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 continued to promote the determined strategic development train of thought, namely: on the basis of continued improvement of the advantages of the main business and management level, focus on reform and innovation in accordance with the policy trend, and emphasize both internal and external development; develop the main business while strictly controlling investment risks, continue exploring and harnessing financing opportunities to cultivate new profit growth point for the Company.

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. During the reporting period, the Audit Committee held four meetings. Please refer to the 2018 Report by the Audit Committee on its discharge of duties for details of the Audit Committee's work.

During the reporting period, the Human Resources and Remuneration Committee reviewed 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 of the People's Republic of China, the Article of Association and the "Rules of Procedure of the Supervisory Committee". During the reporting period, the Supervisory Committee has held 4 meetings to consider the Company's periodic reports and internal control self-assessment report. The Supervisory Committee has attended all on-site Board meetings and shareholders' general meeting in 2018. 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

Section VIII Corporate Governance Structure and Governance Report

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 mid- and 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 “2018 Self-evaluation Report Regarding Internal Control” disclosed by the Company on SSE website (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 2018 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).

Whether internal control audit report is disclosed: Yes

10. Others

A. Code on Corporate Governance

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

Section VIII Corporate Governance Structure and Governance Report

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 2018, 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

Section VIII Corporate Governance Structure and Governance Report

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 shareholder’s 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 the 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, achieving the Group’s goal, and ensuring 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 decisions.

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.

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. The Company considers that all existing independent non-executive Directors have complied with the relevant guideline as set out in Rule 3.13, and remain independent.

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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 Corporate Governance Code to ensure that the Directors can make informed and related contribution to the Board. During the reporting period, some directors of the Company have attended 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 2018, 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	√		√	

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 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.

Section VIII Corporate Governance Structure and Governance Report

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 2018, 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)
- Jiang Jun(Independent non-executive Director)

For the work report for 2018 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.

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.

Pursuant to the SEHK’s amendments to the Listing Rules and the Corporate Governance Code, the Board approved the amendments to the terms of reference of the Audit Committee on 22 March 2019. The revised terms of reference are available on the SSE website, the SEHK website and the Company’s website.

In 2018, the Audit Committee of the Company composed of Mr. Liu Hao (the chairman of the committee and independent non-executive Director), Mr. Du Jian (non-executive Director) and Mr. Jiang Jun (independent non-executive Director).

Section VIII Corporate Governance Structure and Governance Report

In 2018, 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	4	4	100%
Du Jian	4	4	100%
Jiang Jun	4	4	100%

3. The Human Resources and Remuneration Committee

The major responsibilities of the Human Resources and Remuneration Committee 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.

Pursuant to the SEHK's amendments to the Listing Rules and the Corporate Governance Code, the Board approved the amendments to the terms of reference of the Human Resources and Remuneration Committee on 22 March 2019. The revised terms of reference are available on the SSE website, the SEHK website and the Company's website.

In 2018, 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. Yang Xudong (non-executive Director) and Mr. Kong Yat Fan (independent non-executive Director) and which met requirement of the relevant regulations.

In 2018, the Human Resources and Remuneration Committee held 1 meeting. Details of attendance are as follows:

Member's name	Attendance in person at meeting (times)	Number of meeting (times)	Attendance rate
Jiang Jun	1	1	100%
Yang Xudong	1	1	100%
Kong Yat Fan	1	1	100%

For the work report for 2018 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

D. Summary of Board Diversity Policy

Pursuant to the SEHK's amendments to the Listing Rules and the Corporate Governance Code, the Board approved the amendments to the board diversity policy on 22 March 2019.

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 sex, 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.

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.

Section VIII Corporate Governance Structure and Governance Report

The 2017 Annual General Meeting has approved the re-appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's 2018 PRC and Hong Kong auditors respectively. The audit and non-audit service fees for the year are as follows:

	RMB'000
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 (4 of whom are also Directors of the Company) is within the following range:

	Number of Person
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.

Section VIII Corporate Governance Structure and Governance Report

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 extraordinary matters to the Board;
- 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.

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.

Section VIII Corporate Governance Structure and Governance Report

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 result of risk monitoring are regularly reported 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.

Section VIII Corporate Governance Structure and Governance Report

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 into account 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

In January 2019, the internal control working group tested the effectiveness of internal control operation for 2018. For some sub-processes with greater risks, whether to increase the test frequency was determined based on the actual needs.

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 controlling the 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 when feasible.

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.

Section VIII Corporate Governance Structure and Governance Report

(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.

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 Medium	Concern and test 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 2018, 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. In January 2019, the Company tested the effectiveness of internal control operation for 2018. The Board of Director confirms that for the year ended 31 December 2018, 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.

Section VIII Corporate Governance Structure and Governance Report

The Board considers that for the year ended 31 December 2018, 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.

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 a fellow of the Hong Kong Institute of Chartered Secretaries ("HKICS"). 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 89 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.

Section VIII Corporate Governance Structure and Governance Report

- (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.

- (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.

Section VIII Corporate Governance Structure and Governance Report

- (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 announcement of resolutions.

In addition, according to Article 66 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) of 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 99 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, General meeting rules of listed companies(Revised in 2016), Guidance on Listed Company Articles of Association (Revised in 2016) of the China Securities Regulatory Commission and the Listing Rules, coupled with the actual operation and development needs of the Company, amended certain provisions in the Articles of Association, 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 29 March 2018 and the notice of the annual general meeting dated 29 March 2018.

Section IX Environmental, Social and Governance Report

About this report

Basis of Preparation

The report is prepared with references to the “Environmental, Social and Governance Reporting Guide” (“ESG Guide”) set out in Appendix 27 of the Listing Rules of the Hong Kong Stock Exchange, and the preparation guidelines set out in the “Report on the Company's Social Responsibility” and the “Notice on Further Improving Information Disclosure on Poverty Alleviation Work of Listed Companies” of the Shanghai Stock Exchange.

Scope of Reporting

The report fully disclosed the information and key performances of Anhui Expressway Co., Ltd. and its administrative Offices and holding subsidiaries in fulfilling economic, social and environmental responsibilities from January 1, 2018 to December 31, 2018.

Reliability Guarantee

All information and data used in the report came from official documents, statistical reports or public data of internal systems of the Company and its administrative Offices and holding subsidiaries. The Company undertakes that the report is free from any false or misleading statements and is responsible for the authenticity, accuracy and completeness of the contents. After confirmed by the management, the report was approved by the 12th meeting of the eighth board of directors of the Company on March 22, 2019.

Section IX Environmental, Social and Governance Report

Social responsibility management

The Company is committed to promoting social development and serving the people's livelihood through infrastructure construction and operation, including road building for the community, providing funding for the government, benefiting shareholders, and providing better trips for the people. Over the years, the Company has gradually improved social responsibility management system and optimized risk management and control structure by combining development philosophy and brand proposition. While being responsible for the enterprise, the Company also takes responsibility for the society, so as to achieve the common progress and development of the company's management ability and the ability to fulfill the social responsibility. On July 25, 2018, the Company was awarded the "Anhui Listed Company Social Responsibility BBS" Enterprising Award by the Anhui Listed Company Association.

Philosophy of Responsibility

As a state-owned listed enterprise, the Company takes "honesty, pragmatism, innovation and responsibility" as its core values, shoulders the transportation responsibility of connecting the east to the west, and plays an important role in the development of economy and social livelihood. The Company always regards the fulfillment of social responsibility as one of the most important ways for the sustainable development of the enterprise. We firmly believe that the development of the Company cannot be separated from the good policies of the country, the hard work of the employees and the full support from all walks of life. The Company adheres to the mission of "Paving for the beautiful Anhui and speeding up the happy life". The Company will insist on actively safeguarding the legitimate rights and interests of stakeholders, protecting the environment, giving back to the society, and striving for being the "strong support of the country's transportation and the role model in the industry" while pursuing economic benefits.

Structure of Responsibility

To better implement the corporate social responsibility management, in 2018, the Company set up the environmental, social and governance (ESG) working group based on the regulations of "Environmental, Social and Governance Reporting Guidelines" of the Hong Kong Stock Exchange. The Company has formed a management system of coherent and efficient management which led by senior executives, organized by the secretary office to the board and cooperated to implement with functional departments and management offices. The group is headed by the general manager of the company. The executive director, members of the board of supervisors and the deputy general manager are the deputy leaders. The Board Secretary's Office, as the main implementation department of social responsibility work and report preparation, is responsible for the organization and arrangement of specific work. As the specific implementation layer of social responsibility work, functional departments, subordinate management offices and holding subsidiaries are responsible for the implementation of specific programs. In the future, the Company will continue to deepen the ESG working mechanism, improve the ESG policies and guidelines, and constantly improve the effectiveness of ESG management and control.

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Communication of Responsibility

The Company has built a relatively complete communication platform to better understand and respond to the expectations and appeals of various stakeholders. By establishing a regular communication mechanism and efficient and convenient communication channels, the company has established close contact with various stakeholders and improved the effectiveness of communication with them continuously.

Stakeholder Communication Table

Stakeholders	Expectations and appeals	Way to communicate
Investors/shareholders	<ul style="list-style-type: none"> • Improve business performance • Multi-channel communication 	<ul style="list-style-type: none"> • Shareholders' meeting • Investor relations maintenance • Call the performance meeting • Periodic reports and information bulletins
Governments and regulators	<ul style="list-style-type: none"> • Daily communication • Meeting and report • Project cooperation 	<ul style="list-style-type: none"> • Government management requirements • Calls for poverty alleviation • Organize volunteer activities • Boost local employment
Enterprise staff	<ul style="list-style-type: none"> • Complaints and feedback • Performance feedback • Career promotion • Training development • Healthy and safe working environment 	<ul style="list-style-type: none"> • Employee rights protection • Employee career development • Employee capability improvement • Employee health protection • Employee support and care activities
Customers/crews/road users	<ul style="list-style-type: none"> • Enhance customer experience • Customer complaints and feedback • Road is in good condition • Road safety and rescue 	<ul style="list-style-type: none"> • Customer satisfaction survey • Revision of customer management system • Customer service complaint response • Customer care • Safety management • Road maintenance • Road rescue
Environment	<ul style="list-style-type: none"> • Environmental management • Green operation • Publicity and education 	<ul style="list-style-type: none"> • Energy conservation and emissions reduction • Environmental protection • Waste recycling • Environmental protection publicity and activities

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Stakeholders	Expectations and appeals	Way to communicate
<ul style="list-style-type: none"> Suppliers/partners 	<ul style="list-style-type: none"> Open and fair bidding Cooperation promotion 	<ul style="list-style-type: none"> Compliance management, inspection and feedback Business development and cooperation Bidding activities
<ul style="list-style-type: none"> Community/public 	<ul style="list-style-type: none"> Community communication Community public welfare activities 	<ul style="list-style-type: none"> Give back to society Targeted poverty reduction Fee reductions Boost local employment

Issue Management

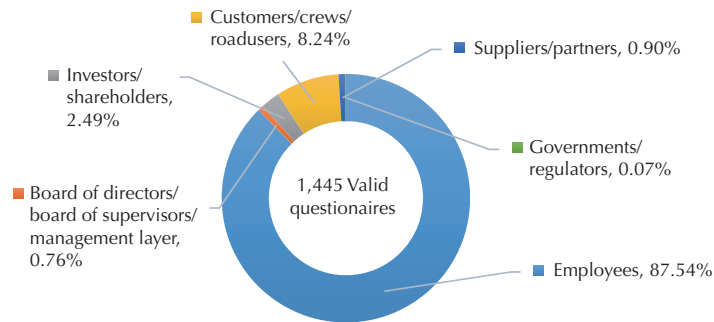
The Company has established a comprehensive process of topic analysis to deepen the understanding of stakeholders' demands and give targeted responses. Through the steps of topic identification, investigation and screening, the key issues important to the Company and stakeholders are determined. Drawing substantive topic matrix to help the Company to carry out social responsibility management in a targeted way. Issues with a higher degree of substantivity will respond specifically in this annual report.

Substantive topic selection process

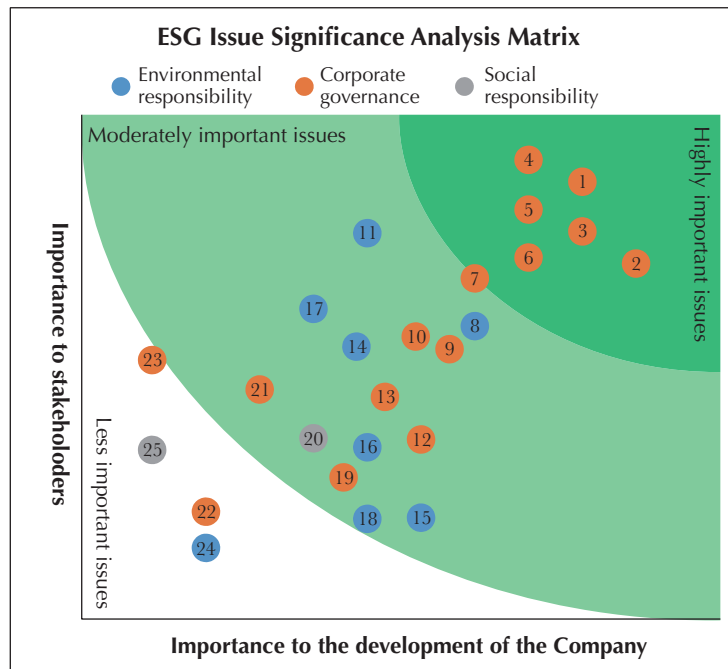
Issue identification	According to the relevant national laws and regulations, referring to the Company's current business situation and major issues, clarify the concerns of various stakeholders and identify the ESG issues highly related to the company.
Issue investigation	Feedback from stakeholders was collected through questionnaire survey, department interview, site visit, training and other methods, and 1,445 valid questionnaires were recovered.
Issue selection	According to the collected opinions and feedback, substantive topics are preliminarily selected from the two dimensions of "Importance To Company Development" and "Importance To Stakeholders".
Issue approval	The Company's internal management and external experts jointly reviewed and screened the topics, identified 7 highly important topics and highlighted them in the report.

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Source Analysis of Substantive Topic Questionnaire Analysis



Substantive issue matrix



Section IX Environmental, Social and Governance Report

Steady path for operation

1. Anti-corruption
10. Develop sustainable development plan, management system and ESG risk assessment
21. Consumer privacy protection
22. Avoid unfair competition and vicious competition
23. Supply chain management and sustainable development of upstream and downstream

Growth path for employees

4. Employee compensation and benefits
5. Employee safety and health guarantee
7. Talent attraction and retention
9. Employee training and development
12. Avoid child labor and forced labor

Safety path for working

2. Work safety, including emergency plan, accident response mechanism and relevant supervision measures
3. Improve road quality and ensure traffic safety
6. Keep roads clear and improve transportation efficiency
13. Improve the quality of road service and build a service brand
19. Complaint handling and service improvement

Benefit path for people livelihood

20. Community public welfare construction, including but not limited to targeted poverty alleviation and volunteer activities
25. Create employment opportunities and promote employment for local residents of the operation site

Friendly path for environment

8. Highway noise rich the standards and control
11. Water resources utilization and measures to protect water resources
14. The rational use of land and the harmonious relationship between road and residents
15. Efficient use and recovery of resources
16. Air pollutants management and solid waste disposal, and related emission reduction measures
17. The impact of highway construction on biodiversity
18. Energy consumption and energy-saving measures
24. Greenhouse gas and carbon emission management and emission reduction measures

Steady path for operation

Law-abiding operation is a solid foundation to ensure a steady and rapid development of the enterprise. The Company strictly controls the planning and implementation of work related to operational compliance risk, investor relationship management, supplier management, compliance and so on. Through system construction and revision, self-ability cultivation and positive communication, the Company is able to provide continuous and steady development.

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Anti-Corruption

The company complies with the “People's Republic of China Criminal Law”, the “Company Law of the People’s Republic of China”, “The Anti-Unfair Competition Law of the People's Republic of China” And other relevant laws and regulations against corruption and formulated the “Interim Measures for Strict Political Discipline and Political Rules”, the “Interim Measures for the Construction of a Clean Government for Middle Management Personnel”, the “Interim Measures for the Investigation And Punishment of Disciplinary Violations” and other systems. Focusing on supervision, discipline and accountability, the Company supervises and checks the key fields and key links related to anti-corruption and anti-bribery strictly, and improves the political discipline and integrity awareness of employees through organizing activities such as collective integrity talk and integrity speech contest.

The Company adopts a “zero tolerance” attitude towards corruption and fraud, issues the “Regulations on Anti-Fraud And Reporting Mechanism” and encourages real-name reporting mechanism. Then the Company reports and supervises the fraud personnel and incidents through channels of public and explicit reporting calls and mailboxes. After receiving the information, the Company will organize investigators to carry out anti-fraud investigation timely and report the results as required.

At the same time, the Company attaches great importance to the integrity and self-discipline of leading cadres. For the new cadres, the Company organized the convening of a new promotion cadre before the clean and honest collective talks to strengthen the cultivation of the party spirit of the new leading cadres. And the Company further gives full play to the role of family members in supervising and reminding corruption, signs a letter of commitment for family members to help clean government with their cadres, and works with families and enterprises to jointly build an ideological and moral defense against corruption and build a clean government. In 2018, there were no major lawsuit against the Company.

Compliance Control

The Company insists on operating in accordance with law, standardizing its operations, being in line with the principle of honesty, trustworthiness and mutual benefit, ensuring the confidentiality of information of customers and crew members, and standardizing and publicizing the charging system so as to fully protect the legitimate interests of all stakeholders.

Protect the privacy of the drivers and passengers. The Company formulates the “Interim Measures for Informationalization of Work Management” to standardize the information collection process and information storage and the use of the personnel. The Company takes full advantages of the electronic work platform, strengthens the information collection and management, ensures that the data collected is only authorized by the relevant internal personnel in specific scenarios, and fully protects the privacy of the drivers and passengers.

Ensure fair and open pricing. The Company strictly in accordance with the “Highway Law”, the “Toll Road Management Regulations”, the “Anhui Province Highway Management Regulations” and other laws and regulations. The classification and charging standards for expressway models are publicized on the company website and highway toll standard signs to ensure the fair and open fees, to meet the right to know of drivers and passengers.

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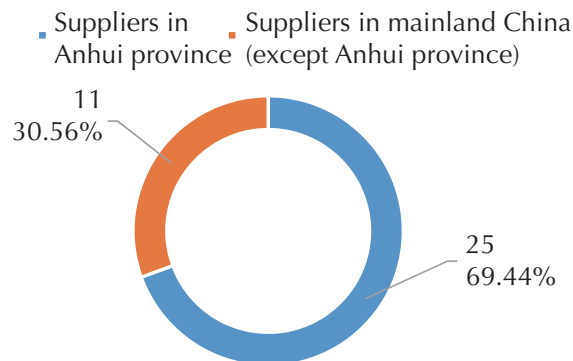
Investor Relations Management

The company abides by “Regulations for Corporate Governance” of Hong Kong Stock Exchange strictly. In accordance with the requirements of the “Management System of Corporate Information Disclosure” and the “Management System of External Information Reporting and Use of Companies”, the Company fulfills the obligation of information disclosure conscientiously. The Company is committed to maintaining a high standard of corporate governance to enhance the transparency of its operations and protect the rights and interests of its shareholders, especially small and medium-sized shareholders. Within the Company, the corporate governance structure will be further improved, and the management system and mechanism will be established and formed to balance responsibilities and rights and give consideration to fairness and efficiency. The Company will also make full use of various media outside the Company, such as the Company website, “e interactive” platform, company email, hotline and other channels to keep close communication with investors, and maintain long-term trust between investors and the Company.

Win-Win Cooperation

The Company is committed to building a standardized, fair, just and transparent bidding and procurement system, and constantly optimizing the control and supervision of the procurement process. According to the “Law of the People’s Republic of China on Bidding And Tendering”, the “Regulations for the Implementation of the Law of the People’s Republic of China on Bidding And Tendering”, the “Anhui Province Implements the Law of the People’s Republic of China on Bidding And Tendering” method” and other laws and regulations, the Company formulated the “Interim Measures for Tendering And Bidding Management”. The Company adheres to the principles of openness, fairness, impartiality and good faith to ensure that purchased goods and services meet operational needs. At the same time, the Company also makes full use of information technology to promote electronic bidding and improve bidding efficiency and transparency. In addition, the Company stipulates in the bidding process clearly that the bidding personnel should adhere to the principles, observe discipline strictly, be honest and self-discipline, and put an end to the phenomenon of lawbreaking and discipline disorder resolutely. In 2018, the Company had 36 engineering suppliers determined by tendering and bidding.

Number and Proportion of Suppliers by Region



* Data category description: The statistical category of the number and distribution of suppliers of the company in 2018 only includes the engineering suppliers determined through open bidding, and does not include the suppliers through other formal channels and other categories.

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Safety path for working

The Company adheres to the safety concept of “safety is life, safety is service and safety is benefit”, and makes solid efforts in expressway construction and operation safety management. On the basis of road safety, the company achieves a scientific management and keeps the road smooth through system standardization, software standardization and hardware standardization. At the same time, based on customer experience, the company creates the brand of “smile service” centering on the needs of passengers, improves the service level of expressway toll Windows, and enables drivers and passengers to enjoy intimate service experience.

Road Unobstructed

By strictly carrying out road maintenance work, consolidating the foundation of road smoothness and promoting the intelligent construction of road operation, the Company is able to provide high-quality road and convenient travel support for passengers in two ways, namely, facilitating the travel planning of passengers and shortening the toll-charging process, so as to ensure a smooth travel.

Daily maintenance of roads

The regular maintenance of the road and keeping the road in good condition are the premise of providing safe and comfortable traffic environment. According to the “Highway Safety Protection Regulations”, the “Technical Specification for Highway Maintenance”, the “Highway Bridge And Culvert Maintenance Specifications”, the “Technical Specifications for Highway Tunnel Maintenance” and other related laws and regulations, the Company formulated the “Highway Patrol Inspection Management Approach (Trial)”, which clarifies the management responsibility of road maintenance and the working standards and specific procedures of road inspection and inspection. The Company carries out targeted professional skills training for road maintenance personnel to improve the quality and efficiency of road maintenance work of employees and ensure the normal passage of expressways. In 2018, the company mainly focused on carrying out work such as renovation of signs, upgrading of green belts, construction of emergency warehouses and replacement of sound barriers. While ensuring a smooth road, the company beautified the environment and reduced the unfavourable impacts on the surrounding residents.

Road patrol

The company adopts the working mechanism of comprehensive inspection, conducts daily inspection and at least once a month a night inspection on the maintenance status, mechanical and electrical facilities and operation safety of the road, implements the comprehensive inspection covering the whole road section, and timely finds and solves the problems of road operation safety. Once the problems are found in the inspection, the inspectors will solve them immediately according to the actual situation, or notify the relevant departments or units to deal with the problems within the time limit according to the procedures after the inspection records and necessary emergency treatments are made.

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- Maintenance patrol. Regular and special inspections should be carried out on the road surface, bridges and culverts, tunnels and traffic safety facilities along the way, including stability of subgrade, smoothness of road surface, safety of bridges and culverts, integrity of traffic safety facilities and greening management.
- Mechanical and electronic patrol. The Company conducts regular inspections on whether the operation status and parameter configuration of power supply and distribution system, lighting system, monitoring system, toll collection system, communication system, tunnel electromechanical system and other facilities and equipment are functioning or not.
- Operational Safety Patrol. It mainly includes inspections on whether road parking vehicles are equipped with warning signs, whether the construction roads are regulated, and whether the weather conditions in the jurisdictions are subject to daily weather, snow, fog and other weather conditions.

Intelligent operating highway

With the advent of the information age, the daily operation of expressways have also changed from the traditional operation mode to the information technology operation mode, in order to improve the level of highway management and service effectively. In 2018, the Company will further apply big data processing technology in highway operation and enterprise management to realize intelligent management and improve highway operation efficiency gradually.

Electromechanical informatization improves traffic efficiency

The Company has strengthened the information management of electromechanical operation and maintenance comprehensively, and has completed the construction projects of digital monitoring transformation, flat implementation of charging system, the “Replacing Business Tax with Value-Added Tax” license plate recognition equipment, and mobile payment. Electromechanical informatization has greatly facilitated road operation and management, among which the license plate recognition accuracy, multi-path identification point identification rate, ETC lane primary pass rate (including unlabeled vehicles) have increased from 79.1%, 81.0% and 91.3% of 2017 to 88.5%, 92.7% and 95.4% respectively.

Information services to facilitate public travel

In order to provide timely traffic information to the passenger personnel, convenient for drivers to choose more appropriate route, get better through experience, the Company set the “Interim Measures for Safety Management Information System”, the “Interim Measures for the Information Service Work Management” and other internal policies, cleared the operation management unit to monitor sub-center for specific work of information service. The public can timely inquire and obtain travel information through the “96566” customer service hotline, and immediately know about the accident, construction, weather, traffic control, road access and unexpected events.

In 2018, the Company released 57,000 pieces of road condition information, carried out road patrol 13,000 person-time, corrected illegal vehicles 3,156 vehicle-times, conducted 8,893 rescues, managed 55,000 over-limit and over-load vehicles (including persuasion) and claimed RMB 9,170,000 in road production, the Company has successfully completed the critical time of the road to ensure unobstructed work.

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High Quality Service

In ensuring smooth journey at the same time, the Company is committed to let passengers have a nice trip, and based on the core values of “integrity, pragmatism, innovation and responsibility”, the Company carries out the smile service concept of “Sincere smile, heart service”, tries its best to create the “smile service” brand, and develops that into the top ten cultural brands in the national transportation industry.

Intimate smile service

“Smile Service” means that the toll collector provides the service complying smiling standard, appearance, body and manner, civilized language, reception etiquette, charging behavior, dispute settlement and so on. In order to standardize the smiling service management of the management office and improve the smiling service level, the company has formulated the “Smiling Service Management Interim Measures”, and regularly carried out training and guidance, supervision and inspection, assessment and other works. This initiative promotes the gradual improvement of the service capacity and quality of “Smile Service”.

Case: “Smile Service” Training

In 2018, the company continued to promote the in-depth development of the “Smile Service” brand. Based on the “Interim Measures for Staff Training Management” and the “education and training work rules of the company’s headquarters”, the company improved the management system for smiling service training, and launched a series of training for the department staff and related personnel of the directly affiliated units. For example, through the training methods of new employee training, job ability training, targeted improvement training, and employee self-training, the company improved employees’ awareness and abilities in business knowledge, smiling service standards, management systems and civilized etiquette, etc. At the same time, in order to ensure the training effect, the company helps internal trainers to better organize training, supervise training and propose improvement suggestions by training internal trainers and strengthening the management of internal trainers (evaluators). In addition, the company also held a job of evaluation, giving certain recognition and reward to employees with outstanding performance, stimulating employees’ enthusiasm for learning, and motivating employees to make continuous progress.

Warm-hearted and convenient service

The phenomenon of high-speed road closure and vehicle detention due to extreme weather conditions or sudden increase in traffic volume on holidays is an inevitable problem in the expressway industry. In response to such problems, the company provides warm-hearted and convenient services to the general passengers, such as setting up a convenience service desk, establishing a service team, providing free maps, promotional materials, and simple maintenance tools and emergency medicines for past passengers. Drink essential items such as hot water, food, sewing kits, fire extinguishers, etc. are also offered in crisis situations. At the same time, the company also explained the policy and regulations, guided the route, and eased the anxiety caused by the long-term congestion of the passengers through face-to-face or broadcast.

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Listen to the customer's voice

The Company attaches great importance to the feedbacks from customers. The passengers can feedback the company's service quality, road safety, charging standards, etc. through the service hotline consultation, portal website complaints and other channels, or directly complain to the management offices of the jurisdictional roads. The Company's "Interim Measures for the Management of Smile Service of Highway Toll Window" clearly stipulates that employees must strictly regulate the complaint handling process, actively conduct self-examination and self-inspection, and promptly resolve complaints in the process of listening, recording, investigating, verifying, and feedback. The Company will uniformly return to the solution situation of the complaints and provide a comfortable travel experience for the staff. In 2018, the Company received 4 complaints, and the normal complaint closing rate was 100%.

Safe Operation

Safety is the foundation of road traffic and the core of serving the public travel. The Company strictly regulates road safety management, always adheres to safety production, improves emergency response mechanism, strengthens employee safety awareness through various safety training and publicity work, and provides reliable transportation guarantee for the healthy development of economy and society and the public travels in many ways.

Standardize safety management

The Company attaches great importance to safety management during production and operation. According to the "Safety Production Law of the People's Republic of China" and other laws and regulations, it has formulated the "Interim Measures for Safe Production Management" and established the Safety Production Committee. The committee consists of the chairman, general manager and deputy general manager. The main responsible person of the directly affiliated units and the main responsible person of the relevant department are responsible for overall responsibility, guidance, deployment and supervision of operational safety production. The Company adheres to the principle of responsibility to people, establishes a clear reporting system and supervision and management system to ensure the effective implementation of safe production. In the daily work management, the Company follows the "Interim Measures for the Investigation and Treatment of Hidden Dangers in Safety Accidents", regarding the operational management units as the main body of responsibility, conducts investigations and governance of hidden dangers of illegal operation, management defects, unsafe behavior of personnel, and potentially dangerous projects, reduces and prevents production safety accidents, and protects the lives and property of the people.

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Adhere to safe production

The company always adheres to the people-oriented production work, adheres to the principle of “safety first, prevention prime, comprehensive management”, refines the deployment of safety production work, and implements safety responsibility to people.

Guarantee major festivals and extreme weather safety. The company and the management office need to analyze the safety situation and formulate work requirements for key periods such as the Spring Festival, important holidays, flood and typhoon prevention, freezing rain and snow, cold wave and strong winds, prevent safety risks in advance, and ensure the effective operation of safe production.

Signed a safety production responsibility letter. The headquarters of the company, the management office, the jurisdiction of the management office, and the jurisdictional road sections are required to sign a safety production responsibility letter to ensure that the safety responsibility is transmitted at different levels, forming a layer of both having and taking responsibility at all levels.

Case: Safety Management Improvement Of Xiaoxian County Management Office

In 2018, Xiaoxian Management Office carried out a number of safe production cultural activities such as “Ankang Cup”, “Safe Production Month”, “Basic Management Year”, “Safe Production and Attacking Action” and “Safe Transportation One Hundred Days Action”, and continuously strengthened the safety infrastructure. In 2018, Xiaoxian Management Office has completed the marking of line of 13,700 square meters, 32 new signage signs, 1,200 square meters of reflective film, and openly recruited 8 full-time security guards to ensure production from infrastructure and personnel arrangements. The safety of management has improved the ability to prevent and respond to various types of security incidents, ensuring that the safe production situation of Xiaoxian Management Office is stable and controllable.

Improve emergency response mechanism

In order to timely, accurately and comprehensively reflect and properly handle all kinds of production safety incidents that may occur during the production and operation process, the company continuously strengthens risk management and risk investigation, summarizing from prevention to response, entirely ensuring the effective operation of emergency mechanism in multiple stages.

Hidden danger investigation

According to the requirements of the “Operational Road Safety Risk Point Search Guide”, the company conducts comprehensive risk investigation and finds more than 500 kinds of risk points. A total of more than 260 hidden dangers were investigated and dealt with in the main roads, long bridge tunnels, and security facilities, and significant results were achieved in risk management. At the same time, the company increased investment in safety production, upgraded and renovated the roads under its jurisdiction and the traffic safety facilities at the entrance to the tunnel, and further improved operational safety control.

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Emergency management

The company carried out a series of inspections, such as the major investigations on the safety hazards of transportation infrastructure, the supervision of the safety production and safety month in the flood season, the special supervision of the construction section of the Hening reconstruction and expansion, and the inspection of the winter safety production work. Promoting the correction through investigation and the implementation of various safety work. In addition, the company further supplemented the overall emergency response plan for operational emergencies, updated several special emergency plans and on-site disposal plans, and further improved the plan system. In 2018, all operating units carried out more than 30 emergency drills on different topics such as bad weather and winter fire protection, and improved the ability and effectiveness of employees to respond to emergencies in multiple dimensions.

Case: Hefei Management Office Formulated Special Emergency Plan For Low Temperature Rain, Snow And Ice Disaster

According to the emergency plan updated by Hefei Management Office, the management office newly formulated an emergency organization system for low-temperature rain, snow and ice disasters, and coordinated by the emergency command department to unify the emergency management of the command and management department. There are three emergency working groups under the command department: the on-site disposal team, the comprehensive coordination group and the after-treatment group, which are responsible for liaison, coordination, command, and summary, etc. The management office also works closely with local meteorological and traffic police departments to organize personnel and equipment to clear roads and accumulate snow and ice, and take full management and preparation measures to minimize the adverse effects of low-temperature rain, snow and ice disasters and ensure road safety and clearance.

Increase safety awareness

The company comprehensively deepened safety publicity and education training, and continued to promote safety culture construction. According to the "Interim Provisions on Safety Production Training", the annual safety production training plan was prepared and incorporated into the company's overall training system, and the pre-job training and special staff training were strictly regulated, Actively carried out various safety production special trainings to improve employees' safety awareness and emergency response capabilities.

In 2018, based on the individual situations, the management offices carried out 34 trainings including safety production laws and regulations education, road construction safety, risk prevention and control, etc., with a total of 2,924 participants. Thanks to the company's overall efforts, each management office has won several awards and won wide recognition from the society.

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Management office	Award
Ningguo Management office	National Safety Culture Construction Demonstration Enterprise
Gaojie Management office	Advanced Unit of Safety Culture Propaganda Work in the national "Ankang Cup" competition
Hefei Management office	National Youth Safety Demonstration
Chuzhou Management office	National Youth Safety Demonstration

Case: Safety Production Special Training

On August 10, 2018, the Company organized the "Safety Investigation of Common Lawsuit Cases" and "Safety Evaluation of Road-related Projects" safe production special trainings, and popularized knowledge on highway safety management, construction specifications and safety, and enhanced employee awareness of safe production and management, while advocating the passengers to drive safely.

Friendly path for environment

The Company strictly implements the concept of "incorporating the concept of green development into the production and life of transportation development" in the "13th Five-Year Development Plan for Transportation Energy Conservation and Environmental Protection", and integrating the ideas of green environmental protection into various aspects such as maintenance, service and office. While improving the quality of transportation, we will focus on building a green operation system to help the development of green transportation.

Green Conservation

Road maintenance is the main link in the production of waste during road operations. The Company is committed to improving the level of road maintenance management, integrating the ideas of green construction and low-carbon operation into the whole process of road maintenance, and fully considering the impact of road maintenance and facility construction on the ecological environment. During the maintenance process, the Company strictly abides by the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes", the "Regulations on Environmental Protection Management of Construction Projects", the "Administrative Penalties for Environmental Protection and Relevant Local Laws" and other local laws and industry regulations, promotes the recycling of waste materials and minimize the damage to the environment.

The waste generated by the Company in the road maintenance project mainly comes from milling waste. The following measures are mainly taken to recycle or rationally dispose of the waste. On the one hand, the generated waste is used as much as possible in the process of urbanization, or it is given to surrounding villagers to build dams for reuse. On the other hand, for waste materials that have not been used for secondary use, the company will dispose the wastes through the principle of "reduction, harmlessness and resource utilization". After unified collection, it is handed over to a qualified professional company for disposal and strictly prohibited to dump or bury waste at will. In 2018, the Company used 9,671 tons of stone and recycled 720 tons of them.

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Use of Conservation Resources

index	unit	2018 data
Conservation resource usage		
Asphalt	ton	38,416
Cement concrete (new material)	ton	15,659
Stone (new material)	ton	9,671
Stone (reuse)	ton	720
Curing agent (bridge repair)	kilogram	215
Steel	ton	588

Case: Hefei Management Office Replaces Sound Barrier To Reduce Noise Pollution

The sound barrier is the last barrier to block the noise of the highway and the lives of the surrounding residents. Due to the long service life of the sound barrier of the Hefei Management Office, the original design of the sawdust-type sound insulation board wall is extremely inconsistent with the road environment, the aging of the board is detached, and the sound insulation effect is also reduced. In 2018, Hefei Management Office invested funds to replace some damaged sound barriers into new sound insulation sound barriers, effectively improving the road surface appearance, and playing the role of noise reduction and sound insulation to meet the road green environmental protection requirements.

Green Service

The company adheres to scientific and technological innovation, green services, and is committed to adopting new technologies and systems to build a green, low-carbon and resource-saving enterprise. The company strictly abides by the "Energy Conservation Law of the People's Republic of China", "The Cleaner Production Promotion Law of the People's Republic of China" and other laws and regulations, and actively implements the requirements of the Anhui Provincial Party Committee and the provincial government to support the innovation, development and application of the new energy automobile industry. Incorporates the green service concept into the daily operation process, and insists on balancing green energy conservation in improving service quality.

Replace the green lighting system

Under the premise of ensuring the necessary lighting of roads, the company actively promotes the green lighting renovation along the expressway and service areas in line with the concept of energy conservation and green operation. Replaced the traditional halogen lamp with the LED energy-saving lamp and install the remote control system to set the switch light time according to the sunrise and sunset time and the weather that requires special lighting to save energy.

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Opening ETC lanes

ETC lanes are set up at the toll stations of the company's management offices to effectively reduce delays and congestion caused by parking charges, and improve the traffic efficiency of vehicles at the toll gates. At the same time, the use of ETC reduces the number of times that the vehicle is frequently activated and braked due to queuing. According to the calculation of the transportation department, the average fuel save per vehicle passing through the ETC lane is 0.0314 liters/passage compared to the manual toll lane, and the CH compound emissions are reduced by about 0.7 g/car. The ETC lane also boosts fuel consumption by an average reduction of 20%; CO₂ emissions reduce by about 50%; and carbon monoxide emissions reduce by about 70%. In 2018, the company opened 13 new ETC lanes. Up to now, there are 94 ETC lanes (excluding the entrusted management section), which further reduces social vehicle emissions and greenhouse gas emissions.

Building electric vehicle charging pile

Since 2015, the company has cooperated with State Grid and Anhui Yida Expressway Service Area Management Co., Ltd. to start investment in electric vehicle charging infrastructure construction, and in recent years has continuously improved the electric vehicle intelligent charging service platform and took the lead in its affiliated service area to build the charging pile, which has effectively solved the worries of the passengers driving electric vehicles on the high way and actively promoted the transformation of customers' energy consumption patterns.

Green Operation

The company fully integrates the concept of energy saving and emission reduction into daily office, and advocates employees to save energy, save water and reduce paper use. The company organized employees to seriously study the "Environmental Protection Law of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China", "Law of the People's Republic of China on Air Pollution Prevention and Control" and other relevant laws and regulations. The company also implements the local environmental regulations to promote staff awareness of environmental protection in daily work. In addition, the company draws up the regulation of green office, such as promoting the implementation of office automation, using video conferences, paperless office, etc., to create a "green, low-carbon" office atmosphere.

Save electricity

The company conducts refined management of electricity consumption. On the one hand, the company has implemented an electric meter to monitor daily electricity and water consumption level and to rectify any abnormal situations once identified in a timely manner. On the other hand, the company regularly inspects public lighting and electrical equipment to detect and repair equipment failures in a timely manner, reduce unnecessary power loss and avoid the possibility of abnormal power consumption. The company's 2018 annual office and operating electricity consumption was 14,728,000 kWh.

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Greenhouse Gas Emissions

index	unit	2018 data
Greenhouse gas emissions		
Total carbon dioxide emissions	ton	13,549.95
Carbon dioxide emissions Category I*	ton	3,999.72
Carbon dioxide emissions Category II*	ton	9,550.23

* According to the ISO 14064 greenhouse gas audit standard, greenhouse gas emissions category 1 refers to direct greenhouse gas emissions, which are discharged directly from the sources owned and controlled by the organization, such as their own vehicles; greenhouse gas emissions category 2 refers to indirect energy sources of emissions, such as indirect greenhouse gas emissions from purchased electricity.

Conserve water

The Company has established a secondary water supply equipment management system to improve water use efficiency and water allocation plans, and avoid water waste. In the daily greening maintenance, the company scientifically arranges the watering time, and adopts the method of sprinkler irrigation to use water resources efficiently; the property engineering personnel transcribe the water meter on time every month, and checks the maintenance for the abnormal reading area. The company also hires professionals to transform the water pipe dropping problems. In 2018, the company consumed a total of 242,900 tons of water. 9 water leaks in the underground fire protection pipe network of the Company park and 7 on the ground were found and repaired.

Collective heating

In order to reduce the excessive energy consumption caused by heating, the Company implements municipal collective heating measures to reasonable control of heating time and temperature, reducing energy consumption and saving operating costs. The heating equipment uses a shell-and-tube heat exchanger device that has high thermal conductivity and reduces heat loss during heat transfer.

Utility vehicle management

In 2018, the company newly issued the "Management of Public Vehicles". The vehicles adopt "centralized management, unified dispatch, unified accounting", and use the vehicle management platform to improve vehicle utilization rate. The vehicle management platform can record the mileage of the vehicle in real time, and analyze the standardization and rationality of vehicle use through big data. In addition, the company encourages telephone and video conferencing to avoid unnecessary vehicle use.

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Energy and Resource Use

index	unit	2018 data
Energy consumption		
Electricity consumption	Ten thousand kWh	1,472.77
Gasoline	Ten thousand liters	81.42
Diesel	Ten thousand liters	78.93
Liquefied petroleum gas	ton	30.08
Office resource usage		
Office paper usage	ton	9.20
Office water usage	Ten thousand ton	24.29

Waste Management

The wastes are collected, transported and disposed by qualified third parties. After unitedly collected and classified, household garbage is subject to treatments by municipal waste treatment units. The wastes such as ink cartridges and toner cartridges generated during office work are encouraged to be reused by adding toner. The used ink cartridges, toner cartridges, batteries and lamps are uniformly collected and disposed by qualified third parties to enhance the compliance of the waste disposal process with legislations. Taking advantage of installing oil water separators, the kitchen waste generated by the canteens of each management office is separated into oil and water, which is uniformly collected and disposed by qualified third parties to prevent direct discharge of oil and reduce environmental impact.

Waste Discharge

index	unit	2018 data
Total amount of hazardous waste		
Used lamp	piece	2,181
Used printer toner cartridge	piece	573
Used battery	piece	917
Recycled ink cartridges	piece	247
Total amount of non-hazardous waste		
Kitchen waste	ton	497.40
Household waste	ton	757.05

Growth path for employees

The Company always regards employees as the source of the company's continuous advancement, adheres to the "business co-building, achievement, sharing", while protecting the legitimate rights and interests of employees. The Company strives to create a more perfect career development path, and endeavors to provide a safe and positive working environment, and help the employees to grow in all aspects.

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Employee Rights

The Company strictly abides by the “Labor Law of the People’s Republic of China”, the “Law of the People’s Republic of China on the Protection of Minors”, the “Provisions on Prohibition of the Use of Child Labor” and other laws and regulations, and according to the “Labor Contract Management Measures”, the “Management Measures for Staff Recruitment”, the “Employee Training Management” and other measures and system requirements formulated by the Company, the Company adheres to the principle of equal employment, establishes a competitive salary and welfare system, opens up the way for employees to achieve self-improvement, and effectively protects the rights that the employees deserve. In 2018, the Company had 3,075 employees.

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Equal employment

According to the rules and regulations formulated by the Company such as the “Employee Recruitment Management Measures” and the “Labor Contract Management Measures”, the Company recruits based on the principle of fairness, openness and voluntariness, adheres to “equal pay for equal work”, eliminates child labor, forced labor and harassment abuse, signs labor contracts and confidentiality agreement with employees according to law. In 2018, the Company did not employ any child labor or forced labor, and the labor contract signing rate was 100%.

The Company adheres to the principle of equality and multi-channel recruitment and the policy of “post specification”. The Company formulated “Position Manual” to clarify job responsibilities, authority and qualifications. The Company selects qualified personnel through open and reasonable channels such as campus recruitment, headhunting recommendation, online recruitment, etc. Our recruitment decisions will never be influenced by the applicant’s ethnicity, race, nationality, gender, religion, age, sexual orientation, political affiliation, marital status and other social identities, and the Company strives to build a diverse talent pool.

Case: Informationalization of Human Resource Management

The Company has formulated and continuously updated the “Human Resources Management Process” to sort out every human resource work, and adhered to the closed-loop management model of “complete process, one thing at one time”. By further integrating the human resources management system (eHR), the Company accelerates the process of workflow and standardization in the Company’s recruitment, rewards, punishments, dismissal and risk control, ensuring the fairness from the management level. On the other hand, the Company adheres to the working principle of “publicizing the affairs of the office and self-governance of the team”, establishes employee representative assemblies and labour union organizations to listen to employees’ demands and implement democratic management.

Salary system

The Company adheres to the human resources policy of “paying salary based on positions and establishments”, pays attention to the fairness and flexibility of the salary system. With reference to the “Interim Measures for Remuneration Management”, the Company implemented the broadband pay system and the across sequence transitions remuneration policy. According to the nature of the post, four post sequences were set up, namely management positions, professional technical posts, toll posts, and work attendance support posts. Each employee’s salary level is determined by the position and his own conditions. At the same time, the Company deepened the reform of the system, optimized the structure of personal income distribution, set a reasonable ratio of fixed wages and floating wages, improved the assessment system, and linked the assessment results with the salary distribution to achieve flexibility the employee’s income.

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Welfare system

The Company strictly implements various laws and regulations such as the “Social Insurance Law of the People’s Republic of China”, the “Tax Law of the People’s Republic of China” and the “Social Security Law of the People’s Republic of China”, and provides a series of social security and employee benefits. On the basis of providing “five insurances and one fund” and paid leave for all employees, the Company has established a voluntary enterprise annuity plan to motivate employees and retain talents. At the same time, the trade union organizations also purchase accidental injury insurance, major illness insurance for all employees and special illness insurance for female employees, which constantly improves the employee welfare security system. During the reporting period, the Company’s social insurance coverage rate was 100%.

Performance appraisal

The company insists on the performance appraisal as the standard to determine the employee’s salary, formulated the “Performance Appraisal Implementation Plan for Department Head” and revised the “Performance Appraisal Implementation Plan for Department Employee” to further improve the Company’s performance appraisal system. The Company divides the employees into three parts: the grassroots staff of the toll station, the key personnel of the management office, and the personnel of the organization (finance, administration, etc.), and conducts performance appraisal separately based on the characteristics of the post. For example, the grassroots staff adopts the performance appraisal method of “monthly assessment and next month cashing”, that is, the monthly salary is linked to the previous assessment score. In addition, the Company has also established evaluations and incentive mechanisms such as the star rating system of the toll collectors, the excellent station head project assessment and others to promote a fair and rational development of the Company’s compensation mechanism.

Employee Development

Smooth promotion channels

The Company provides clear career promotion paths for employees at different levels and categories to ensure rationality, fairness and motivation. By formulating personnel selection and promotion system such as the “Measures for the Administration of Executive Employee”, the “Measures for the Administration of Professional and Technical Post”, the “Measures for the Administration of Skilled Talent”, etc., division of duties and selection standards among the posts (management posts, professional and technical work) are clarified, so as to strengthen the human resources team’s talent identification ability and create more development opportunities for outstanding staff.

Management position: according to relevant regulations such as the “Measures for the Administration of Executive Employee”, promotion path of management staff: host -- senior host -- supervisor -- senior supervisor -- middle level deputy -- middle level principal is determined according to factors including educational

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background, ability, etc. Unscheduled transfer of personnel posts may be implemented to maximize the tapping of talents.

Professional and technical positions: According to the “Professional and Technical Positions Management Measures”, the policy of considering “evaluation” (acquisition of professional and technical qualifications), “hiring” (employment of professional and technical positions), and “appointment” (appointment of professional and technical positions) separately is implemented. The selection policy adopts the selection mode of “selective appointment, strict assessment, and employment management” and the number of positions is determined by the principle of “total amount control and dynamic management”. The position adjustment and occupation of professional and technical personnel are determined according to the employment situation and business needs. In addition, the Company has developed a “Division of Posts” to clarify job responsibilities and terms of appointment, and to divide engineering, economic, political, accounting, and legal positions into four grades (Levels 1 to 4), corresponding to different ranks (primary titles – intermediate title – senior title – positive senior title -- chief technical expert), as a reference standard for career advancement.

Work positions: According to the “Management Methods for Skilled Personnel”, on the basis of working years, technical level, post demand and other factors, the workers can take the path of junior workers - intermediate workers - senior workers - technicians - senior technicians to promote.

Improve the training system

The Company attaches great importance to the education training, and constantly optimizes the training system. According to the “Interim Measures for Staff Training Management”, the “Company Headquarters Education Training Work Rules”, and other requirements, the Company formulated the “2018 Staff Education and Training Plan”, encouraged employees to “learn outside the Company” or “bring the teachers into the Company”, and made specific training plans in areas of work safety, operation management, professional skills, levy management and national policies, which improved the level of management, skill and professional knowledge of the staff systematically and effectively.

In 2018, the Company conducted special training for newly promoted leading cadres and reserved cadres, and held “middle-level cadres management ability improvement class” to improve the core competitiveness of management personnel and overall leadership. For the professional and technical personnel, the Company continued to promote the post rotation system, and the re-learning by personnel of different positions, enhancing the staff’s understanding of the post, and cultivating new ability suitable for the post. Employees were organized to participate in a series of training classes by the group company such as the Fudan University class, Science and Technology University class, and the Peking University class. As a result, employees’ perspectives were renewed, with their visions broadened and abilities improved.

In the aspect of network learning, the Company continued to promote E-learning online learning, and to encourage learning and communication by using mobile phone and online platforms, so that to cultivate the staff’s ability of self learning.

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Case: The Company Headquarters Launched A Corporate Culture Training Team Expansion Activities

In order to further consolidate the consensus of corporate culture and enhance the sense of teamwork, on 20 April 2018, the Company organized a team development training activity for employees of the department. The Company used college experience provision, group discussions, experience sharing, outdoor activities and other methods to develop the ability of communication, collaboration, leadership, role recognition, management skills and problem solving in the operation of the staff organization.

Employee Health

The Company cares about the health of its employees and is committed to providing them a safe and healthy living and working environment. The Company creates a relaxing and happy working atmosphere and reduces the exposure of employees to occupational hazards, protects the physical and mental health of employees with a systematic and standardized health and safety management system.

Prevention of occupational diseases

The Company strictly abides by the “Social Insurance Law of the People’s Republic of China, the “Social Security Law of the People’s Republic of China” and other laws and regulations, organizes pre-job physical examination for every new employee and arranges annual physical examination for all employees. The Company sets up a comprehensive mutual support network to ensure that security work can cover every employee. At the same time, through regular psychological counseling and lectures on occupational disease prevention, women’s health and other health knowledge, and purchase of group accident and injury insurance, major disease insurance and special disease insurance for female employees in addition to the original “five social insurance and one housing fund”, the Company endeavors to reduce occupational hazards and safeguard employees’ physical and mental health.

Staff Life

In addition to organizing various caring activities, the company also puts itself in the position of employees in difficulties, carries out helping and assistance work, which increases the sense of belonging of employees, and improves the employees’ level of happiness.

The caring activities concerning workers’ sentiment

By organizing talent competitions, sports competitions, health knowledge lectures and sending holiday blessings during major holidays, the Company has established a close relationship with its employees. In 2018, the company encouraged and organized employees to participate in the “March 8th” International Women’s Day activities arranged by the Company’s labor union, organized female employees to experience “farm tourism” in Yanyu of Dawei to fully demonstrate the Company’s care for female employees; meanwhile, the Company actively responded to the national call for “national fitness” and closely followed the implementation of the “National Fitness Plan”, sent senior executives to participate in the second badminton competition held by the Anhui Association of Listed Companies to promote the concept of health and increase the team cohesion and centripetal force.

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Helping work bringing warmth to the employees in need

Concerning the difficulties faced by employees in their daily life, the Company established a systematic and comprehensive mutual assistance assurance system to carry out a series of charitable helping activities and assistance for difficult employees. In order to ensure that the mutual assistance work can cover everyone, the Company has formed a working form of “linking upper and bottom level, joint management, coordination and concert”, and insisted on doing a good job in the investigation of employees in difficulties, ensured that qualified employees were not missed out through investigation and visiting, implemented key household visits to the extremely poor workers to achieve “building one household, approving one household”. For employees who have been verified to have difficulties, the Company took active measures to help. In 2018, the employees who had difficulties in life due to major illnesses or major accidental casualties, the Company gave each of them a gratuitous assistance payment of RMB 2,000, and there was a total of 1 applicant; the Company’s headquarters labour union sent condolences to a total of 7 members who were sick or on maternity leave, and the total amount of condolences was amounted to RMB5,000.

Benefit path for people livelihood

The Company focuses on the people’s livelihood. Giving consideration to economic efficiency, the Company well understands the implication of “When one drinks water, one must not forget where it comes from”. For years, the Company has been focusing on the cause of poverty alleviation, and helps the poor people in the country; the Company implements the toll exemption and reduction policy to allow more people to enjoy convenient and affordable road travel; the Company enthusiastically participates in charitable activities, shares warmth with the community, and contributes its power to building a better society.

Targeted Poverty Alleviation

The Company actively responds to the national policy called of “targeted poverty alleviation and targeted poverty elimination” and formulates the “Company’s Targeted Poverty Alleviation Work Plan”. A working group was set up in Lishu Village, Liufan Town, Taihu County, with the goal of “helping poor villages to achieve poverty alleviation as soon as possible”. Human, material and financial resources were gathered to go deep into the suburbs and rural areas to carry out paired assistance to stimulate the vitality of poverty-stricken areas. In 2018, the Company carried out poverty alleviation measures in various aspects, including industrial development, employment transfer, education popularization, ecological protection and social infrastructure construction, benefiting the entire poverty-stricken villages. The Company’s total poverty alleviation investment for the year was about RMB 3.40 million, of which the total project fund was about RMB 3.15 million. The number of recorded poverty-stricken people helped out of poverty was 1,111, and the rate of poverty fell to 6.2%.

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Poverty alleviation management system

Gaojie Management Office was appointed by the Company as a counterpart to provide assistance to Lishu Village and Gao Daibing, the deputy director of Gaojie Management Office, was appointed to act as first secretary and team leader of the alleviation task force that stationed in the village to assist in formulating good policies on poverty alleviation. The Company insisted on adopting “household-based policies, targeted management” in poverty elimination and alleviation measures. Poverty alleviation efforts were concentrated and focused on one village, one household and one person to increase the pace of poverty elimination constantly. At the coupling stage, the Gaojie Management Office would provide active coordination to collaborate with various alleviation units in performing the duties of alleviation through the mechanism of “units are responsible for villages, cadres are responsible for households”. A targeted and dynamic long-term effective mechanism was established to match the contact person of alleviation with the target of alleviation, guidance was provided to poverty-stricken households through various channels such as door-step promotion and formulating alleviation policies for completing the poverty elimination plan. At the implementation stage, Gaojie Management Office adopted the attitude of “maximizing sharing, maximizing assistance” by conducting door-to-door visits to understand the situation and needs of the poor households and to ensure that the alleviation policies would cover each and every household. In 2018, Gaojie Management Office set up paired alleviation accounts for 144 cadres engaged in alleviation work to provide guidance and assistance to 339 households in poverty for creating a database for alleviation project and formulating an annual plan for alleviation.

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Poverty alleviation through industrial development

The Company firmly believes that development of industries is the fundamental policy for poverty alleviation. Under the relentless efforts of Gaojie Management Office of the Company, Lishu Village has formed an industrial development model of “Cooperative Head Office + Cooperative Branches operated by private sector (developing talents) + Poor Households” with diversified and multiple approaches of development by focusing on industrial development projects such as ecological livestock and poultry breeding, planting of economic crops, processing of agricultural products and generating income from assets. Meanwhile, Gaojie Management Office has also promoted sales of local agricultural products through expanding the sales channels for agricultural products such as purchase by subscription, sales assistance, online and offline channels to broaden the market for poverty-stricken households and introduce long-term stable sources of income. In 2018, Gaojie Management Office implemented a number of targeted poverty alleviation projects including expansion of photovoltaic power plants, construction of transport facilities, establishment of tea plantations, establishment of calf breeding base and provision of targeted household assistance (such as bonus and subsidy for poverty alleviation, grants for difficult households). The total amount of capital involved in the project implemented was RMB 2.18 million. In addition, Gaojie Management Office made further progress in the “Service Area+” poverty alleviation project, a targeted poverty alleviation demonstration area “Taihu Gift” was set up in the Taihu Service Area of Huyu Expressway. Agricultural projects were introduced in the Xiangpu Service Area to assist the sales of agricultural products and broaden the market for tourism products in Lishu Village and Taihu County.

Poverty alleviation through knowledge improvement

The Company firmly believes that “teach a man to fish” is the original motivation power of poverty alleviation. In the aspects of education, employment and financial poverty alleviation, perpetual development resources are brought to poverty-stricken villages through various methods such as education subsidies, public welfare education assistance, employment training and transfer, and provision of loans. The Company continued implementing the projects such as “Golden Autumn Education Grants”, supporting the training of vocational skills and employment transfer services, building the village-level poverty alleviation stations and e-commerce service stations, arranging for employment of poor households to work in village cooperatives and positions in cooperatives operated by private sector in order to accelerate the pace of overcoming difficulties in poverty alleviation through knowledge development in poverty-stricken areas.

Poverty alleviation through providing social security

The Company believes that poverty alleviation in community is the pre-condition of performing poverty elimination tasks smoothly. Through poverty alleviation measures such as relocation and social security coverage, the poverty-stricken households can fulfill their basic needs in clothing, food, shelter and transport. In 2018, Gaojie Management Office of the Company provided housing assurance for poverty-stricken villages by relocating one household consisting of four persons, reconstructed dilapidated houses for seven households,

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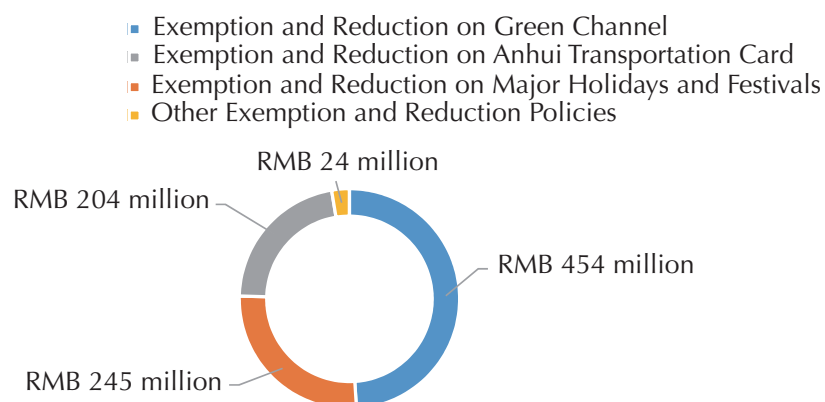
and provided pair-up alleviation assistance to several primary schools, special education schools and elderly homes, a total amount of approximately RMB210,000 was invested, assistance was provided to more than 80 poor students, 56 poverty-stricken handicapped persons and more than 40 persons under the “Three left-behind” category. The deputy secretary of the Party head office of Xuanguang Company, a subsidiary of the Company, provided alleviation funds and supplies equivalent to RMB 3,600 to assist the designated poverty-stricken household under the Ye Group in Suling Village of Taohuatan Township in Jing County, a total of 12 visits and assistances were provided during the year.

Property alleviation through infrastructure construction.

The Company firmly believes that construction of infrastructure is a strong support for poverty alleviation. By increasing the investment efforts in the construction of infrastructure, enhancing environmental governance and public services, Gaojie Management Office has coordinated with two village committees of the Lishu Village to carry out the “Three Reforms” of water supply reform, toilet reform and waste treatment reform. In 2018, the Company invested RMB 1.60 million to implement the project of widening the 6-km village road from Sanhekou to Lishu Primary School and invested RMB 260,000 in the new construction and renovations for drinking water projects in 10 natural villages. Meanwhile, Xuanguang Company provided pair-up assistance to Xiaokang Village in Caicun Township of Jing County in Xuancheng City, Anhui Province, by investing capital funds in the amount of RMB 50,000 to construct a beautiful village. From 2016 to 2018, the Company had invested a cumulative total amount of over RMB 40 million to implement infrastructure projects, such as rural road clearance project, building rural roads, repairing flooded farming fields, restoring river channels and rural drinking water projects to bring a comprehensive change in the rural habitat and environment.

Exemption and Reduction of Fees

As the industry closest to the people, road transport industry is closely related to economic development and social livelihood. We will strictly implement the exemption and reduction policy for the green channel, major holidays, Anhui transportation card holders and others, provide a hub and guarantee for the development of all sectors of the society, and allow the people to enjoy the achievements of transportation construction. During the reporting period, the amount of the Company’s exemptions and reductions continued to grow rapidly, with a total of RMB 927 million representing a year-on-year increase of 4.8%.



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Exemption and reduction on Green Channel

The Company implemented the new policy for green channel, continuously strengthened on-the-spot toll management, exempted and reduced tolls, expedited the transportation of fresh agricultural products, flood fighting and disaster relief vehicles, electric coal transportation vehicles, cross-region combined harvesters and other vehicles, in order to play its role in promoting rural economic development, ensuring the livelihood of urban residents and maintaining social stability and the safety of public life and property. In 2018, a total of 1,382 thousand vehicles were exempted by the Company.

Exemption and reduction on major holidays and festivals

In accordance with the characteristics of the road sections under its management and the road conditions during the major holidays in previous years, the Company continuously optimized the management rules, perfected implementation of the reduction and exemption policy and implemented the “National Policy of exemption of tolls for small passenger vehicles during major holidays” seriously, to provide a fast and convenient journey for the public in the Spring Festival and other major holidays when small passenger vehicles could travel toll-free. During the major holidays of 2018, the total of 5,590 thousand vehicles were exempted by the Company.

Exemption and reduction on Anhui Transportation Card

In response to the demand for the national reform on “supply-side”, Anhui Province launched a preferential policy which offers a 15% discount for goods vehicles holding Anhui transportation card starting from 21 July 2016. Control measures on overloaded trucks travelling within the province had become effective starting from 21 September of the same year, gradually changing the mode of transport of the goods vehicles from “single-run transport exceeding load limits” into “multi-run transport in a lawful manner”. In October 2018, Anhui Provincial Department of Transportation issued the “Notice on Adjustment of Preferential Period for Truck Toll”, extending the end date for such preferential policies to the end of 2020 and the truck traffic increased continuously. The Company implemented the policy thoroughly in 2018 and the amount of Anhui transportation card discount for the year is approximately RMB 204 million, representing a year-on-year increase of 24.39%.

Other exemptions and reductions policies

Other policy exemptions and reductions of the Company during the reporting period are approximately RMB 24 million.

Volunteering Activities

In recent years, the Company has organized voluntary service activities such as donating books and stationery to Hope Primary Schools, organizing social welfare relay run, voluntary blood donation, visiting elderly revolutionary Party members in elderly homes, visiting lonely elderly people in community elderly homes and other public activities to compose a harmonious society movement with responsibility and love. In 2018, the Chuzhou management office of the Company joined hands with young volunteers to organize 39 left-behind children in Nanqiao district to launch a patriotic public welfare film watching event. Hefei management office carried out the “woodpecker” voluntary operation continuously, and the youth league general branch department participated in “Maying Project”, a poverty alleviation project in Anhui Province, and granted the wishes of three families in Hefei in the “Helping Tiny Wishes Come True” activity.

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Appendix I Overview of ESG KPI

Environment Indicators

Category	ESG Indicator	Unit	Data of 2018
A Environment			
A1: Emissions			
A1.1	The types of emissions and respective emissions data.		
	Nitrogen Oxides (NOX)	ton	4.24
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.		
	Total greenhouse gas emissions	ton-carbon dioxide equivalence	13,549.95
	Greenhouse gas emission intensity	ton-carbon dioxide equivalence/km (length of highway in operation)	24.33
	Direct emission (scope 1)	ton-carbon dioxide equivalence	3,999.72
	Indirect emission (scope 2)	ton-carbon dioxide equivalence	9,550.23
A1.3	Total hazardous waste produced and, where appropriate, intensity.		
	Used florescent lamp tubes	piece	2,181
	Used printer cartridges	piece	573
	Used batteries	piece	917
	Recycled ink cartridges	piece	247
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.		
	Total amount of non-hazardous waste	ton	1,263.64
	Density of non-hazardous waste produced	ton/km (length of highway in operation)	2.27
	Office paper	ton	9.20
	Kitchen waste	ton	497.40
	Household waste	ton	757.05

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Category	ESG Indicator	Unit	Data of 2018
A2: Use of Resources			
	A2.1 Direct and/or indirect energy consumption by type in total and intensity		
	Total energy consumption	tons of standard coal	1805.79
	Energy intensity	tons of standard coal/ km (length of highway in operation)	3.24
	Electricity consumption	ten thousand kWh	1,472.78
	Petrol consumption	ten thousand liters	81.42
	Diesel consumption	ten thousand liters	78.93
	Liquefied petroleum gas	ton	30.08
	A2.2 Water consumption in total and intensity.		
	Total water consumption	ton	242,923.60
	Water consumption intensity	ton/km (length of highway in operation)	436.13

Social Indicators

Category	ESG Indicator	Unit	Data of 2018
B1: Employment			
	B1.1 Total workforce by gender, employment type, age group and geographical region.		
	Total workforce	person	3,075
	Male employee	person	1,409
	Female employee person	person	1,666
	Employees of the parent company	person	2,261
	Employees of major subsidiaries	person	814
	35 years old and below	person	2,074
	35-50 years old	person	869
	50 years old and above	person	132

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Category	ESG Indicator	Unit	Data of 2018
B2: Health and Safety	B2.1 Number and rate of work-related fatalities.		
	Number of work-related fatalities.	person	0
B3: Development and Training	B3.1 The percentage of employees trained by gender and employee category.		
	Total employees trained	person-time	19,957
	Male employee	person-time	9,213
	Female employee	person-time	10,744
	Employees of the parent company	person-time	17,437
	Employees of major subsidiaries	person-time	2,520
	B3.2 The average training hours completed per employee by gender and employee category.		
	Total average training hours completed per employee	hour/person	27.88
	Male employee	hour/person	28.44
	Female employee	hour/person	27.41
Employees of the parent company	hour/person	34.47	
Employees of major subsidiaries	hour/person	9.61	
B5: Supply Chain Management	B5.1 Number of suppliers by geographical region*.		
	Total suppliers	suppliers	36

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Category	ESG Indicator	Unit	Data of 2018
B6: Product Responsibility	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.		
	Provide related services to receive complaints	times	4
	Normal closure rate for complaints	%	100
B7: Anti-corruption	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	cases	0
B8: Community Investment	B8.2 Resources contributed o the focus area.		
	Total investments in targeted poverty alleviation	ten thousand	339.96

* Description of data category: the statistical category of the number and distribution of suppliers of the company in 2018 only includes the construction suppliers determined through open bidding, and the situation of suppliers through other formal channels or of other categories are not included.

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Appendix II Policy list

category	Major laws and regulations	Major management policies
A1: Emissions	<p>"Environmental Protection Law of the PRC"</p> <p>"Atmospheric Pollution Prevention and Control Law of the PRC"</p> <p>"Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste"</p> <p>"Water Pollution Prevention and Control Law of the PRC"</p> <p>"Regulations on the Administration of Construction Project Environmental Protection"</p>	"Management of public vehicles"
A2: Use of Resources	<p>"Law of the PRC on Energy Conservation"</p> <p>"Law of the PRC on Promotion of Cleaner Production"</p>	/
A3: The Environment and Natural Resources	<p>"Environmental Protection Law of the PRC"</p> <p>"Law of the PRC on Water and Soil Conservation"</p>	/
B1: Employment	<p>"Labor Law of the PRC"</p> <p>"Labor Contract Law of the PRC"</p> <p>"Social Insurance Law of the PRC"</p> <p>"Tax Law of the PRC"</p> <p>"Law of the PRC on the Protection of Minors"</p> <p>"Provisions on Prohibition of Child Labour"</p>	<p>"Measures for the Administration of Labor Contract"</p> <p>"Measures for the Administration of Employee Recruitment"</p> <p>"Interim Measures for the Administration of Remuneration"</p> <p>"Post Specification"</p> <p>"Performance Appraisal Implementation Plan for Department Head"</p> <p>"Performance Appraisal Implementation Plan for Department Employee"</p>
B2: Health and Safety	<p>"Labor Law of the PRC"</p> <p>"Labor Contract Law of the PRC"</p> <p>"Social Insurance Law of the PRC"</p> <p>"Law of the PRC on Work Safety"</p> <p>"Law of the PRC on Prevention and Control of Occupational Diseases"</p>	"Interim Measures for the Administration of Production Safety"
B3: Development and Training	<p>"Labor Law of PRC"</p> <p>"Labor Contract Law of PRC"</p> <p>"Social Insurance Law of PRC"</p>	<p>"Measures for the Administration of Employee Training"</p> <p>"Measures for the Administration of Executive Employee"</p> <p>"Measures for the Administration of Professional and Technical Post"</p> <p>"Measures for the Administration of Skilled Talent"</p>

Section IX Environmental, Social and Governance Report

category	Major laws and regulations	Major management policies
B4: Labour Standards	"Labor Law of the PRC" "Labor Contract Law of the PRC" "Social Insurance Law of the PRC" "Social Security Law of the PRC" "Law of the PRC on the Protection of Minors" "Provisions on Prohibition of Child Labour"	"Measures for the Administration of Labor Contracts"
B5: Supply Chain Management	"Company Law of the PRC" "Contract Law of the PRC"	/
B6: Product Responsibility	"Road Traffic Safety Law of the PRC" "Law of the PRC on Work Safety" "Emergency Handling Law of the PRC" "Customary Measures for Emergency Plan of Production Safety Accident" "Technical Specifications for Highway maintenance"	"Interim measures for the administration of production safety" "Measures for the Administration of Expressway Patrol and Inspection (trial)" "Guide manual for Finding Operational Road Safety Risk Point" "Interim Measures for the Administration of Smiling Service"
B7: Anti-corruption	"Criminal Law of the PRC" "Company Law of the PRC" "Anti-Unfair Competition Law of the PRC"	"Interim Measures for the Administration of Investigation and Handling of Disciplinary Violations" "Interim Measures for the Administration of Strict political discipline and rules" "Interim measures for the Administration of Middle Manager Integrity Construction Work"
B8: Community Investment	"Charity Law of the PRC"	/

Section IX Environmental, Social and Governance Report

Appendix III Index of report disclosure content

Level	Major performance indicator	Report section/statement
General disclosure	Policies on air and greenhouse gas emissions, discharges to water and land, and the generation of hazardous and non-hazardous wastes.	Steady path for operation
A1.1	The types of emissions and respective emissions data.	Overview of ESG KPI — Environment Indicator Pollutant gas is not important category to the Company's operations
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Steady path for operation — Green operation Overview of ESG KPI — Environment Indicator
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Steady path for operation — Green operation Overview of ESG KPI — Environment Indicator
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Steady path for operation — Green operation Overview of ESG KPI — Environment Indicator Hazardous wastes are not important category to the Company's operations
A1.5	Description of measures to mitigate emissions and results achieved.	Steady path for operation — Green conservation Steady path for operation — Green operation
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Steady path for operation — Green operation

Section IX Environmental, Social and Governance Report

Level	Major performance indicator	Report section/statement
General disclosure	Policies for the efficient use of resources, including energy, water and other raw materials.	Friendly path for environment — Green conservation Friendly path for environment — Green operation
A2.1	Direct and/or indirect energy consumption by type in total and intensity	Friendly path for environment — Green operation Overview of ESG KPI — Environment Indicator
A2.2	Water consumption in total and intensity.	Friendly path for environment — Green operation Overview of ESG KPI — Environment Indicator
A2.3	Description of energy use efficiency initiatives and results achieved.	Friendly path for environment — Green operation
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Friendly path for environment — Green operation The Company has no problems in obtaining applicable water sources this year.
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not Applicable. The use of finished packaging materials are not an important aspect in the operation and development of the Company
General disclosure	Policies on minimizing the significant impact of issuers on the environment and natural resources.	Friendly path for environment — Green service
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Friendly path for environment — Green service

Section IX Environmental, Social and Governance Report

Level	Major performance indicator	Report section/statement
General disclosure	Information on policies relating to remuneration and dismissal, recruitment and promotion, hours of work, rest periods, equal opportunity, diversity, anti-discrimination and other welfare and benefits and compliance with relevant laws and regulations which have a material impact on the issuer.	Growth path for employees — Employee rights Growth path for employees — Employee development
B1.1	Total workforce by gender, employment type, age group and geographical region.	Growth path for employees — Employee rights The Company's employees are substantially in Anhui Province
B1.2	Employee turnover rate by gender, age group and geographical region.	/
General disclosure	Information on policies relating to providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations that have a material impact on the issuer.	Growth path for employees — Employee health
B2.1	Number and rate of work-related fatalities.	Growth path for employees — Employee health
B2.2	Lost days due to work injury.	/
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Growth path for employees — Employee health
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Growth path for employees — Employee development
B3.1	The percentage of employees trained by gender and employee category.	Growth path for employees — Employee development
B3.2	The average training hours completed per employee by gender and employee category.	Overview of ESG KPI — Social Indicator

Section IX Environmental, Social and Governance Report

Level	Major performance indicator	Report section/statement
General disclosure	Information on policies relating to preventing child and forced labor and compliance with relevant laws and regulations which have a material impact on the issuer.	Growth path for employees — Employee rights Overview of ESG KPI — Social Indicator
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Growth path for employees — Employee rights
B4.2	Description of steps taken to eliminate such practices when discovered.	Safety path for working — High quality service
General disclosure	Policies on managing environmental and social risks policies of the supply chain.	Steady path for operation — Win-win cooperation
B5.1	Number of suppliers by geographical region.	Steady path for operation — Win-win cooperation
B5.2	Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	Steady path for operation — Win-win cooperation
General disclosure	Information on the policies relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress and compliance with relevant laws and regulations which have a material impact on the issuer.	Steady path for operation — Compliance control
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable. Product recovery and other procedures are not involved in the Company's operation process.
B6.2	Number of products and service related complaints received and how they are dealt with	Safety path for working — High quality service Overview of ESG KPI - Social Indicator
B6.3	Description of practices relating to observing and protecting intellectual property rights.	/

Section IX Environmental, Social and Governance Report

Level	Major performance indicator	Report section/statement
B6.4	Description of quality assurance process and recall procedures.	Not Applicable. Product verification, recovery and other procedures are not involved in the Company's operation process.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Steady path for operation — Compliance control
General disclosure	Information on policies relating to bribery, extortion, fraud and money laundering and compliance with relevant laws and regulations that have a significant impact on issuers.	Steady path for operation — Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Steady path for operation — Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Steady path for operation — Anti-corruption
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Benefit path for people livelihood — Targeted poverty alleviation
B8.1	Focus areas of contribution.	Benefit path for people livelihood — Targeted poverty alleviation Build a road to benefit all and use together- Volunteering Activity
B8.2	Resources contributed on the focus area.	Benefit path for people livelihood — Targeted poverty alleviation Benefit path for people livelihood — Volunteering Activity

Section X Report of the Supervisory Committee

In 2018, 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 2018, the Supervisory Committee held 4 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 7 board meetings and 1 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 2018 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 2018 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 2018 in compliance with the provision of the relevant laws, regulations and the Articles of Association.

Section X Report of the Supervisory Committee

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 2018 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 2018” 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 establishment, perfection and internal control of the Group.

In 2019, 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

22 March 2019

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 175 to 272, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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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羅兵咸永道

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



羅兵咸永道

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 2018, total concession intangible assets amounted to approximately RMB 10,308,886 thousand, which accounted for 70% of total assets. For the year ended 31 December 2018, the additions and amortisation of concession intangible assets amounted to approximately RMB 908,856 thousand and RMB 593,212 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.



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

- 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.

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 evidence 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 2018 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, environmental, social and governance 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, environmental, social and governance 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.

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.



羅兵咸永道

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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with 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.

Independent Auditor's Report



羅兵咸永道

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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, 22 March 2019

Consolidated balance sheet

As at 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

ASSETS	Note	As at 31 December	
		2018	2017
Non-current assets			
Concession intangible assets	5	10,308,886	10,002,807
Land use rights	6	9,399	10,464
Property, plant and equipment	7	958,059	999,705
Investment properties	8	364,868	331,878
Intangible assets	9	3,406	7,065
Investment in an associate	11	128,932	125,010
Deferred income tax assets	23	26,523	12,313
Financial assets at fair value through other comprehensive income ("financial assets at FVOCI")	12	336,300	—
Available-for-sale ("AFS") financial assets	12	—	404,846
		12,136,373	11,894,088
Current assets			
Inventories	14	5,033	7,402
Other current assets		3,513	—
Receivables and prepayments	13	171,562	503,418
Restricted cash	15	60,000	—
Cash and cash equivalents	15	2,453,475	1,829,395
		2,693,583	2,340,215
Total assets		14,829,956	14,234,303
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Ordinary share capital	16	1,658,610	1,658,610
Share premium	16	1,415,593	1,415,593
Other reserves	17	51,533	116,522
Retained earnings		6,992,938	6,245,478
		10,118,674	9,436,203
Non-controlling interests	10(f)	510,433	650,390
Total equity		10,629,107	10,086,593

Consolidated balance sheet (continued)

As at 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

	Note	As at 31 December	
		2018	2017
LIABILITIES			
Non-current liabilities			
Long-term payables	22	1,079,788	1,130,609
Borrowings	20	1,562,897	1,666,585
Deferred income tax liabilities	23	98,049	105,303
Deferred income	18	28,583	30,757
		<u>2,769,317</u>	<u>2,933,254</u>
Current liabilities			
Trade and other payables	19	1,109,867	999,273
Current income tax liabilities		152,967	157,370
Provision	21	23,010	34,565
Borrowings	20	145,688	23,248
		<u>1,431,532</u>	<u>1,214,456</u>
Total liabilities		<u>4,200,849</u>	<u>4,147,710</u>
Total equity and liabilities		<u>14,829,956</u>	<u>14,234,303</u>

The notes on pages 182 to 272 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 175 to 272 were approved by the Board of Directors on 22 March 2019 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 2018
(All amounts in Renminbi thousand unless otherwise stated)

		Year ended 31 December	
	Note	2018	2017
Revenue	26	3,875,803	4,308,759
Cost of sales	28	(2,226,319)	(2,668,061)
Gross profit		1,649,484	1,640,698
Other gains - net	27	105,818	65,140
Administrative expenses	28	(88,707)	(104,143)
Net impairment losses on financial assets	29	(2,712)	—
Operating profit		1,663,883	1,601,695
Finance costs	31	(130,277)	(92,475)
Share of profit of an associate	11	3,922	20,419
Profit before income tax		1,537,528	1,529,639
Income tax expenses	32	(448,049)	(451,948)
Profit for the year		1,089,479	1,077,691
Attributable to:			
Owners of the Company		1,115,361	1,083,235
Non-controlling interests		(25,882)	(5,544)
		1,089,479	1,077,691
Basic and diluted earnings per share (expressed in RMB per share)	33	0.6725	0.6531

The notes on pages 182 to 272 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Year ended 31 December	
		2018	2017
Profit for the year		1,089,479	1,077,691
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in value of AFS financial assets, net of tax		—	(10,051)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Change in value of financial assets at FVOCI, net of tax	12, 23	(51,410)	—
Total comprehensive income for the year		1,038,069	1,067,640
Attributable to:			
Owners of the Company		1,063,951	1,073,184
Non-controlling interests		(25,882)	(5,544)
		1,038,069	1,067,640

The notes on pages 182 to 272 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2018
(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		
Balance at 1 January 2017	<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>
Comprehensive income						
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	—	—	(10,051)	—	—	(10,051)
Total comprehensive (loss)/income	<u>—</u>	<u>—</u>	<u>(10,051)</u>	<u>1,083,235</u>	<u>(5,544)</u>	<u>1,067,640</u>
Transactions with owners						
Dividends relating to 2016	34	—	—	(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	22, 23	—	—	—	16,971	16,971
Balance at 31 December 2017	<u>1,658,610</u>	<u>1,415,593</u>	<u>116,522</u>	<u>6,245,478</u>	<u>650,390</u>	<u>10,086,593</u>
Change in accounting policy	2.2	—	(12,565)	12,565	—	—

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2018
(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		
Balance at 1 January 2018		1,658,610	1,415,593	103,957	6,258,043	650,390	10,086,593
Comprehensive income							
Profit for the year ended 31 December 2018		—	—	—	1,115,361	(25,882)	1,089,479
Other comprehensive loss							
– Fair value losses on financial assets at FVOCI, net of tax	12	—	—	(51,410)	—	—	(51,410)
Total comprehensive (loss)/income		—	—	(51,410)	1,115,361	(25,882)	1,038,069
Transactions with owners							
Dividends relating to 2017	34	—	—	—	(381,480)	—	(381,480)
Dividends paid to non-controlling interests of subsidiaries relating to 2017		—	—	—	—	(127,255)	(127,255)
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	—	—	—	—	13,180	13,180
Balance at 31 December 2018		1,658,610	1,415,593	51,533	6,992,938	510,433	10,629,107

The notes on pages 182 to 272 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

		Year ended 31 December	
	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations	36	1,274,257	1,138,795
Interest paid		(95,067)	(87,861)
Income tax paid		(461,173)	(412,264)
Net cash generated from operating activities		718,017	638,670
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(116,475)	(55,956)
Purchase of intangible assets	9	(407)	(3,250)
Purchase of investment properties	8	(1,692)	(3,852)
Purchase of AFS financial assets	12	—	(200,000)
Net (increase)/decrease in restricted cash	15	(60,000)	110,000
Net decrease/(increase) in financial products	13	360,000	(230,000)
Proceeds from sales of property, plant and equipment		657	708
Interest received	27	76,873	57,904
Dividends received from an associate		21,135	3,464
Dividends received from financial assets at FVOCI		200	—
Net cash generated from/(used in) investing activities		280,291	(320,982)
Cash flows from financing activities			
Proceeds from bank borrowings		42,000	40,000
Proceeds from long-term payables		148,600	212,790
Repayments of bank borrowings		(23,248)	(125,524)
Repayments of long-term payables	22	(32,952)	(32,952)
Dividends paid to the non-controlling interests		(127,255)	(101,780)
Dividends paid to the Company's shareholders	34	(381,480)	(381,480)
Net cash used in financing activities		(374,335)	(388,946)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		1,829,395	1,900,812
Exchange gains/(losses) on cash and cash equivalents		107	(159)
Cash and cash equivalents at end of the year		2,453,475	1,829,395

The notes on pages 182 to 272 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(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. Besides, the Group has commenced to operate pawn business since 2012.

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 2018, the Group’s toll roads and concession period granted are shown as follows:

Toll road	Length kilometres	Concession periods granted
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 Xuancheng to Ningguo Section (i)	46	From 8 September 2013 to 7 September 2043
Ningxuanhang Expressway Ningguo to Qianqiuguan Section (ii)	40	From 19 December 2015 to 18 December 2020
Ningxuanhang Expressway Liqiao to Xuancheng Section (ii)	27	From 30 December 2017 to 29 December 2022

- (i) In 2013, Ningxuanhang Expressway Xuancheng to Ningguo Section was officially opened to traffic. The length of toll road is 46 kilometres. The formal concession period is 30 years starting from 8 September 2013, granted by local government on 5 September 2018.
- (ii) In 2015, Ningxuanhang Expressway Ningguo to Qianqiuguan 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, Ningxuanhang Expressway Liqiao to Xuancheng 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. Concession intangible assets of the two sections are amortised over 30 years temporarily before the formal granted concession period is granted, which will be determined according to future assessment and relevant provisions.

These consolidated financial statements are presented in thousand of Renminbi (“RMB’000”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 22 March 2019.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(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 Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVOCI, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. 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) *New standards, amendments and interpretation of HKFRS effective in 2018 adopted by the Group*

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

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

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15 and the impacts are summarised in Notes 2.2.1 to 2.2.3. The other amendments and interpretation listed above did not have any impact on the consolidated financial statements of the Group.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(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 interpretation of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group*

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
(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 interpretation of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group (continued)

(i) HKFRS 16 “Leases”

Nature of change

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

Impact

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

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

Date of adoption by Group

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

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

2.2.1 Impact on the consolidated financial statements

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

2.2.2 HKFRS 9 “Financial Instruments”

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

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

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

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

(a) Classification and measurement

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 “Financial Instruments” (continued)

(a) Classification and measurement (continued)

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

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

(i) Equity investment previously classified as AFS financial assets

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

2.2.2 HKFRS 9 “Financial Instruments” (continued)

(a) Classification and measurement (continued)

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

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

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

(b) Impairment of financial assets

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

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

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

2.2.3 HKFRS 15 “Revenue from Contracts with Customers”

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries

2.3.1 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.

Acquisition-related costs are expensed as incurred.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) *Business combinations (continued)*

(ii) *Business combinations not under common control (continued)*

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.

(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.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(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.

2.3.2 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 2.12.

2.4 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.

Notes to the consolidated financial statements

*For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)*

2 Summary of significant accounting policies (continued)

2.4 Associates (continued)

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.

2.5 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.

Notes to the consolidated financial statements

*For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)*

2 Summary of significant accounting policies (continued)

2.5 Segment reporting (continued)

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 revenue, profit or loss and assets of the pawn services business were much less than 10% of the relevant combined totals. 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 for year 2018.

The Group is domiciled in Anhui Province, the PRC. Its revenue is generated from Anhui Province, the PRC. As at 31 December 2018 and 2017, all non-current assets of the Group are located in the PRC.

2.6 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".

Notes to the consolidated financial statements

*For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)*

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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.

2.7 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 2.27(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 2.12).

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.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.7 Service concession arrangements (continued)

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 2.25 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.

2.8 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 2.12).

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.

Notes to the consolidated financial statements

For the year ended 31 December 2018
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2 Summary of significant accounting policies (continued)

2.9 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 2.12).

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.

2.10 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.

2.11 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 2.7. 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 2018
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2 Summary of significant accounting policies (continued)

2.12 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.

2.13 Financial assets

2.13.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

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

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

2.13.2 Recognition and derecognition

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

2.13.3 Measurement

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

(a) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as financial assets at amortised cost, of which the assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other gains using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains or losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

(b) *Equity instruments*

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

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.13.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.13.5 Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

2.13.5 Accounting policies applied until 31 December 2017 (continued)

(a) *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.

(i) *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 2.16 and 2.17).

(ii) *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.

(b) *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.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

2.13.5 Accounting policies applied until 31 December 2017 (continued)

(c) *Impairment*

(i) *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.

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.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

2.13.5 Accounting policies applied until 31 December 2017 (continued)

(c) Impairment (continued)

(i) Assets carried at amortised cost (continued)

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.

(ii) 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.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has 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.

2.15 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.

Notes to the consolidated financial statements

*For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)*

2 Summary of significant accounting policies (continued)

2.16 Other receivables

Other receivables are amounts due from customers for operation of pawn business, toll roads and associated service sections. If collection of 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.

Other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.13.4 for a description of the Group's impairment policies on financial assets which are applicable to other receivables.

2.17 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.

2.18 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.

2.19 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.

Notes to the consolidated financial statements

*For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)*

2 Summary of significant accounting policies (continued)

2.20 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.

2.21 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.

2.22 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.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

(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.

(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.

Notes to the consolidated financial statements

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2 Summary of significant accounting policies (continued)

2.23 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.

2.24 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 years.

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.

2.25 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.

Notes to the consolidated financial statements

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2 Summary of significant accounting policies (continued)

2.26 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.

2.27 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.

(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.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.29 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.

Notes to the consolidated financial statements

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(All amounts in Renminbi thousand unless otherwise stated)*

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 financial assets 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 2018, 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 191 thousand lower/higher (31 December 2017: RMB 186 thousand), mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash at bank. Profit is more sensitive to movement in RMB/HKD exchange rates in 2018 than 2017 because of the increased amount of HKD-denominated cash and cash equivalents.

Notes to the consolidated financial statements

For the year ended 31 December 2018
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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 other receivables (including pawn loans to customers).

(i) Deposits with banks

The table below shows the cash at bank balance of the Group as at 31 December 2018 and 2017:

	As at 31 December	
Counterparties	2018	2017
Major financial institutes	<u>2,513,472</u>	<u>1,829,392</u>

The Group has policies to place its deposits only with major financial institutions. As at 31 December 2018 and 2017, most of cash was deposited with major financial institutions in Mainland China and Hong Kong. The Group's management does not expect any material loss from non-performance by these counterparties.

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables (including pawn loans to customers).

The closing impairment allowances for other receivables as at 31 December 2018 reconcile to the opening impairment allowances as follows:

	Other receivables	
	2018	2017
Beginning of the year	(123,844)	(114,726)
Impairment loss recognised (Note 28, 29)	<u>(2,712)</u>	<u>(9,118)</u>
End of the year	<u>(126,556)</u>	<u>(123,844)</u>

Notes to the consolidated financial statements

For the year ended 31 December 2018
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) *Other financial assets at amortised cost (continued)*

Hefei Wan Tong Pawn Co., Ltd. (“合肥皖通典当有限公司”, “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.

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.

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For the year ended 31 December 2018
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Other financial assets at amortised cost (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	
	2018	2017
Pawn loans to customers		
– Real estate backed pawn loans	94,624	55,159
– Forest rights backed pawn loans	62,739	62,739
– Equity interests backed pawn loans	17,250	17,250
– Combination of real estate and equity interest backed pawn loans	9,105	9,105
– Accounts receivable backed pawn loans	2,000	4,348
	185,718	148,601
Less: Impairment allowances		
– Real estate backed pawn loans	(33,779)	(32,111)
– Forest rights backed pawn loans	(62,739)	(62,739)
– Equity interests backed pawn loans	(17,250)	(17,250)
– Combination of real estate and equity interest backed pawn loans	(8,696)	(6,854)
– Accounts receivable backed pawn loans	(1,400)	(2,574)
	(123,864)	(121,528)
	61,854	27,073

Notes to the consolidated financial statements

For the year ended 31 December 2018
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) *Other financial assets at amortised cost (continued)*

Wan Tong Pawn's management determines whether objective evidence of higher credit risk 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.

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.

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For the year ended 31 December 2018
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Other financial assets at amortised cost (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	As at 31 December	
	2018	2017
Pawn loans to customers:		
– Real estate backed pawn loans	60,845	23,048
– Forest rights backed pawn loans	—	—
– Equity interests backed pawn loans	—	—
– Combination of real estate and equity interest backed pawn loans	409	2,251
– Accounts receivable backed pawn loans	600	1,774
	61,854	27,073
	61,854	27,073

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	
	2018	2017
Not past due	47,040	—
Past due but not impaired	—	—
Impaired	138,678	148,601
	185,718	148,601
Less: Impairment allowances	(123,864)	(121,528)
	61,854	27,073

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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
At 31 December 2018					
Bank borrowings, including interest (Note 20)	207,227	584,275	493,163	721,363	2,006,028
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)	816,039	—	—	—	816,039
Long-term payables, including interest and current portion (Note 22)	280,074	526,391	144,854	1,019,601	1,970,920
	<u>1,303,340</u>	<u>1,110,666</u>	<u>638,017</u>	<u>1,740,964</u>	<u>4,792,987</u>

Notes to the consolidated financial statements

For the year ended 31 December 2018
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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
At 31 December 2017					
Bank borrowings, including interest (Note 20)	84,615	523,428	488,988	926,528	2,023,559
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)	891,344	—	—	—	891,344
Long-term payables, including interest and current portion (Note 22)	<u>90,823</u>	<u>655,227</u>	<u>205,820</u>	<u>874,638</u>	<u>1,826,508</u>
	<u>1,066,782</u>	<u>1,178,655</u>	<u>694,808</u>	<u>1,801,166</u>	<u>4,741,411</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 2018, 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 2018 and 2017, the Group's bank borrowings at floating rate were denominated in RMB and HKD. As at 31 December 2018, the Group's bank borrowings to the extent of RMB 1,108,585 thousand (31 December 2017: RMB 1,089,833 thousand) were issued at floating rates. As at 31 December 2018, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB 5,527 thousand (2017: RMB 5,449 thousand) higher or lower.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

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 2018, the Group's long-term payables of RMB 723,930 thousand (31 December 2017: RMB 597,170 thousand) were at floating rate and expose the Group to cash flow interest rate risk. As at 31 December 2018, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB 3,253 thousand (2017: RMB 2,433 thousand) higher or lower. The Group's long-term payables of RMB 595,936 thousand (including current portion of long-term payables) (31 December 2017: RMB 588,518 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 2018 and 2017 were as follows:

	As at 31 December	
	2018	2017
Total borrowings (Note 20)	1,708,585	1,689,833
Long-term payables (Note 22)	1,319,866	1,185,688
Less: cash and cash equivalents (Note 15)	(2,453,475)	(1,829,395)
Net debts	574,976	1,046,126
Total equity	10,629,107	10,086,593
Total capital	11,204,083	11,132,719
Gearing ratio	5.13%	9.40%

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

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 2018 and 2017.

At 31 December 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at FVOCI	—	—	336,300	336,300
At 31 December 2017	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
AFS financial assets	—	—	404,846	404,846

Notes to the consolidated financial statements

For the year ended 31 December 2018
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3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2018 and 2017.

	For the year ended 31 December	
	2018	2017
	Financial assets at FVOCI	AFS financial assets
Opening balance	404,846	235,000
Additions	—	200,000
Losses recognised in profit or loss	—	(16,754)
Losses recognised in other comprehensive income	(68,546)	(13,400)
Closing balance	336,300	404,846

Quantitative information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2018	Valuation technique	Unobservable input	Range (weighted average)
Financial assets at FVOCI	215,000	Market comparable approach	P/B	10~13/(11.5)
Financial assets at FVOCI	121,300	Income approach	Discount rate	10.39%~10.89%
	<u>336,300</u>			/(10.64%)

The nominal value less impairment provision of 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.

Notes to the consolidated financial statements

*For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)*

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 2.7, 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 2018
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4 Critical accounting estimates and judgements (continued)

(b) Provision for maintenance obligations

As described in Note 2.7, 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 2018 of RMB 23,010 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.

Notes to the consolidated financial statements

*For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)*

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 of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting periods.

(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.

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5 Concession intangible assets

	As at 31 December	
	2018	2017
Cost	17,268,896	16,371,634
Accumulated amortisation	(6,960,010)	(6,368,827)
Net book amount	10,308,886	10,002,807

	Year ended 31 December	
	2018	2017
Opening net book amount	10,002,807	9,236,927
Additions	908,856	1,447,348
Transfer in from property, plant and equipment (Note 7)	—	23,245
Transfer out to property, plant and equipment (Note 7)	(9,565)	(135,394)
Disposals	—	(1,401)
Amortisation charges (Note 28)	(593,212)	(567,918)
Closing net book amount	10,308,886	10,002,807

As at 31 December 2018 and 2017, 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 2043.

As at 31 December 2018, the Group's concession intangible assets of RMB 1,959,489 thousand (31 December 2017: RMB 1,050,635 thousand) are still under construction. Those constitute property, plant and equipment upon completion are transferred out.

Borrowing costs with the amount of RMB 7,150 thousand have been capitalised in 2018 (2017: RMB 34,796 thousand) at an average interest rate of 1.20% (2017: 2.94%).

Amortisation expenses of RMB 593,212 thousand have been charged in "cost of sales" (2017: RMB 567,918 thousand).

As at 31 December 2018, certain land use right certificates for Ninghuai expressway Tianchang section, Hening expressway, Ningxuanhang expressway Xuancheng to Ningguo section and Ningguo to Qianqiuguan section and one toll station in Guangde have not yet been obtained.

Notes to the consolidated financial statements

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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	
	2018	2017
Cost	22,039	22,039
Accumulated amortisation	(12,640)	(11,575)
Net book amount	<u>9,399</u>	<u>10,464</u>

	Year ended 31 December	
	2018	2017
Opening net book amount	10,464	10,493
Transfer in from property, plant and equipment (Note 7)	—	1,000
Amortisation charges (Note 28)	(1,065)	(1,029)
Closing net book amount	<u>9,399</u>	<u>10,464</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 2035.

Amortisation expenses of RMB 1,065 thousand (2017: RMB 1,029 thousand) have been charged in "cost of sales".

Notes to the consolidated financial statements

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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
At 1 January 2017							
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>
Year ended 31 December 2017							
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 properties (Note 8)	5,325	—	—	—	—	—	5,325
Transfer out to investment properties (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 28)	(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>
At 31 December 2017							
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>
Year ended 31 December 2018							
Opening net book amount	519,598	313,530	76,628	18,111	23,684	48,154	999,705
Additions	—	4,392	6,929	1,879	4,977	98,298	116,475
Disposals	—	(154)	(266)	(156)	(112)	—	(688)
Transfers	5,331	1,869	8,187	3,781	(1,522)	(17,646)	—
Transfer in from concession intangible assets (Note 5)	2,128	1,797	5,640	—	—	—	9,565
Transfer out to investment properties (Note 8)	(48,705)	—	—	—	—	—	(48,705)
Transfer out to intangible assets (Note 9)	—	(507)	—	—	—	(779)	(1,286)
Depreciation (Note 28)	(22,319)	(60,938)	(22,409)	(4,445)	(6,896)	—	(117,007)
Closing net book amount	<u>456,033</u>	<u>259,989</u>	<u>74,709</u>	<u>19,170</u>	<u>20,131</u>	<u>128,027</u>	<u>958,059</u>
At 31 December 2018							
Cost	658,276	972,202	248,006	91,546	165,280	128,027	2,263,337
Accumulated depreciation	(202,243)	(712,213)	(173,297)	(72,376)	(145,149)	—	(1,305,278)
Net book value	<u>456,033</u>	<u>259,989</u>	<u>74,709</u>	<u>19,170</u>	<u>20,131</u>	<u>128,027</u>	<u>958,059</u>

Depreciation expenses of RMB 107,104 thousand (2017: RMB 97,610 thousand) have been charged in “cost of sales”; depreciation expenses of RMB 9,903 thousand (2017: RMB 11,437 thousand) have been charged in “administrative expenses”.

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8 Investment properties

	Buildings
At 1 January 2017	
Cost	500,135
Accumulated amortisation	(161,744)
Net book amount	<u>338,391</u>
Year ended 31 December 2017	
Opening net book amount	338,391
Additions	3,852
Transfer in from property, plant and equipment (Note 7)	12,446
Transfer out to property, plant and equipment (Note 7)	(5,325)
Amortisation expenses (Note 28)	(17,486)
Closing net book amount	<u>331,878</u>
At 31 December 2017	
Cost	507,957
Accumulated amortisation	(176,079)
Net book amount	<u>331,878</u>
Year ended 31 December 2018	
Opening net book amount	331,878
Additions	1,692
Transfer in from property, plant and equipment (Note 7)	48,705
Amortisation expenses (Note 28)	(17,407)
Closing net book amount	<u>364,868</u>
At 31 December 2018	
Cost	562,242
Accumulated amortisation	(197,374)
Net book amount	<u>364,868</u>

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8 Investment properties (continued)

Amortisation expenses of RMB 17,407 thousand (2017: RMB 17,486 thousand) have been charged in “cost of sales”.

The fair values for the investment properties of the Group as at 31 December 2018 totalled RMB 596,851 thousand (31 December 2017: RMB 549,786 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	
	2018	2017
Rental income (Note 26)	52,306	49,587
Direct operating expenses from property that generated rental income	(17,657)	(17,733)
	<u>34,649</u>	<u>31,854</u>

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9 Intangible assets

	Acquired computer software licenses
At 1 January 2017	
Cost	12,264
Accumulated amortisation	(8,716)
Net book amount	<u>3,548</u>
Year ended 31 December 2017	
Opening net book amount	3,548
Additions	3,250
Transfer in from property, plant and equipment (Note 7)	3,636
Amortisation expenses (Note 28)	(3,369)
Closing net book amount	<u>7,065</u>
At 31 December 2017	
Cost	19,271
Accumulated amortisation	(12,206)
Net book amount	<u>7,065</u>
Year ended 31 December 2018	
Opening net book amount	7,065
Additions	407
Transfer in from property, plant and equipment (Note 7)	1,286
Amortisation expenses (Note 28)	(5,352)
Closing net book amount	<u>3,406</u>
At 31 December 2018	
Cost	21,473
Accumulated amortisation	(18,067)
Net book amount	<u>3,406</u>

Amortisation expenses of RMB 5,352 thousand (2017: RMB 3,369 thousand) have been charged in “administrative expenses”.

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10 Subsidiaries

The following is a list of the subsidiaries at 31 December 2018:

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 ("安徽寧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%	—

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(All amounts in Renminbi thousand unless otherwise stated)*

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 2018, the net profit portion of the distribution attributable to the Company amounted to RMB 145,386 thousand (2017: RMB 129,906 thousand). The net profit portion of the distribution attributable to XCIC amounted to RMB 116,713 thousand (2017: RMB 104,285 thousand).

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

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 2018 are as follows:

	The Company		ATHC		XCIC		Total
	Interest free	Interest bearing	Interest free	Interest bearing	Interest free	Interest bearing	
Beginning of the year	889,136	1,528,662	658,087	597,170	174,341	—	3,847,396
Additions	—	100,000	21,840	121,360	—	5,400	248,600
End of the year	889,136	1,628,662	679,927	718,530	174,341	5,400	4,095,996

The interest rate of interest bearing long-term loans ranged from 4.41% to 6.15% per annum in 2018 (2017: 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 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.

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. There was no interest free loan from the Company to Ningxuanhang recognised in 2018 (2017: 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).

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*For the year ended 31 December 2018
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10 Subsidiaries (continued)

(b) Ningxuanhang (continued)

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.

For the year ended 31 December 2018, the net loss attributable to the Company amounted to RMB 175,844 thousand (2017: RMB 126,885 thousand); the net loss attributable to ATHC amounted to RMB 134,469 thousand (2017: RMB 97,030 thousand); the net loss attributable to XCIC amounted to RMB 34,479 thousand (2017: RMB 24,880 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.

For the year ended 31 December 2018, the net profit attributable to the Company amounted to RMB 32,673 thousand (2017: RMB 28,589 thousand). The net profit portion of the distribution attributable to XCIC amounted to RMB 26,229 thousand (2017: RMB 22,951 thousand).

(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.

For the year ended 31 December 2018, the net profit attributable to the Company amounted to RMB 310 thousand (2017: net loss of RMB 27,180 thousand); the net profit attributable to Hua Tai amounted to RMB 124 thousand (2017: net loss of RMB 10,871 thousand).

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

10 Subsidiaries (continued)

(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 2018, AEHK is still in pre-operation stage.

(f) Material non-controlling interests

As at 31 December 2018 and 2017, the analysis of non-controlling interests is as follow:

	As at 31 December	
	2018	2017
Non-controlling interests attributable to		
– Xuan Guang	284,697	272,288
– Ningxuanhang	94,518	250,286
– Guangci	111,176	107,898
– Wan Tong Pawn	20,042	19,918
	510,433	650,390

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	
	2018	2017	2018	2017	2018	2017	2018	2017
Current								
Assets	188,066	156,297	285,558	221,281	79,479	53,307	73,203	73,157
Liabilities	(802,174)	(597,503)	(153,475)	(130,261)	(8,632)	(7,618)	(3,211)	(3,683)
Total current net (liabilities)/assets	(614,108)	(441,206)	132,083	91,020	70,847	45,689	69,992	69,474
Non-current								
Assets	4,840,386	5,022,506	757,250	832,129	178,852	196,649	150	235
Liabilities	(4,024,803)	(4,048,214)	(193,325)	(255,007)	—	—	—	—
Total non-current net assets	815,583	974,292	563,925	577,122	178,852	196,649	150	235
Net assets	201,475	533,086	696,008	668,142	249,699	242,338	70,142	69,709

Notes to the consolidated financial statements

For the year ended 31 December 2018
(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	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	<u>164,606</u>	784,363	<u>552,075</u>	511,998	<u>98,618</u>	89,175	<u>6,354</u>	698
(Loss)/profit before income tax	(356,090)	(259,967)	349,483	312,296	78,541	68,727	1,697	(10,249)
Income tax income/(expense)	<u>11,298</u>	11,172	<u>(87,384)</u>	(78,105)	<u>(19,639)</u>	(17,187)	<u>(1,263)</u>	(27,802)
(Loss)/profit for the year	<u>(344,792)</u>	(248,795)	<u>262,099</u>	234,191	<u>58,902</u>	51,540	<u>434</u>	(38,051)
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive (loss)/income	<u>(344,792)</u>	(248,795)	<u>262,099</u>	234,191	<u>58,902</u>	51,540	<u>434</u>	(38,051)
Total comprehensive (loss)/income allocated to non-controlling interests	<u>(168,948)</u>	(121,910)	<u>116,713</u>	104,285	<u>26,229</u>	22,951	<u>124</u>	(10,871)
Dividends paid to non-controlling interests	—	—	<u>104,304</u>	83,687	<u>22,951</u>	18,093	—	—

Notes to the consolidated financial statements

For the year ended 31 December 2018
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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	
	2018	2017	2018	2017	2018	2017	2018	2017
Cash flows from operating activities								
Cash (used in)/ generated from operations	(35,219)	(450,622)	396,988	344,389	73,363	51,025	(37,014)	27,809
Interest paid	(166,906)	(128,153)	—	—	—	—	—	—
Income tax paid	—	—	(79,852)	(88,041)	(16,712)	(18,109)	(1,199)	—
Net cash (used in)/ generated from operating activities	(202,125)	(578,775)	317,136	256,348	56,651	32,916	(38,213)	27,809
Net cash (used in)/ generated from investing activities	(4,650)	(361)	(10,634)	(7,590)	156	90	(18)	—
Net cash generated from/(used in) financing activities	267,352	584,536	(308,233)	(261,934)	(51,540)	(40,632)	—	—
Net increase/(decrease) in cash and cash equivalents	60,577	5,400	(1,731)	(13,176)	5,267	(7,626)	(38,231)	27,809
Cash and cash equivalents at beginning of the year	78,695	73,295	76,059	89,235	15,196	22,822	45,395	17,586
Cash and cash equivalents at end of the year	139,272	78,695	74,328	76,059	20,463	15,196	7,164	45,395

Notes to the consolidated financial statements

For the year ended 31 December 2018
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11 Investment in an associate

	Year ended 31 December	
	2018	2017
Beginning of the year	125,010	104,591
Share of an associate's results:		
– Profit before income tax	34,269	32,889
– Income tax expense	(9,212)	(9,006)
– Dividends declared	(21,135)	(3,464)
End of the year	128,932	125,010

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
As at 31 December 2018 and 2017			
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	
	2018	2017
Current		
Assets	252,966	226,075
Liabilities	(121,022)	(101,078)
Total current net assets	131,944	124,997
Non-current		
Assets	207,350	203,976
Liabilities	—	—
Total non-current net assets	207,350	203,976
Net assets	339,294	328,973

Notes to the consolidated financial statements

For the year ended 31 December 2018
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11 Investment in an associate (continued)

Summarised statement of comprehensive income

	AEAC	
	Year ended 31 December	
	2018	2017
Revenue	163,112	162,269
Profit for the year	65,940	62,850
Total comprehensive income for the year	65,940	62,850
Dividends	55,619	9,116

Reconciliation of summarised financial information

	AEAC	
	Year ended 31 December	
	2018	2017
Beginning of the year	328,973	275,239
Profit for the year	65,940	62,850
Dividends distribution	(55,619)	(9,116)
End of the year	339,294	328,973
Equity interest in an associate (38%)	128,932	125,010

12 Financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in the category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following individual investments:

	Equity interests in unlisted companies and LPs							Total
	AXFG (a)	ATZIIF (b)	ATGBF (c)	AXCM (a)	WTMC (d)	ATZFM (b)	ATGFM (c)	
At 1 January 2018	132,427	99,625	99,625	57,419	15,000	375	375	404,846
Fair value losses on financial assets at FVOCI recognised in OCI	(38,617)	—	—	(29,929)	—	—	—	(68,546)
At 31 December 2018	93,810	99,625	99,625	27,490	15,000	375	375	336,300

These investments were classified as AFS financial assets in 2017, see (g) below. All of these investments were also held in the previous year.

Notes to the consolidated financial statements

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12 Financial assets at FVOCI (continued)

On disposal of these equity investments, any related balance within the financial assets at FVOCI reserve is reclassified to retained earnings.

In the prior year, the Group had designated equity investments as AFS financial assets where management intended to hold them for the medium to long-term.

Note 2.2 explains the change of accounting policy and the reclassification of certain equity investments from AFS financial assets to financial assets at FVOCI.

(a) As at 31 December 2018, financial assets at FVOCI 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 93,810 thousand (31 December 2017: 6.62% and fair value of RMB 132,427 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 27,490 thousand (31 December 2017: 6.62% and fair value of RMB 57,419 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 2018, 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 financial assets at FVOCI.

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 2018, 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 financial assets at FVOCI.

(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 2018, 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 financial assets at FVOCI.

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 2018, 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 financial assets at FVOCI.

Notes to the consolidated financial statements

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12 Financial assets at FVOCI (continued)

- (d) As at 31 December 2018, financial assets at FVOCI represented 10% equity interests in Hefei Wan Tong Microcredit Co., Ltd. (“合肥市皖通小额贷款有限公司”, “WTMC”).
- (e) Amounts recognised in profit or loss and OCI

During the year, the following gains/(losses) were recognised in profit or loss and OCI.

	2018	2017
Losses recognised in OCI (Note 17); 2017 relating to AFS financial assets (g)	(68,546)	(13,400)
Impairment losses recognised in profit or loss (Note 28)	—	(16,754)
Dividends from equity investments held at FVOCI recognised in profit or loss in other gains (Note 27) – related to investments held at the end of the year	200	—
	200	—

- (f) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

All of the financial assets at FVOCI are denominated in RMB.

- (g) Financial assets previously classified as AFS financial assets

	Equity interests in unlisted companies and LPs							Total
	AXFG	ATZIF	ATGBF	AXCM	WTMC	ATZFM	ATGFM	
At 31 December 2017	132,427	99,625	99,625	57,419	15,000	375	375	404,846

13 Receivables and prepayments

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
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13 Receivables and prepayments (continued)

(a) Pawn loans to customers

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

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

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

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

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

	Year ended 31 December	
	2018	2017
Beginning of the year	(121,528)	(112,732)
Impairment loss recognised (Note 29)	(2,336)	(8,796)
End of the year	<u>(123,864)</u>	<u>(121,528)</u>

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

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13 Receivables and prepayments (continued)

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

	Year ended 31 December	
	2018	2017
Beginning of the year	(2,316)	(1,994)
Impairment loss recognised (Note 29)	(376)	(322)
End of the year	<u>(2,692)</u>	<u>(2,316)</u>

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

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

14 Inventories

	As at 31 December	
	2018	2017
Materials for toll road maintenance	<u>5,033</u>	<u>7,402</u>

15 Cash and cash equivalents and restricted cash

	As at 31 December	
	2018	2017
Cash at bank and on hand	2,513,475	1,829,395
Less: restricted cash	(60,000)	—
Cash and cash equivalents	<u>2,453,475</u>	<u>1,829,395</u>

The weighted average effective interest rate per annum on cash at bank in 2018 was approximately 3.26 % (2017: 2.46%).

As at 31 December 2018, the restricted cash was bank deposit with original maturities over three months (31 December 2017: nil).

The carrying amounts of cash at bank and on hand are denominated in the following currencies:

	As at 31 December	
	2018	2017
RMB	2,511,148	1,827,130
HKD (RMB equivalents)	2,327	2,265
	<u>2,513,475</u>	<u>1,829,395</u>

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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 2017	1,165,600	493,010	1,658,610	1,415,593	3,074,203
Changes in the year	—	—	—	—	—
At 31 December 2017	1,165,600	493,010	1,658,610	1,415,593	3,074,203
Changes in the year	—	—	—	—	—
At 31 December 2018	<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.

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17 Other reserves

	Capital surplus	Statutory surplus reserve fund (Note 35(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	Fair value change of financial assets at FVOCI, net of tax	Total
Balance at 1 January 2017	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)
Balance at 31 December 2017	2,243	955,881	658	49,269	(186,362)	(710,116)	4,949	—	116,522
Reclassification on adoption of HKFRS 9 (Note 2.2)	—	—	—	—	—	—	(4,949)	(7,616)	(12,565)
Balance at 1 January 2018	2,243	955,881	658	49,269	(186,362)	(710,116)	—	(7,616)	103,957
Usage of enterprise safety fund	—	—	—	(1,014)	—	—	—	—	(1,014)
Changes in fair value of financial assets at FVOCI, net of tax (Note 12)	—	—	—	—	—	—	—	(51,410)	(51,410)
Balance at 31 December 2018	<u>2,243</u>	<u>955,881</u>	<u>658</u>	<u>48,255</u>	<u>(186,362)</u>	<u>(710,116)</u>	<u>—</u>	<u>(59,026)</u>	<u>51,533</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 2.29.

- (a) The merger reserve as at 31 December 2018 and 2017 represented the excess of consideration over the Company's share of paid-in capital of Guangci acquired under common control (Note 10(c)).

	As at 31 December 2018 and 2017
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>(186,362)</u>

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For the year ended 31 December 2018
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17 Other reserves (continued)

- (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

	As at 31 December	
	2018	2017
Government grants	28,583	30,757

Deferred income represents government grants relating to assets and is amortised over 16 to 25 years (Note 2.23).

Amortisation of RMB 2,174 thousand (2017: RMB 2,174 thousand) has been charged in "other gains - net" (Note 27).

19 Trade and other payables

	As at 31 December	
	2018	2017
Payables on acquisition of concession intangible assets	704,907	790,477
Current portion of long-term payables (Note 22)	240,078	55,079
Deposits for construction projects	62,396	54,504
Staff salaries and welfare	27,404	26,737
Other taxation payables	20,177	21,704
Interest payable	6,169	4,409
Service fee payable for collection of toll roads income	5,101	3,765
Others	43,635	42,598
	1,109,867	999,273

As at 31 December 2018, trade and other payables of RMB 467,652 thousand (31 December 2017: RMB 235,632 thousand) were aged over one year. These payables were mainly payables for construction projects which will be settled after project completion and current portion of long-term payables.

As at 31 December 2018 and 2017, all trade and other payables were denominated in RMB.

As at 31 December 2018 and 2017, 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 2018
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20 Borrowings

	As at 31 December 2018		As at 31 December 2017	
	Interest rate per annum	Amount	Interest rate per annum	Amount
Long-term bank borrowings				
Denominated in RMB				
– guaranteed (a)	4.41%-4.90%	942,658	4.41%-4.90%	919,270
– unsecured (a)	4.41%	165,927	4.41%	170,563
– pledged (b)	1.20%	600,000	1.20%	600,000
		<u>1,708,585</u>		<u>1,689,833</u>
Less: current portion				
Denominated in RMB				
– guaranteed (a)	4.41%-4.90%	(120,065)	4.90%	(18,612)
– unsecured (a)	4.41%	(5,623)	4.41%	(4,636)
– pledged (b)	1.20%	(20,000)	—	—
		<u>(145,688)</u>		<u>(23,248)</u>
Non-current borrowings		<u>1,562,897</u>		<u>1,666,585</u>

- (a) The bank borrowings of RMB 281,900 thousand were guaranteed by XCIC, a non-controlling interest of subsidiaries; RMB 660,758 thousand were guaranteed by the ATHC; and RMB 165,927 thousand were guaranteed by the Company as at 31 December 2018 (31 December 2017: RMB 255,900 thousand were guaranteed by XCIC; RMB 663,370 thousand were guaranteed by the ATHC; and RMB 170,563 thousand were guaranteed by the Company).
- (b) As at 31 December 2018, 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 2017: RMB 600,000 thousand).

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20 Borrowings (continued)

As at 31 December 2018 and 2017, the Group's borrowings are repayable as follows:

	As at 31 December	
	2018	2017
Within 1 year	145,688	23,248
Between 1 and 2 years	280,699	143,217
Between 2 and 5 years	654,731	700,783
Over 5 years	627,467	822,585
	<u>1,708,585</u>	<u>1,689,833</u>

The Group has the following un-drawn borrowing facilities at the balance sheet date:

	As at 31 December	
	2018	2017
Expiring within one year	<u>5,544,890</u>	<u>6,295,557</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	
	2018	2017
Within 1 year	<u>1,708,585</u>	<u>1,689,833</u>

As at 31 December 2018 and 2017, 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 31 December 2017	34,565
Addition of provision	135,433
Utilisation of provision	<u>(146,988)</u>
Balance at 31 December 2018	<u>23,010</u>

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22 Long-term payables

	Year ended 31 December	
	2018	2017
Long-term payables to XCIC (Note 10(a) (b))		
Beginning of the year	309,660	321,376
Additions	5,400	1,996
– interest-free loans	—	1,996
– interest-bearing loans	5,400	—
Repayments	(32,952)	(32,952)
Amortisation - capitalised in concession intangible assets (Note 5)	—	165
Amortisation - charged to income statement (Note 31)	18,280	19,075
End of the year	<u>300,388</u>	<u>309,660</u>
Long-term payables to ATHC (Note 10(b))		
Beginning of the year	876,028	670,539
Additions	125,627	188,167
– interest-free loans	4,267	3,517
– interest-bearing loans	121,360	184,650
Amortisation - capitalised in concession intangible assets (Note 5)	—	1,217
Amortisation - charged to income statement (Note 31)	17,823	16,105
End of the year	<u>1,019,478</u>	<u>876,028</u>
Long-term payables - total	1,319,866	1,185,688
Less: current portion of long-term payables (Note 19)	<u>(240,078)</u>	<u>(55,079)</u>
	<u><u>1,079,788</u></u>	<u><u>1,130,609</u></u>

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22 Long-term payables (continued)

As at 31 December 2018, the interest rate of interest bearing long-term loans ranged from 4.41% to 6.15% (31 December 2017: 4.41% to 6.15%).

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	
	2018	2017	2018	2017
Long-term payables to ATHC	1,019,478	876,028	1,063,505	922,112
Long-term payables to XCIC	300,388	309,660	317,645	329,519
	1,319,866	1,185,688	1,381,150	1,251,631

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 2018 (31 December 2017: 4.90%).

The undiscounted amounts of long-term payables (including current portion) are as follows:

	As at 31 December	
	2018	2017
Long-term payables to ATHC	1,398,457	1,255,257
Long-term payables to XCIC	429,943	457,495
	1,828,400	1,712,752

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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	
		2018	2017
Deferred tax assets:			
– Deferred tax to be realised after more than 12 months		95,944	82,426
– Deferred tax to be realised within 12 months		13,330	15,525
		<u>109,274</u>	<u>97,951</u>

		As at 31 December	
		2018	2017
Deferred tax liabilities:			
– Deferred tax to be settled after more than 12 months		(166,395)	(176,607)
– Deferred tax to be settled within 12 months		(14,405)	(14,334)
		<u>(180,800)</u>	<u>(190,941)</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 AFS financial assets	Fair value change of financial assets at FVOCI	Provision for impairment of other receivables	Tax loss carried forward	Total
Deferred income tax assets									
Balance at 1 January 2017	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)
Balance at 31 December 2017	7,691	8,641	6,341	19,654	2,539	—	—	53,085	97,951
Adjustation on adoption of HKFRS 9	—	—	—	—	(2,539)	2,539	—	—	—
Balance at 1 January 2018	7,691	8,641	6,341	19,654	—	2,539	—	53,085	97,951
Deferred taxation (debited)/ credited to income statement	(544)	(2,888)	—	(2,556)	—	—	38	137	(5,813)
Deferred taxation credited to other comprehensive income	—	—	—	—	—	17,136	—	—	17,136
Balance at 31 December 2018	<u>7,147</u>	<u>5,753</u>	<u>6,341</u>	<u>17,098</u>	<u>—</u>	<u>19,675</u>	<u>38</u>	<u>53,222</u>	<u>109,274</u>

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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 AFS financial assets (Note 12)	Others	Total
Balance at 1 January 2017	(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)
Balance at 31 December 2017	(18,954)	(2,956)	(139,770)	(28,146)	—	(1,115)	(190,941)
Deferred taxation credited to income statement	2,163	345	9,291	2,395	—	340	14,534
Deferred taxation debited to equity (a)	—	—	(4,393)	—	—	—	(4,393)
Balance at 31 December 2018	(16,791)	(2,611)	(134,872)	(25,751)	—	(775)	(180,800)

- (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 2018, the Group did not recognise deferred income tax assets of RMB 77,206 thousand (2017: RMB 53,544 thousand) in respect of loss amounting to RMB 308,766 thousand (2017: RMB 214,232 thousand) that can be carried forward against future taxable income. Carrying forward of these tax loss will expire, if unused, between 2019 and 2023.

Offsetting of deferred tax assets and liabilities:

	As at 31 December	
	2018	2017
Deferred tax assets	(82,751)	(85,638)
Deferred tax liabilities	82,751	85,638

The net values of deferred assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	As at 31 December	
	2018	2017
Deferred tax assets	26,523	12,313
Deferred tax liabilities	(98,049)	(105,303)

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24 Retirement benefit obligations

The Group is required to pay RMB 230 every month to certain retired employees. As at 31 December 2018, the retired employees of the Group were 59 (31 December 2017: 59). Management assessed that there was no material impact to the consolidated financial statement from above retirement benefit obligations.

25 Financial instruments by category

The Group holds the following financial instruments:

	As at 31 December	
	2018	2017
Financial assets (i)		
Financial assets at amortised cost		
– Other receivables (Note 13)	170,771	502,512
– Cash and cash equivalents (Note 15)	2,453,475	1,829,395
– Restricted cash (Note 15)	60,000	—
Financial assets at FVOCI (Note 12)	336,300	—
AFS financial assets (Note 12)	—	404,846
	3,020,546	2,736,753

	As at 31 December	
	2018	2017
Financial liabilities		
Liabilities at amortised cost		
– Trade and other payables (Note 19) (ii)	822,208	895,753
– Borrowings (including current portion) (Note 20)	1,708,585	1,689,833
– Long-term payables (including current portion) (Note 22)	1,319,866	1,185,688
	3,850,659	3,771,274

- (i) See Note 2.2 for details about the impact from changes in accounting policies.
- (ii) Excluding non-financial liabilities (staff salaries and welfare and other taxation payables).

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the year is the carrying amount of each class of financial assets mentioned above.

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26 Revenue

	Year ended 31 December	
	2018	2017
Toll income from toll roads operation	2,694,252	2,645,780
Revenue from construction or upgrade work under Service Concessions	908,854	1,447,348
Service income from management of toll roads (Note 38(b))	188,708	150,040
Rental income (Note 38(b))	52,306	49,587
– from toll gas stations (a)	25,823	22,996
– from toll road service sectors (b)	10,170	9,679
– from other investment properties	16,313	16,912
Service income from roads emergency assistance	22,135	14,026
Interest income from pawn loans to customers	6,354	698
Others	3,194	1,280
	<u>3,875,803</u>	<u>4,308,759</u>

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

Pursuant to a lease agreement with AEPC, Ningxuanhang’s gas station was leased to AEPC with annual rental fee of RMB 1,207 thousand. The lease period will be terminated by 31 December 2020.

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

Pursuant to a lease agreement with YTMC, 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.

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

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27 Other gains - net

	Year ended 31 December	
	2018	2017
Interest income	81,485	58,360
Dividend income	21,335	3,464
Government grants relating to profits	305	3,302
Amortisation of government grants relating to assets (Note 18)	2,174	2,174
Losses from disposal of concession intangible assets	—	(1,401)
Losses from disposal of property, plant and equipment	(31)	(1,061)
Others	550	302
	105,818	65,140

28 Expenses by nature

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Year ended 31 December	
	2018	2017
Costs payable to vendors for construction or upgrade work under the Service Concessions (Note 2.7)	908,854	1,447,348
Depreciation and amortisation expenses (Notes 5, 6, 7, 8, 9)	734,043	698,849
Employee benefit expenses (Note 30)	394,647	326,795
Repair expenses	135,433	141,874
Taxes related to revenue (a)	24,648	25,170
Auditor's remuneration		
– Annual audit services	2,100	2,100
Impairment for AFS financial assets	—	16,754
Impairment for pawn loans to customers	—	8,796
Impairment for other receivables	—	322
Others	115,301	104,196
	2,315,026	2,772,204

(a) Taxes related to revenue

The Group was subject to Value-added Tax (“VAT”) for toll roads income and others.

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 VAT.

In addition to VAT, the Group is subject to the following supplemental turnover taxes:

- (i) Urban Construction and Maintenance Tax - levied at 5% or 7% of VAT payables.
- (ii) Local Education Surcharge - levied at 3% of VAT payable.

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29 Net impairment losses on financial assets

	Year ended 31 December	
	2018	2017
Impairment for pawn loans to customers (Note 13(a))	2,336	—
Impairment for other receivables (Note 13(c))	376	—
	<u>2,712</u>	<u>—</u>

30 Employee benefit expenses

	Year ended 31 December	
	2018	2017
Salaries and wages	286,497	237,948
Supplementary pension insurance	4,484	4,547
Other welfares	103,666	84,300
	<u>394,647</u>	<u>326,795</u>

As at 31 December 2018, the number of employees of the Group was 3,085 (31 December 2017: 2,790).

30 Employee benefit expenses (continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for 2018 include two executive directors, one supervisor and two chief executives (2017: two executive directors, one supervisor and one chief executive), whose emoluments are reflected in Note 41. The emoluments to the remaining one individual for the year ended 31 December 2017 is as follows:

	Year ended 31 December	
	2018	2017
Salaries and wages	—	379
Supplementary pension insurance	—	46
	<u>—</u>	<u>425</u>

Except for the emoluments of directors, supervisors and chief executives listed in the Note 41, the remaining emoluments fell within the following bands:

	Year ended 31 December	
	2018	2017
Nil to HKD 1,000,000 (equivalent to RMB 876,200)	<u>—</u>	<u>1</u>

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31 Finance costs

	Year ended 31 December	
	2018	2017
Interest expenses	137,427	127,271
Including: amortisation of long-term payables (Note 22)	36,103	36,562
Less: capitalised interest expenses (Note 5)	(7,150)	(34,796)
	<u>130,277</u>	<u>92,475</u>

32 Taxation

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

	Year ended 31 December	
	2018	2017
Current taxation - CIT (a)	456,770	445,551
Deferred taxation (credited)/debited to the consolidated income statement (Note 23)	(8,721)	6,397
	<u>448,049</u>	<u>451,948</u>

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

The Company and its subsidiaries, associated companies determine and pay the PRC 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 2017 which was paid to foreign shareholders during 2018.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

32 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	
	2018	2017
Profit before income tax	1,537,528	1,529,639
Tax calculated at domestic tax rates applicable to profits in the respective countries	384,382	382,410
Expenses not deductible for tax purpose	249	176
Income not subject to income tax	(15,494)	(15,136)
Tax adjustment made after tax filing by tax bureau	1,234	(233)
Deductible temporary differences not recognised as deferred tax assets during the year	472	31,187
Tax losses not recognised as deferred tax assets during the year	77,206	53,544
Tax charges	448,049	451,948

33 Earnings per share

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

34 Dividends

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

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

35 Appropriation

(a) Statutory surplus reserve fund

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

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

(b) Dividends distribution

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

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

36 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	
	2018	2017
Profit before income tax	1,537,528	1,529,639
Adjustments for:		
Settlement of revenue in form of concession intangible assets	(994,426)	(1,156,427)
Amortisation of concession intangible assets (Note 5)	593,212	567,918
Depreciation of property, plant and equipment (Note 7)	117,007	109,047
Depreciation of investment property (Note 8)	17,407	17,486
Amortisation of land use rights (Note 6)	1,065	1,029
Amortisation of intangible assets (Note 9)	5,352	3,369
Impairment for AFS financial assets	—	16,754
Impairment for pawn loans to customers (Note 13)	2,336	8,796
Impairment for other receivables (Note 13)	376	322
Loss on disposal of property, plant and equipment (Note 27)	31	1,061
Loss on disposal of concession intangible assets (Note 27)	—	1,401
Share of profit of an associate (Note 11)	(3,922)	(20,419)
Dividend income (Note 27)	(21,335)	(3,464)
Interest income (Note 27)	(81,485)	(58,360)
Interest expenses (Note 31)	130,277	92,475
Operating profit before working capital changes	1,303,423	1,110,627
Decrease/(increase) in inventories	2,369	(2,126)
Increase in receivables and prepayments	(26,341)	(21,963)
Increase in trade and other payables	6,361	39,761
(Decrease)/increase in provision	(11,555)	12,496
Cash generated from operating activities	1,274,257	1,138,795

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 2018
(All amounts in Renminbi thousand unless otherwise stated)

36 Notes to consolidated cash flow statement (continued)

(b) Net debts reconciliation

	Year ended 31 December	
	2018	2017
Cash and cash equivalents	2,453,475	1,829,395
Borrowings - repayable within 1 year	(145,688)	(23,248)
Borrowings - repayable after 1 year	(1,562,897)	(1,666,585)
Long-term payables - repayable within 1 year	(240,078)	(55,079)
Long-term payables - repayable after 1 year	(1,079,788)	(1,130,609)
Net debts	(574,976)	(1,046,126)
Cash and cash equivalents	2,453,475	1,829,395
Gross debt - fixed interest rate	(600,000)	(600,000)
Gross debt - floating interest rate	(1,832,515)	(1,687,003)
Gross debt - interest free	(595,936)	(588,518)
Net debts	(574,976)	(1,046,126)

	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 2017	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	1,829,395	(23,248)	(1,666,585)	(55,079)	(1,130,609)	(1,046,126)
Net cash flows	623,973	23,248	(42,000)	32,952	(148,600)	489,573
Foreign exchange adjustments	107	—	—	—	—	107
Other non-cash movements	—	(145,688)	145,688	(217,951)	199,421	(18,530)
Net debts as at 31 December 2018	2,453,475	(145,688)	(1,562,897)	(240,078)	(1,079,788)	(574,976)

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

37 Commitments

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

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

38 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
ALEC	Subsidiary of ATHC
AEPC	Subsidiary of ATHC
ATCMC	Subsidiary of ATHC
YTMC	Subsidiary of ATHC
WTMC	Subsidiary of ATHC
AENO	Subsidiary of ATHC
ATCIM	Subsidiary of ATHC
ATZIF	Significantly influenced by ATHC
ATGBF	Significantly influenced by ATHC
ATZFM	Significantly influenced by ATHC
ATGFM	Significantly influenced by ATHC
XCIC	Non-controlling interest of Xuan Guang, Ningxuanhang and Guangci
AEAC	Associate

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

38 Related party transactions (continued)

(a) Name of related party and relationship (continued)

Name	Relationship with the Group
Hefei Bangning Property Management Co., Ltd. ("合肥市邦寧物業管理有限公司", "BNMC")	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
Anhui Gaolu Construction Co., Ltd. ("安徽省高路建設有限公司", "AGCC")	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 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 Transportation Xuancheng Qiyun Co., Ltd. ("安徽交運集團宣城汽運有限公司", "ATXQC")	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 Zhongxing Project Management Co., Ltd. ("安徽省中興工程監理有限公司", "AZPMC")	Subsidiary of ATHC
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 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
Anhui Jinggong Construction General Co., Ltd. ("安徽省經工建設集團有限公司", "AJCG")	Subsidiary of ATHC

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

38 Related party transactions (continued)

(b) Related party transactions

Save as disclosed elsewhere in these financial statements, during the years ended 31 December 2018 and 2017, the Group had the following significant transactions with related parties:

(i) Service income from management of toll roads

	Year ended 31 December	
	2018	2017
ATHC	131,809	94,940
AYEC	18,518	18,389
AAEBC	15,572	14,791
AWQEC	12,668	11,030
ALGEC	10,141	10,890
	188,708	150,040

(ii) Rental income

	Year ended 31 December	
	2018	2017
AEPC	25,347	22,095
YTMC	9,372	10,211
ATHC	6,495	6,422
AGCC	617	876
ALEC	557	559
ATCMC	476	476
AWFC	421	422
ATCIM	329	167
WTMC	212	212
ATZFM	100	50
ATGFM	83	—
AHEC	63	102
BNMC	27	27
AYHEC	8	102
	44,107	41,721

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

38 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	
	2018	2017
AGCC	35,811	36,505
AHHCD	18,593	44,509
AXLMT	15,840	656
AZPMC	5,793	3,575
AERC	5,520	4,144
ATCD	5,371	42,468
AQPT	3,212	1,437
BNMC	2,985	2,864
AEAC	2,961	—
AJCG	1,641	—
	<u>97,727</u>	<u>136,158</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	
	2018	2017
XCIC	500	500
ATXQC	—	95
	<u>500</u>	<u>595</u>

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

38 Related party transactions (continued)

(b) Related party transactions (continued)

(v) Toll roads income received on behalf of the Group

	Year ended 31 December	
	2018	2017
AENO	<u>2,606,561</u>	<u>2,543,066</u>

(vi) Service fee for the collection of toll roads income

	Year ended 31 December	
	2018	2017
AENO	<u>13,035</u>	<u>10,659</u>

(vii) Interest expenses for interest bearing long-term payables

	Year ended 31 December	
	2018	2017
ATHC	35,268	27,145
XCIC	<u>1,520</u>	<u>1,762</u>
	<u>36,788</u>	<u>28,907</u>

(viii) Guarantee received

The long-term bank borrowings of RMB 281,900 thousand and RMB 660,758 thousand were guaranteed by XCIC and ATHC respectively (Note 20).

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

38 Related party transactions (continued)

(b) Related party transactions (continued)

(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	
	2018	2017
Salaries and other short-term employee benefits	<u>3,241</u>	<u>2,884</u>

(c) Related party balances

(i) Other receivables (excluding current portion of loans to subsidiaries)

	As at 31 December 2018		As at 31 December 2017	
	Book value	Provision for impairment	Book value	Provision for impairment
AENO	44,405	(74)	39,559	—
YTMC	213	—	1,226	—
ATCMC	134	—	184	—
AEPC	104	—	—	—
AWQEC	—	—	6,234	—
ALGEC	—	—	1,593	—
ATHC	—	—	235	—
AYHEC	—	—	116	—
	<u>44,856</u>	<u>(74)</u>	<u>49,147</u>	<u>—</u>

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

38 Related party transactions (continued)

(c) Related party balances (continued)

(ii) Trade payables

	As at 31 December	
	2018	2017
AGCC	13,663	14,623
AHHCD	9,948	3,405
AERC	4,069	1,357
AZPMC	1,903	1,686
ATCD	1,157	671
AQPT	480	144
AEAC	298	10
BNMC	4	4
	<u>31,522</u>	<u>21,900</u>

(iii) Other payables

	As at 31 December	
	2018	2017
AENO	5,101	3,765
AGCC	1,441	973
ATCD	1,394	1,387
ATHC	1,299	1,021
YTMC	1,211	3,011
WTMC	156	100
ALEC	135	—
AWFC	110	—
AZPMC	100	100
ATCIM	86	—
BNMC	22	—
ATGFM	17	—
AEPC	6	2,038
AEAC	2	2
	<u>11,080</u>	<u>12,397</u>

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

38 Related party transactions (continued)

(c) Related party balances (continued)

(iv) Long-term payables (including current portion)

	As at 31 December	
	2018	2017
ATHC	1,019,478	876,028
XCIC	300,388	309,660
	<u>1,319,866</u>	<u>1,185,688</u>

As at 31 December 2018 and 2017, 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.

39 Events after the balance sheet date

- Pursuant to a resolution of the Board of Meeting on 22 March 2019, a cash dividend of RMB 414,653 thousand was proposed for the year ended 31 December 2018. Please refer to Note 34 for details.
- The Company, ATHC and XCIC (the "Shareholders") entered into a debts conversion agreement with Ningxuanhang on 28 December 2018. According to the agreement, the interest-free long-term shareholders' loans from the Shareholders to Ningxuanhang as at 31 December 2017 will be converted to Ningxuanhang's other reserve. Other related investments from the Shareholders to Ningxuanhang during the periods beginning after 1 January 2018 will be accounted as Ningxuanhang's other reserve. As a result, the Group's long-term payables will decrease by RMB 377,972 thousand, and non-controlling interests will increase by RMB 497,045 thousand. The agreement will become effective upon required authorisation and approval from the Shareholders and Annual General Meeting in 2019.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

40 Balance sheet and reserves movements of the Company

	As at 31 December	
	2018	2017
ASSETS		
Non-current assets		
Concession intangible assets	5,393,723	4,883,343
Land use rights	9,399	10,464
Property, plant and equipment	570,962	533,775
Investment properties	289,270	304,029
Intangible assets	2,961	5,644
Investments in subsidiaries	1,143,015	1,143,015
Loans to subsidiaries	1,929,911	1,869,089
Investment in an associate	18,999	18,999
Financial assets at FVOCI	336,300	—
AFS financial assets	—	404,846
	<u>9,694,540</u>	<u>9,173,204</u>
Current assets		
Inventories	2,661	5,831
Receivables and prepayments	186,458	527,640
Restricted cash	60,000	—
Cash and cash equivalents	2,210,336	1,612,159
	<u>2,459,455</u>	<u>2,145,630</u>
Total assets	<u>12,153,995</u>	<u>11,318,834</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Ordinary share capital	1,658,610	1,658,610
Share premium	1,415,593	1,415,593
Other reserves (a)	882,849	947,838
Retained earnings (a)	6,720,482	5,859,029
	<u>10,677,534</u>	<u>9,881,070</u>

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

40 Balance sheet and reserves movements of the Company (continued)

LIABILITIES	As at 31 December	
	2018	2017
Non-current liabilities		
Borrowings	580,000	600,000
Deferred income tax liabilities	9,785	20,311
Deferred income	28,583	30,757
	<u>618,368</u>	<u>651,068</u>
Current liabilities		
Trade and other payables	688,333	605,958
Current income tax liabilities	127,015	146,439
Provisions	22,745	34,299
Borrowings	20,000	—
	<u>858,093</u>	<u>786,696</u>
Total liabilities	<u>1,476,461</u>	<u>1,437,764</u>
Total equity and liabilities	<u>12,153,995</u>	<u>11,318,834</u>

The balance sheet of the Company was approved by the Board of Directors on 22 March 2019 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 2018
(All amounts in Renminbi thousand unless otherwise stated)

40 Balance sheet and reserves movements of the Company (continued)

(a) Reserves movements of the Company

	Retained earnings	Other reserves
Balance at 1 January 2017	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/>
Balance at 31 December 2017	5,859,029	947,838
Change in accounting policy	12,565	(12,565)
Balance at 1 January 2018	<u>5,871,594</u>	<u>935,273</u>
Profit for the year	1,229,354	—
Dividends paid relating to 2017	(381,480)	—
Usage of enterprise safety fund	1,014	(1,014)
Changes in fair value of financial assets at FVOCI, net of tax	—	(51,410)
	<hr/>	<hr/>
Balance at 31 December 2018	<u><u>6,720,482</u></u>	<u><u>882,849</u></u>

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

41 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 2018:

Name	Fees	Salaries	Contribution to retirement benefit scheme	Other benefits	Total
Executive directors					
Mr. Qiao Chuanfu	—	—	—	—	—
Mr. Chen Dafeng	—	—	—	—	—
Mr. Xu Zhen*	—	515	49	—	564
Mr. Xie Xinyu*	—	437	49	—	486
Non-executive directors					
Mr. Du Jian	—	—	—	—	—
Mr. Yang Xudong	—	—	—	—	—
Independent directors					
Mr. Jiang Yifan	120	—	—	—	120
Mr. Jiang Jun	80	—	—	—	80
Mr. Liu Hao	80	—	—	—	80
Supervisors					
Mr. Jiang Yue	—	—	—	—	—
Mr. Dai Hui	—	437	49	—	486
Ms. Chen Yuping	—	—	—	—	—
Chief executives					
Mr. Li Huimin	—	437	49	—	486
Mr. Chen Jiping	—	437	49	—	486
Ms. Dong Huihui	—	404	49	—	453
	280	2,667	294	—	3,241

* In 2018, Mr. Xu Zhen and Mr. Xie Xinyu also acted as the chief executive of the Company.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)

41 Benefits and interests of directors (continued)

(a) Directors' and chief executives' emoluments (continued)

For the year ended 31 December 2017:

Name	Fees	Salaries	Contribution to retirement benefit scheme	Other benefits	Total
Executive directors					
Mr. Qiao Chuanfu	—	—	—	—	—
Mr. Chen Dafeng	—	—	—	—	—
Mr. Xu Zhen*	—	510	46	—	556
Mr. Xie Xinyu*	—	408	46	—	454
Non-executive directors					
Mr. Du Jian	—	—	—	—	—
Mr. Yang Xudong (i)	—	—	—	—	—
Mr. Wang Xiufeng (i) (resigned)	—	—	—	—	—
Independent directors					
Mr. Jiang Yifan	120	—	—	—	120
Mr. Jiang Jun	80	—	—	—	80
Mr. Liu Hao (ii)	30	—	—	—	30
Mr. Yang Mianzhi (ii) (resigned)	47	—	—	—	47
Supervisors					
Mr. Jiang Yue	—	—	—	—	—
Mr. Dai Hui (iii)	—	357	35	—	392
Ms. Chen Yuping (iii)	—	—	—	—	—
Mr. Yang Yicong (iii) (retired)	—	—	—	—	—
Mr. Liu Youcai (iii) (resigned)	—	—	—	—	—
Chief executives					
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>

Notes to the consolidated financial statements

*For the year ended 31 December 2018
(All amounts in Renminbi thousand unless otherwise stated)*

41 Benefits and interests of directors (continued)

(a) Directors' and chief executives' emoluments (continued)

- (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.

Those directors and supervisors who did not receive any remuneration from the Group during 2018 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 2017.

(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 2018 and 2017, 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 2018 and 2017, 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: 22 March 2019

Section XII Documents Available for Inspection

Information Disclosure Index

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date	Website Designated For Disclosure Of Reports
	H Share Announcement- Continuing Connected Transactions: 2018-2020 Expressway Large and Medium Repair And Maintenance Works Design Contracts		8 January 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement-Continuing Connected Transaction: Entering into Network Services Agreement in Writing		8 January 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Exceeded Annual Cap for Continuing Connected Transactions		8 January 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Continuing Connected Transactions: Entrusted Management Agreements		8 January 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-001	The Resolutions Of The 5th Meeting Of The 8th Board	China Securities Journal, The Shanghai Securities News	9 January 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-002	Announcement of Provision of entrusted management of road sections	China Securities Journal, The Shanghai Securities News	9 January 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn
2018-003	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	16 January 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-004	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	17 January 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk

Section XII Documents Available for Inspection

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date	Website Designated For Disclosure Of Reports
2018-005	Announcement on the completion of industrial investment fund private investment fund registration notice	China Securities Journal, The Shanghai Securities News	17 January 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-006	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	24 January 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-007	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	28 February 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-008	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	2 March 2018	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 - Date of Board Meeting		12 March 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-009	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	23 March 2018	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 Annual Results Announcement		25 March 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-010	The Resolutions Of The 6th Meeting Of The 8th Board	China Securities Journal, The Shanghai Securities News	26 March 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk

Section XII Documents Available for Inspection

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date	Website Designated For Disclosure Of Reports
2018-011	Announcement of The Resolutions of The 4th Meeting of The 8th Supervisory Committee	China Securities Journal, The Shanghai Securities News	26 March 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-012	Announcement on Amendments to Articles	China Securities Journal, The Shanghai Securities News	26 March 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-013	The Announcement of Estimating Daily Connected Transactions of 2018	China Securities Journal, The Shanghai Securities News	26 March 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-014	Announcement of The Notice of 2017 Annual General Meeting	China Securities Journal, The Shanghai Securities News	29 March 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn
	H Share Announcement - Notice of The 2017 Annual General Meeting		29 March 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement – Continuing Connected Transactions: Lease of Operating Rights of Gas Stations		29 March 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk Website of The Shanghai Stock Exchange: www.sse.com.cn
2018-015	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	9 April 2018	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		11 April 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk

Section XII Documents Available for Inspection

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date	Website Designated For Disclosure Of Reports
2018-016	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	24 April 2018	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- 2018 first quarterly report		26 April 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-017	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	18 May 2018	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 18 May 2018		18 May 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-018	Announcement of The Resolutions of The 2017 Annual General Meeting	China Securities Journal, The Shanghai Securities News	19 May 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn
2018-019	Announcement of Purchasing Bank Financial Products	China Securities Journal, The Shanghai Securities News	22 May 2018	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- Clarification Announcement		29 May 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-020	Correction Announcement of The Resolutions of The 2017 Annual General Meeting	China Securities Journal, The Shanghai Securities News	30 May 2018	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: Supplemental Agreement To The Widening Work Agreement		20 June 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk

Section XII Documents Available for Inspection

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date	Website Designated For Disclosure Of Reports
2018-021	Announcement on the change of the subject of the affiliated transaction contract	China Securities Journal, The Shanghai Securities News	21 June 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-022	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	30 June 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-023	Announcement of Implementation of 2017 equity allocation	China Securities Journal, The Shanghai Securities News	9 July 2018	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		7 August 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Continuing Connected Transactions: 2018-2019 Expressway Maintenance Works Contract	China Securities Journal, The Shanghai Securities News	10 August 2018	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- Announcement of Interim Results for the Six Months Ended 30 June 2018		26 August 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Official Reply on the Toll Operation Period of Xuancheng-Ningguo Expressway		6 September 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk

Section XII Documents Available for Inspection

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date	Website Designated For Disclosure Of Reports
2018-024	Announcement of the Toll Operation Period of Xuancheng-Ningguo Expressway	China Securities Journal, The Shanghai Securities News	7 September 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn
2018-025	Announcement of Redemption of Principal and Earnings of Bank Financial Products	China Securities Journal, The Shanghai Securities News	29 September 2018	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 - Date of Board Meeting		10 October 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Adjustment of Preferential Period for Truck Toll		25 October 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-026	Announcement of Adjustment of Preferential Period for Truck Toll	China Securities Journal, The Shanghai Securities News	26 October 2018	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- 2018 Third Quarterly Report		29 October 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement- Continuing Connected Transactions: Entering Into Network Services Agreement in Writing		28 December 2018	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 - Revision Of Annual Caps		28 December 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk, Website of The Shanghai Stock Exchange: www.sse.com.cn,

Section XII Documents Available for Inspection

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date	Website Designated For Disclosure Of Reports
	H Share Announcement- Continuing Connected Transactions: Entrusted Management Agreements		28 December 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement-Disclosable Transaction and Connected Transactions: Agreement Relating To Conversion of Debts Into Capital Reserve of Ningxuanhang Company		28 December 2018	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-027	The Resolutions of The 11th Meeting of The 8th Board	China Securities Journal, The Shanghai Securities News	29 December 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-028	Announcement on the implementation of Ningxuanhang Company's debt capital reserves and related transactions	China Securities Journal, The Shanghai Securities News	29 December 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2018-029	Announcement of: Provision of entrusted management of road sections	China Securities Journal, The Shanghai Securities News	29 December 2018	Website of The Shanghai Stock Exchange: www.sse.com.cn , Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk

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 (part of 8 Lanes)	9	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	6	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	6	3	

Note:

1. 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 starting from 8 September 2013 and ending to 7 September 2043.
2. 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.

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 Highway 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 Jieqidun 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 to Chengdu in Sichuan. The Expressway, originating from Gaohe Town, Huaining County, Anhui Province, links up with the Hening Expressway, operated by the Company, through Heife-Anqing Highway and terminates at the border between Hunan and Anhui at Jieqidun, 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, 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 Gaochun 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: vehicle Currency: 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
Small tractors (including manual tractors) and other four-wheeled small and simple mechanical vehicles	RMB5 per vehicle
Passenger wagons below 20 seats	RMB10 per vehicle
Passenger wagons between 20 and 50 seats (including 50 seats)	RMB15 per vehicle
Passenger wagons over 50 seats	RMB25 per vehicle

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

Gross weight of goods vehicle	10 tonnes < Gross weight of goods 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 of National Trunk 205 applicable to goods vehicles with reference to their weight

Gross weight of goods vehicle	10 tonnes < Gross weight of goods vehicle	
	≤10 tonnes	≤40 tonnes >40 tonnes
Basic toll rate	RMB1.5/ton vehicle	RMB1.5/ton vehicle and will be linearly reduced to RMB1.1/ton vehicle

- 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 to the nearest RMB10, 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	≤ 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) 20-foot container	25
Type 5		>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





Anhui Expressway Company Limited