

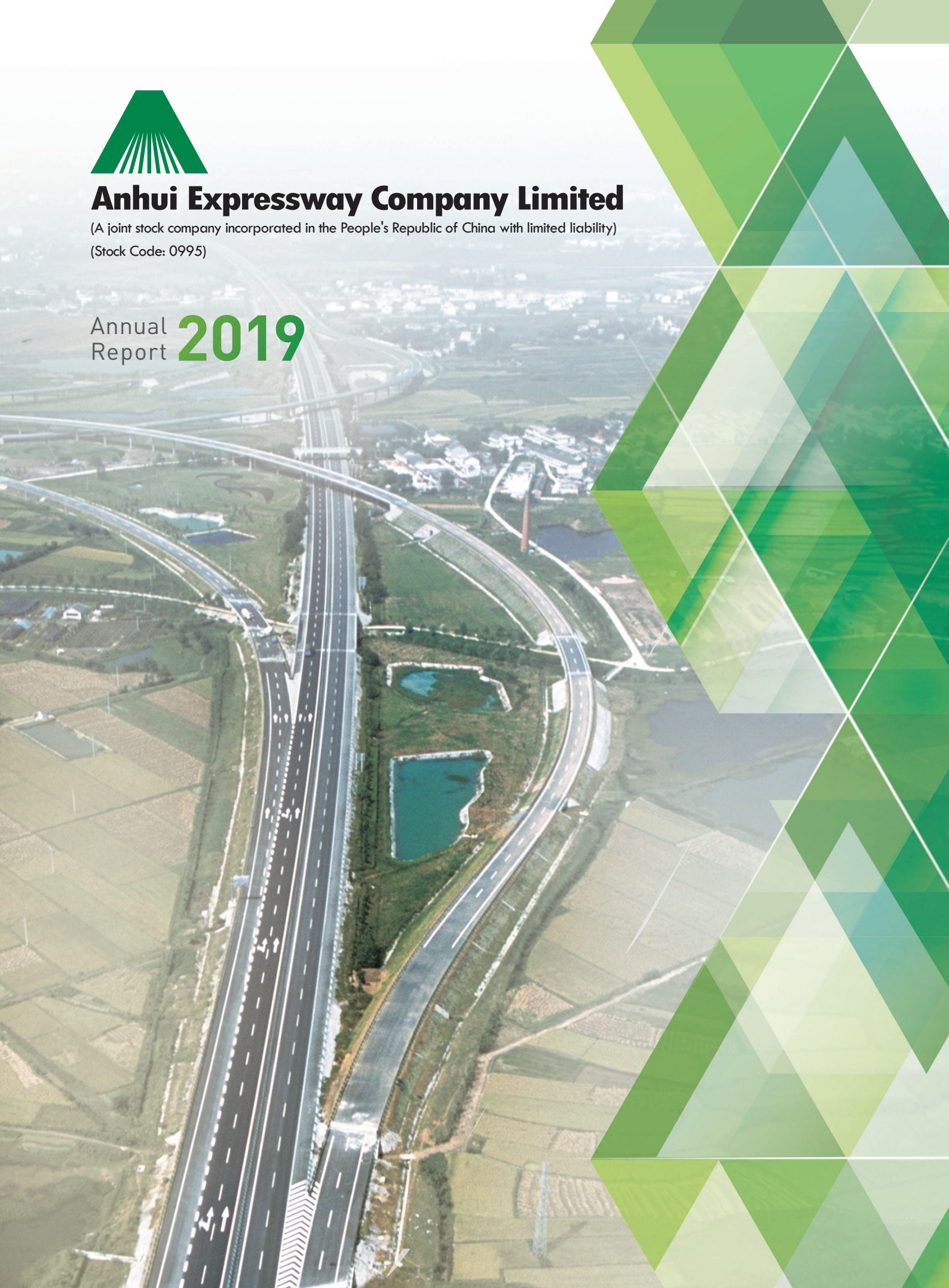


# Anhui Expressway Company Limited

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

(Stock Code: 0995)

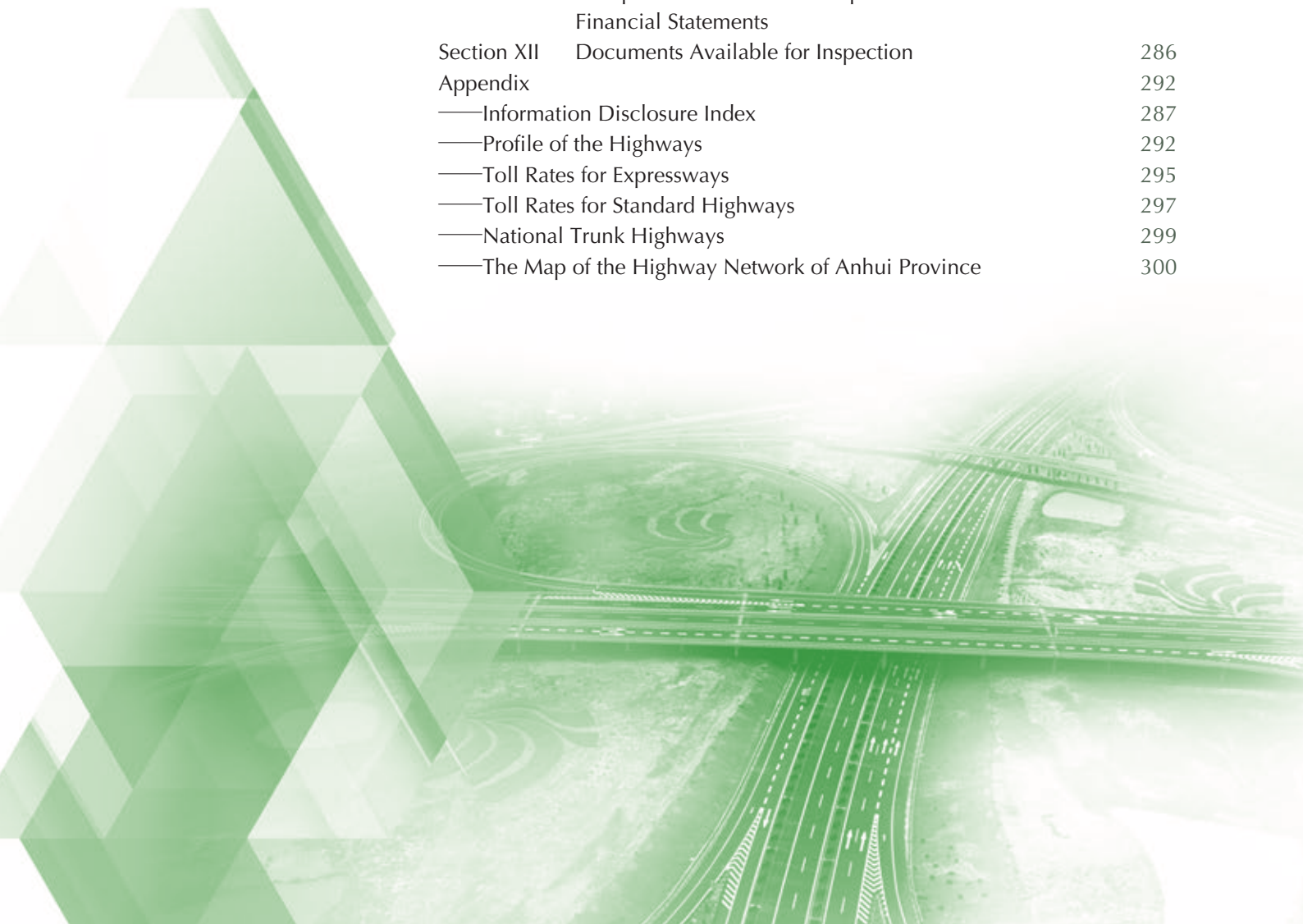
Annual Report **2019**





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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. All the Directors of the Company attend the Board meeting.**
- 3. PricewaterhouseCoopers Zhong Tian LLP (PRC Auditor) and PricewaterhouseCoopers (Hong Kong Auditor) have issued standard unqualified audit opinions on the consolidated financial statements of the Company.**
- 4. Mr. Xiang Xiaolong, the Chairman, Mr. Xu Zhen, responsible person for the accountant work and Mrs. Qian Juanfeng, 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 2019 financial statements prepared in accordance with the PRC accounting standards was RMB1,251,643 thousand. The Company's profit as shown on the 2019 financial statements prepared in accordance with the Hong Kong accounting standards was RMB1,239,823 thousand. As the statutory reserve fund has reached over 50% of the total capital, no appropriation is required this year. Consequently, the profit from year 2019 available for distribution to shareholders was RMB1,251,643 thousand and RMB1,239,823 thousand in accordance with the PRC accounting standards and the Hong Kong accounting standards respectively. Pursuant to the relevant PRC accounting standards and the Hong Kong accounting standards respectively. Therefore, the profit available for distribution to shareholders for the year 2019 was RMB1,239,823 thousand. The Company recommended the payment of a final dividend of RMB381,480.30 thousand on the basis of RMB2.30 for every 10 shares (tax included) based on the total issued share capital of 1,658,610,000 shares at the end of 2019. In 2019, 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 the part of "Management Discussion and Analysis" in 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 the part of “Management Discussion and Analysis” in 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 2019
“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 Pawn”	Hefei Wantong Pawn Co., Limited
“Wantong Micro Credit”	Hefei Wantong MicroCredit Company Limited

“Huatai Group”	Hefei Huatai Group Corporation Limited
“HK Subsidiary”	Anhui Expressway (H.K.) Limited
“China Merchants Fund”	Anhui Transportation China Merchants Industrial Fund (Limited Partnership)
“China Merchants Fund Management Company”	Anhui Transportation China Merchants Investment Private 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 Private Fund Management Co., Ltd.
“Information Industry Company”	Anhui Transportation Information Industry Company Limited
“CMU”	China Merchants Joint Development Company Limited
“Zhejiang Expressway”	Zhejiang Expressway Company Limited
“Jiangsu Expressway”	Jiangsu Expressway Company Limited
“Sichuan Expressway”	Sichuan Expressway Company 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

## 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	Xiang Xiaolong

### 2. Contact Person and Contact Details

	<b>Secretary to the Board of the Company</b>	<b>Representative of Securities Affairs</b>
Name	Dong Huihui	Ding Yu
Contact address	520 Wangjiang West Road, Hefei, Anhui, the PRC	520 Wangjiang West Road, Hefei, Anhui, the PRC
Telephone	0551-65338697	0551-63738923、63738922、 63738989
Fax	0551-65338696	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	<a href="http://www.anhui-expressway.net">http://www.anhui-expressway.net</a>
E-mail address of the Company	wtgs@anhui-expressway.net

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

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

### 5. Company Stock Information

Stock Category	Stock Exchange	Company Stock Information		Stock Abbreviations before alteration
		Stock Abbreviations	Stock Code	
A Shares	Shanghai Stock Exchange	皖通高速	600012	–
H Shares	The Stock Exchange of Hong Kong Limited	AnhuiExpressway	0995	–

### 6. Other Related Information

PRC Auditor (domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office Address	11th Floor, PricewaterhouseCoopers Center, 202 Hubin Road, Shanghai
	Signing Accountant	Huang Zhejun, Xu Qinqin
Hong Kong Auditor (overseas)	Name	PricewaterhouseCoopers
	Office Address	22nd Floor, Prince's Building, Central, Hong Kong
	Signing Accountant	PricewaterhouseCoopers Certified Public Accountants and Registered Public Interest Entity Auditor
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 in recent years

Main accounting data and main financial indicators prepared in accordance with accounting principles generally accepted in the PRC (“the PRC Accounting Standards”) over the past three years

#### (1) Main Accounting Data

Unit: yuan Currency: RMB

Main Accounting Data	2019	2018	Change of the current period over the same period of last year (%)	2017
Revenue	<b>2,946,420,820.29</b>	2,966,948,529.24	-0.69	2,861,411,105.06
Net profit attributable to shareholders of the Company	<b>1,097,546,191.64</b>	1,123,042,225.39	-2.27	1,091,343,092.28
Net profit after extraordinary items attributable to shareholders of the Company	<b>1,084,806,943.04</b>	1,120,711,864.99	-3.20	1,101,477,260.50
Net cash flows from operating activities	<b>1,822,702,104.07</b>	<u>1,807,617,059.70</u>	<u>0.83</u>	<u>1,882,799,767.78</u>

	As at the end of 2019	As at the end of 2018	Change of the current period over the same period of last year (%)	As at the end of 2017
Net assets attributable to shareholders of the Company	<b>10,737,909,003.94</b>	10,069,996,981.61	6.63	9,379,097,885.86
Total assets	<b>15,920,011,667.90</b>	<u>14,780,287,813.81</u>	<u>7.71</u>	<u>14,176,003,506.16</u>

#### (2) Main Financial Indicators

Financial indicators	2019	2018	Change of the current period over the same period of last year (%)	2017
Basic earnings per share (RMB/share)	<b>0.6617</b>	0.6771	-2.27	0.6580
Diluted earnings per share (RMB/share)	<b>0.6617</b>	0.6771	-2.27	0.6580
Basic earnings per share after extraordinary items (RMB/share)	<b>0.6540</b>	0.6757	-3.21	0.6641
Returns on net assets(weighted average) (%)	<b>10.58</b>	11.56	A decrease of 0.98 percentage point	12.12
Returns on net assets after extraordinary items (weighted average) (%)	<b>10.45</b>	11.53	A decrease of 1.08 percentage point	12.24

## Section II Corporate Profile and Main Financial Indicators

**Summary of results and assets prepared in accordance with accounting principles generally accepted in Hong Kong (“the Hong Kong Accounting Standards” or “HKFRS”) over the past five years**

### Summary of Results

For the year ended 31 December

		Unit: '000 Currency: RMB			
	<b>2019</b>	2018	2017	2016	2015
Revenue	<b>4,640,431</b>	3,875,803	4,308,759	3,063,632	3,158,404
Profit before income tax	<b>1,550,142</b>	1,537,528	1,529,639	1,234,922	1,249,385
Profit attributable to owners of the Company	<b>1,089,855</b>	1,115,361	1,083,235	925,075	929,377
Basic earnings per share (yuan)	<b>0.6571</b>	0.6725	0.6531	0.5577	0.5603

### Summary of assets

As at 31 December

		Unit: '000 Currency: RMB			
	<b>2019</b>	2018	2017	2016	2015
Total assets	<b>15,970,259</b>	14,829,956	14,234,303	13,215,279	12,246,075
Total liabilities	<b>4,360,855</b>	4,200,849	4,147,710	3,730,037	3,265,650
Total net assets (deducting minority shareholders' interests)	<b>10,778,299</b>	10,118,674	9,436,203	8,744,499	8,190,498
Net assets per share (deducting minority shareholders' interests) (yuan)	<b>6.4984</b>	6.1007	5.6892	5.2722	4.9382

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

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

Applicable  Not applicable

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

Unit: '000 yuan currency: RMB

	Net profit 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	1,097,546	1,123,042	10,737,909	10,069,997
Items and amount adjusted according to Hong Kong Accounting Standards :				
Valuation, depreciation/amortization and related deferred taxes	<u>-7,691</u>	<u>-7,681</u>	<u>40,390</u>	<u>48,677</u>
Hong Kong Accounting Standards	<u>1,089,855</u>	<u>1,115,361</u>	<u>10,778,299</u>	<u>10,118,674</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 RMB319,000,000. 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 2019 on a quarterly basis (in accordance with 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	749,910,855.39	717,590,250.69	762,277,103.12	716,642,611.09
Net profit attributable to shareholders of the Company	289,033,267.30	258,842,401.25	297,664,095.55	252,006,427.54
Net profit after extraordinary items attributable to shareholders of the Company	288,584,560.41	258,432,081.44	296,987,882.84	240,802,418.35
Net cash flows from operating activities	496,154,226.07	439,351,356.56	530,057,611.41	357,138,910.03

#### 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(in accordance with PRC Accounting Standards):

	Amount of 2019	Note (if applicable)	Unit: yuan Currency: RMB	
			Amount of 2018	Amount of 2017
Extraordinary items				
Gains and losses from disposals of non-current assets	-210,413.99		-31,483.55	-2,462,459.48
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)	2,633,445.68	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.	2,477,442.35	5,474,674.48
In addition to effective hedging business related to the normal business of the Company, investment returns from trading financial assets, profit or loss from changes in the fair value of the trading financial liabilities, and the disposal of trading financial assets, trading financial liabilities and financial assets available for sale	/		/	-16,753,563.48

## Section II Corporate Profile and Main Financial Indicators

Extraordinary items	Amount of 2019	Note (if applicable)	Amount of 2018	Amount of 2017
In addition to effective hedging business related to the normal business of the Company, investment returns from trading financial assets, derivative financial assets, profit or loss from changes in the fair value of the trading financial liabilities, derivative financial liabilities, and the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments	11,891,005.50	The income is mainly generated from the floating rate structured deposits purchased by the company from the bank	0.00	/
Other non-operating income and expenses	4,344,035.91		550,161.24	303,001.14
Effects of minority shareholders' interests	-1,254,306.21		83,270.37	-55,407.72
Effect of income tax	-4,664,518.29		-749,030.01	3,359,586.84
Total	<u>12,739,248.60</u>		<u>2,330,360.40</u>	<u>-10,134,168.22</u>

### 11. Items in fair-value measurement

Unit: yuan Currency: RMB

Items	Amount at the beginning of the period	Amount at the end of the period	Change	Amount affecting profit
Financial assets at fair value through other comprehensive income	336,299,364.67	315,530,888.10	-20,768,476.57	0.00
Trading financial assets – structured deposits	0.00	422,316,986.30	422,316,986.30	11,891,005.50
Total	<u>336,299,364.67</u>	<u>737,847,874.40</u>	<u>401,548,509.73</u>	<u>11,891,005.50</u>

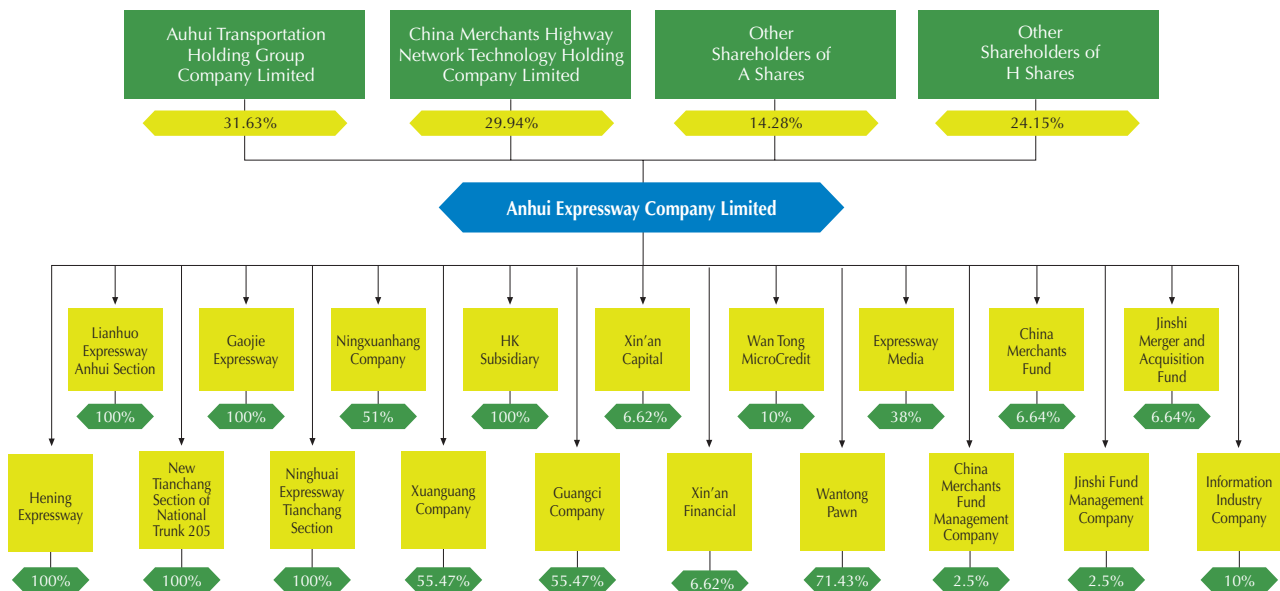
### 12. Corporate Profile

Anhui Expressway Company Limited (the “Company”) was incorporated on 15 August 1996 as a joint stock limited company in Anhui Province, the People’s Republic of China (the “PRC”). The registered capital is RMB1,658,610,000.

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 2019, the structure of the Company, its subsidiaries and associated companies (the “Group”) is as follows :



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

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

The Company was incorporated in Anhui province, 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 2019, 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), New Tianchang Section of National Trunk 205, Gaojie Expressway (G50 Huyu Expressway Gaojie Section), Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section), Guangci Expressway (G50 Huyu Expressway 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 2019, the Company has 557 kilometers of operating highway with total assets of about RMB15,920,012 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 707 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 perspective of historical development stage, with the maturity and perfection of the road network, the highway in the PRC has entered the stable development period. 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.

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.

In order to deepen the reform of the toll road system, improve the efficiency of the integrated transportation network, and reduce logistics costs, the Ministry of Transport proposes to strive to basically remove the highway toll stations at the provincial border across the country by the end of 2019 to achieve non-stop express toll collection, enhance people's sense of gain, happiness, and security. The removal of highway toll stations at the provincial border and the promotion of ETC will bring fundamental changes to the operation management model of highway industry.



## Section III Corporate Business Summary

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	1,524,320.45	1,136,706.65	25.43	222,977.82	-0.86	84,205.57	-0.54	10.64	8.08
000429.SZ	GPED A	1,697,736.93	999,094.64	41.15	228,050.43	-4.45	127,386.11	-9.51	16.32	9.88
000548.SZ	Hunan Investment	224,491.58	166,092.25	26.01	20,760.57	9.43	3,334.11	73.54	3.23	50.62
000755.SZ	Shanxi Road Bridge	883,909.12	117,688.38	86.69	66,461.14	-48.70	11,140.52	206.95	22.21	8.23
000828.SZ	Dongguan Development	1,214,458.61	713,321.66	41.26	122,666.93	0.29	83,499.68	17.09	16.81	7.32
000885.SZ	City Development Environment	833,823.49	322,689.49	61.30	169,386.71	20.29	56,761.99	27.27	23.98	8.04
000900.SZ	Modern Investment	3,491,823.06	1,071,653.55	69.31	978,586.95	8.83	81,989.77	2.20	9.94	6.25
001965.SZ	China Merchants Highway	8,679,994.58	5,300,903.56	38.93	562,036.61	24.51	368,836.35	9.76	8.70	11.58
600020.SH	Zhongyuan Expressway	4,881,318.77	1,132,154.57	76.81	486,830.37	13.87	133,042.52	41.21	10.19	8.91
600033.SH	Fujian Expressway	1,770,126.75	1,173,754.32	33.69	208,986.26	6.08	86,309.72	10.05	8.27	10.76
600035.SH	Chutian Expressway	1,046,901.85	644,174.97	38.47	192,153.50	-12.56	51,546.76	5.49	7.33	12.88
600106.SH	Chongqing Road Bridge	642,237.06	369,147.93	42.52	17,794.64	-1.53	23,046.13	7.00	6.50	15.42
600269.SH	Ganyue Expressway	3,536,111.88	1,698,581.42	51.96	335,754.14	5.84	100,017.92	25.46	8.62	6.54
600350.SH	Shandong Expressway	7,539,806.25	3,050,078.55	59.55	544,556.75	10.25	222,813.74	-39.02	8.25	9.90
600368.SH	Wuzhou Traffic	1,108,495.39	424,185.86	61.73	159,922.49	28.35	85,181.75	195.01	22.94	5.65
600377.SH	Ninghu Expressway	5,277,968.94	3,172,839.82	39.89	749,640.78	-1.90	364,372.75	-2.43	15.48	12.55
600548.SH	Shenzhen Expressway	4,355,695.34	2,054,571.98	52.83	418,540.79	1.09	232,977.99	41.52	22.62	5.60
601107.SH	Sichuan Expressway	3,758,659.62	1,622,685.25	56.83	467,910.50	8.24	116,843.86	22.12	6.89	11.21
601188.SH	Longjiang Traffic	539,184.46	452,109.50	16.15	52,514.12	-5.03	30,460.43	16.87	7.76	12.27
601518.SH	Jilin Expressway	661,102.74	393,459.42	40.48	54,677.87	-12.20	13,908.51	-35.19	4.85	16.96
Arithmetic mean		2,683,408.34	1,300,794.69	48.05	303,010.47	2.49	113,883.81	30.74	12.07	11.93
Media		1,611,028.69	1,035,374.09	41.89	215,982.04	3.47	84,693.66	13.46	9.32	9.89

Note: Source from Wind, and the information were as at 30 September 2019.

## 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 2019	31 December 2018	Rate of change	Explanation on change
Construction in progress	<b>71,255,879.88</b>	128,028,388.34	-44.34	Mainly due to the pre-consolidation of the Expansion of Longtang Crossing at the end of the reporting period
Accounts payable	<b>1,210,422,954.45</b>	629,705,853.96	92.22	Mainly due to the increase of payables for the Expansion of Hening Expressway at the end of the reporting period
Long-term payables	<b>392,499,619.04</b>	1,079,788,259.52	-63.65	Mainly caused by the conversion of debt into capital reserve of Ningxuanhang Company and return of non-controlling shareholders' loans during the reporting period
Deferred income tax liabilities	<b>15,153,898.32</b>	96,381,915.99	-84.28	Mainly caused by the conversion of debt into capital reserve of Ningxuanhang Company during the reporting period
Non-controlling interests	<b>831,833,345.60</b>	511,101,971.26	62.75	Mainly caused by the conversion of debt into capital reserve of Ningxuanhang Company during the reporting period

Among which assets of RMB2,035,701.42 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. With the implementation of the Yangtze River Delta integration national strategy and the Yangtze River Economic Belt development 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. 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.

### I. Management Discussion and Analysis

During the reporting period, in the face of increased economic downward pressure and the removal of provincial boundary toll stations and other tasks, the Company deeply implements the “1123” development strategy and by agglomerated mental efforts to seek the development and basically completed all the goals and tasks.

#### 1. Strengthen the base to facilitate the steady development of main business

**The reconstruction and expansion project was fully completed.** 2019 is the final year of full sprint towards the completion of the reconstruction and expansion project of Hening Expressway. Constructions such as subgrade, surface, security and ancillary works have been safely, orderly and comprehensively progressed as scheduled, and various construction tasks were completed at the end of the year. All 8 lanes were totally available and officially put into operation. During the reporting period, the project had completed investment of RMB1,719 million, with a total completed investment of RMB3,649 million as at the end of the reporting period.

**Full coverage of operation informatization.** Relying on the electromechanical information platform, realize the online management of person, asset and item of electromechanical business, greatly increase the proportion of independent maintenance of mechanical and electrical equipment, and the equipment failure rate decreases year by year. The average license plate recognition accuracy rate, multi-path identification point recognition rate, and ETC lane pass rate have all been improved. During the year, electronic monitoring of business was realized, reducing the burden of front-line personnel, while achieving traceability of business processes.

**Continuous innovation in maintenance management.** The scope of key use of funds was delineated and the direction of priority arrangement of funds was clarified through innovative budgeting and auditing methods. The “project + plan” synchronous auditing method is adopted to improve the accuracy of budget preparation and ensure the effectiveness of conservation funds from the source. We continuously promoted the intensive management of special projects and saved RMB3 million in the year by carrying out centralized tender.

**The removal of highway toll stations at provincial border has been basically completed.** During the reporting period, according to the unified deployment of the Ministry of Transport, all units of the Company carefully organized and worked together to complete the removal and reconstruction of 8 main line toll stations, build 1 new temporary ramp station, and complete the reconstruction of ETC lanes and the construction of ETC gantry system, enabling the online-connected switching of the system according to the requirements of the time nodes.

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

**“Going-out” strategy has made periodic progress.** In order to implement the strategic goal of “Going-out”, the Company participated in an investment consortium of six enterprises, which is led by China Merchants Highway and involved with CMU, Zhejiang Expressway, Jiangsu Expressway and Sichuan Expressway. The investment consortium entered into an equity acquisition agreement on 23 December 2019, proposed to acquire 51% of the equity and shareholder loans of Turkey’s Istanbul Third Bridge and North Ring Expressway and their maintenance companies. The overseas asset acquisition still needs to go through the filing or approval and other relevant procedures of the government departments of China and Turkey, and there is uncertainty whether it can be passed smoothly.

**Diversified development still under tested.** In order to seize the opportunities for the development of the information industry, the Company invested RMB6 million to establish the Information Industry Company with a shareholding of 10%. During the reporting period, it has completed the initial investment of RMB3 million.

**Investment income has grown rapidly.** The Company continued to strengthen the control of the joint stock companies and shares holding companies, strengthened the foundation of equity management, and continuously strengthen post-investment management. A total of RMB212 million (2018: RMB180 million) in equity dividends were recognized in 2019, an increase of 17.78% over the same period last year. Among them, Xuanguang Company, Guangci Company and Expressway Media’s dividends were recognized and received to be RMB145 million, RMB32.52 million and RMB22.0802 million respectively, and Xin’an Financial Company’s dividends were recognized to be RMB12.5828 million.

### 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 accordance with the relevant requirements of the listed company governance code (revised in 2018), the Company has strengthened standardized operation, improved corporate governance, 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

The year 2020 marks the end of the building of a moderately prosperous society in all respects and of the 13th five-year plan. It is also an important year for the comprehensive implementation of the major strategy of the integrated development of the Yangtze river delta and the construction of a transportation power.

On one hand, we should make full use of the good opportunities and favorable conditions for the Company's development. First, with the in-depth implementation of major national strategies and the superposition of strategies such as the integrated development of the Yangtze River Delta and building national strength in transportation, there're still huge space and potential for the development of the main business of expressways. Second, the trend of deep integration of new generation information technology and transportation is becoming increasingly obvious, and new technologies such as artificial intelligence, big data, 5G and block chain are deeply integrated with the transportation industry, providing new opportunities and new space for the Company to realize industrial transformation and upgrading.

On the other hand, we should be keenly aware of the problems and challenges faced by the Company. First, the COVID-19 epidemic in 2020 has brought unprecedented challenges to China's economy and enterprises. Second, the Company's major road resources have entered a mature period, and the traffic volume growth and main business growth became slow. Third, the core section of the Company is gradually approaching toll period, and the sustainable development of the Company is facing significant challenges after the expiration of the toll period. Fourth, with the rapid development of new technologies such as mobile Internet, cloud computing, big data and the Internet of things, the Company's operation and management is facing the test of automation, information, intelligence and other upgrades.

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

During the reporting period, in accordance with PRC Accounting Standards, the Group achieved a revenue of RMB2,946,421 thousand (2018: RMB2,966,949 thousand), representing a decrease of 0.69% over the corresponding period of the previous year; total profit of RMB1,560,167 thousand (2018: RMB1,547,540 thousand), representing an increase of 0.82% over the corresponding period of the previous year; net profit attributable to shareholders of the Company of RMB1,097,546 thousand (2018: RMB1,123,042 thousand), representing a decrease of 2.27% over the corresponding period of the previous year; basic earnings per share of RMB0.6617 (2018: RMB0.6771), representing a decrease of 2.27% over the corresponding period of the previous year.

During the reporting period, in accordance with the Hong Kong Accounting Standards, the Group achieved a revenue of RMB4,640,431 thousand (2018: RMB3,875,803 thousand), representing an increase of 19.73% over the corresponding period of the previous year; profit before income tax of RMB1,550,142 thousand (2018: RMB1,537,528 thousand), representing an increase of 0.82% over the corresponding period of the previous year; profit attributable to the owners of the Company of RMB1,089,855 thousand (2018: RMB1,115,361 thousand), representing a decrease of 2.29% over the corresponding period of the previous year; basic earnings per share of RMB0.6571 (2018: RMB0.6725), representing a decrease of 2.29% over the corresponding period of the previous year. The main reason for the increase in turnover was the increase in revenue from construction contracts.

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

During the Reporting Period, the Group achieved a toll income of RMB2,752,083 thousand in total, representing an increase of 2.15% over the corresponding period of the previous year.

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

In 2019, China's gross domestic product ("GDP") amounted to RMB99,086.5 billion, representing an increase of 6.1% year on year in comparable price. Anhui province's GDP in 2019 amounted to RMB 3,711.4 billion, representing an increase of 7.5% year on year in comparable price.

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

During the Reporting Period, with various policies and measures of exemption being implemented continuously, the Group's amounts of exemption continued to increase rapidly. The amounts of exemption totaled RMB1,002 million (2018: RMB927 million), increasing by 8.09% against the same period of the previous year, of which:

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

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

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

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

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

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



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

Notes:

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

### Hening Expressway

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

### Ninghuai Expressway Tianchang Section

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

### **New Tianchang Section of National Trunk 205**

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

### **Lianhuo Expressway Anhui Section**

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

### **Gaojie Expressway and Guangci Expressway**

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

### **Xuanguang Expressway**

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

### **Ningxuanhang Expressway**

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

### General achievements of the pawn business

In June 2012, the Company and Hefei Huatai Group Corporation Limited (“Huatai Group”) jointly set up Hefei Wantong Pawn Company Limited (“Wantong Pawn”), in which the Company injected capital in the sum of RMB150 million, accounting for 71.43% of its registered capital; Huatai Group invested RMB60 million, accounting for 28.57% of its registered capital. In 2015, both shareholders reduced capital in the total sum of RMB52.5 million of Wantong Pawn in proportion to their respective capital contribution, and the current registered capital of the company is 157.50 million.

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

During the Reporting Period, Wantong Pawn reversed RMB4,337.7 thousand of the provision for impairment of the previous year and wrote off RMB23,286.1 thousand of it, and the accumulated provision reached RMB100 million (2018: RMB126 million); During the Reporting Period, Wantong Pawn achieved an operating income of RMB4,225.8 thousand, the net profit was RMB2,928.7 thousand, and achieved an increase of RMB2,494.7 thousand in profit year on year.

#### (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	2,946,420,820.29	2,966,948,529.24	-0.69
Cost of sales	1,272,488,308.82	1,282,803,758.59	-0.80
Administration cost	98,015,239.43	84,383,089.78	16.16
Finance cost	51,699,093.28	53,115,973.85	-2.67
Earnings from fair value changes	11,891,005.50	0.00	N/A
Net cash flows from operating activities	1,822,702,104.07	1,807,617,059.70	0.83
Net cash flows used in investing activities	-1,716,710,610.67	-714,135,025.76	140.39
Net cash flows used in financing activities	-654,204,253.20	-469,402,476.69	39.37

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### 2. Analysis on Revenue and Costs

The change in revenue was mainly due to the adjustment of the entrusted management model of the Company during the reporting period;

The change in operating cost was mainly due to the adjustment of the entrusted management model of the Company during the reporting period;

The change in administration cost was mainly due to the increase of the executive compensation of the Company during the reporting period as compared with the corresponding period last year ;

The change in finance cost mainly caused by the reduction of the amortization of the long-term payable of non-controlling shareholders after the conversion of debt into capital reserve of Ningxuanhang Company during this reporting period ;

The change in earnings from fair value changes was mainly due to the Company's income from the structured deposits with floating interest from Banks during the reporting period;

The change in net cash flows from operating activities was mainly due to the adjustment of the entrusted management model of the Company during the reporting period;

The change in net cash flows used in investing activities mainly caused by the net increase of the purchase of structured deposits by the company in this reporting period compared with the same period last year ;

The reason of change in net cash flows used in financing activities was that the repayment of the loan of Ningxuanhang Company increased during the reporting period as compared with the corresponding period last year.

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

Unit: yuan Currency: RMB

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

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### Principal businesses in terms of products

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

### Principal businesses in terms of regions

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

#### (2) Production situation analysis

Applicable  Not applicable

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### (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	705,201,134.84	55.42	712,746,828.19	55.56	-1.06	
	Roads repairing expenses	195,950,126.00	15.40	135,433,486.68	10.56	44.68	
	Other costs	371,337,047.98	29.18	434,623,443.72	33.88	-14.56	
	Subtotal	1,272,488,308.82	100.00	1,282,803,758.59	100.00	-0.80	
Pawn business		0.00	0.00	0.00	0.00	N/A	
Total cost	Total	<u>1,272,488,308.82</u>	<u>100.00</u>	<u>1,282,803,758.59</u>	<u>100.00</u>	<u>-0.80</u>	

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	705,201,134.84	55.42	712,746,828.19	55.56	-1.06	
	Roads repairing expenses	195,950,126.00	15.40	135,433,486.68	10.56	44.68	
	Other costs	371,337,047.98	29.18	434,623,443.72	33.88	-14.56	
	Subtotal	1,272,488,308.82	100.00	1,282,803,758.59	100.00	-0.80	
Pawn business		0.00	0.00	0.00	0.00	N/A	
Total cost	Total	<u>1,272,488,308.82</u>	<u>100.00</u>	<u>1,282,803,758.59</u>	<u>100.00</u>	<u>-0.80</u>	

#### Other presentation of Cost Analysis

The roads repairing expenses in toll highways business was increased by 44.68% compared with last year, mainly because the significant increase in road maintenance cost of Lianhuo Expressway, Xuanguang Expressway and other sections due to their long service life and bad road condition.

## Section IV Report of the Board of Directors

(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 2019, the Group's administrative expenses were RMB98,015,239.43, representing an increase of 16.16% as compared to the same period last year (2018: RMB84,383,089.78). Such increase was mainly due to the increase of the executive compensation of the Company during the reporting period as compared with the corresponding period last year.

#### Finance costs

In 2019, the Group's finance costs were RMB51,699,093.28, representing a decrease of 2.67% as compared to the same period last year (2018: RMB53,115,973.85). Such decrease was mainly caused by the reduction of the amortization of the long-term payable of non-controlling shareholders after the conversion of debt into capital reserve of Ningxuanhang Company during this reporting period.

#### Earnings from fair value changes

In 2019, the Group's earnings from fair value changes were RMB11,891,005.50 (2018: 0). Such increase was mainly due to the Company's income from the structured deposits with floating interest from Banks during the reporting period.

#### 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 2019, the Group's income tax expenses were RMB500,962,205.18, representing an increase of 11.10% (2018: RMB450,897,742.11). The increase of income tax expense is mainly caused by the increase of deferred income tax expense in the reporting period.

### Value-added tax

Since May 1, 2016, the group has implemented the replacement of business tax with value-added tax. Except for the simple value-added tax rate of 5% applicable to the national highway 205 owned by the company, the other expressway sections of the Company, Xuanguang Company, Ningxuanhang Company and Guangci Company levied the value-added tax by 3% 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%.

#### 4. *Research input*

(1) Research input statement

Applicable  Not applicable

(2) Presentation of Condition

Applicable  Not applicable

#### 5. *Cash flows*

In 2019, the Group's net cash inflows from operating activities were RMB1,822,702,104.07 (the same period in 2018:RMB1,807,617,059.70), representing an increase of 0.83% in the same period last year. The increase was mainly due to the adjustment of the entrusted management model of the Company during the reporting period;

In 2019, the Group's net cash outflows from investing activities were RMB -1,716,710,610.67 (the same period in 2018: RMB -714,135,025.76), representing an increase of 140.39% in the same period last year. The increase was mainly caused by the net increase of the purchase of structured deposits by the company in this reporting period compared with the same period last year ;

In 2019, the Group's net cash outflows from financing activities were RMB -654,204,253.20 (the same period in 2018: -469,402,476.69), representing an increase of 39.37% in the same period last year. The reason of the increase was that the repayment of the loan of Ningxuanhang Company increased during the reporting period as compared with the corresponding period last year.

During the reporting period, the aggregated sum of external borrowings obtained by the Group was RMB545 million. At the end of the reporting period, there was still outstanding bank borrowings of RMB2,108 million, all of which was long-term borrowings with annual interest rates ranging from 1.2% to 4.9% which mainly comprised floating rate bank borrowings for the construction of Ningxuanhang Expressway and a special borrowing from CDB of RMB0.6 billion for the road widening construction work of Hening Expressway. The principal will be repaid between 2020 and 2035.

The Group was awarded with good credit ratings. On 31 December 2019, the total credit facilities granted was RMB3.06 billion, and the facilities not yet utilized amounted to RMB1.65 billion.



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

Applicable  Not applicable

### (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
Construction in progress	71,255,879.88	0.45	128,028,388.34	0.87	-44.34	
Accounts payable	1,210,422,954.45	7.60	629,705,853.96	4.26	92.22	
Long-term payables	392,499,619.04	2.47	1,079,788,259.52	7.31	-63.65	
Deferred income tax liabilities	15,153,898.32	0.10	96,381,915.99	0.65	-84.28	
Non-controlling interest	831,833,345.60	5.23	511,101,971.26	3.46	62.75	

Other explanations:

The reduction of construction in progress was mainly caused by the pre-consolidation of the Expansion of Longtang Crossing at the end of this report;

The increase of accounts payable was mainly caused by the increase of payables for the Expansion of Hening Expressway at the end of this report;

The decrease of long-term payables was mainly caused by the conversion of debt into capital reserve of Ningxuanhang and the repayment of non-controlling shareholders' loans by Ningxuanhang Company during the reporting period;

The reduction of deferred income tax liability was mainly caused by the conversion of debt into capital reserve of Ningxuanhang Company during the reporting period;

The increase of non-controlling interest was mainly caused by the conversion of debt into capital reserve of Ningxuanhang Company during the reporting period.

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

Applicable  Not applicable

#### 3. Other Presentation

Applicable  Not applicable

### (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 are still plenty of rooms and opportunities for the future development of the highway industry. In terms of social efficiency, as transportation remains an important anchor for national economic growth, there will be no material change in the national policies in relation to construction of transport infrastructure. In terms of investment efficiency, it is expected that investments in road infrastructure will remain a trend of strong growth, further manifesting its driving effect for economic growth. In terms of road network structure, and in light of the strategies of "Rise of Central China" and "China Western Development", the room for investment and construction in the provincial road networks in central and west regions of China remains relatively large.

#### 2. *Transformation development is imminent as investment return is declining*

The toll road industry continued to face a series of challenges. Firstly, the industry was affected by the slowdown in economic growth, the toll revenue growth was limited; secondly, land acquisition and demolition costs, labor costs and other costs continued to rise, and the toll road construction costs were increasing (the construction costs for domestic expressways being about RMB100 million per km at present), while the standards in relation to safety monitoring facilities, environmental protection, road conditions, etc. continued to increase, leading to a continuous rise in operation and maintenance costs; thirdly, most of the quality roads have been in operation for a long time, and the road maintenance cost was high, while the cultivation period of the newly-built section was long, and the road network effect was not satisfactory, the depreciation amortization and interest costs affected the performance of the enterprise; fourthly, the amount of exemption of various types of policies continued to rise, while the management costs for implementation of green channel policy and major holiday payment free policy were also increasing; fifthly, the growing popularity of railways, highspeed rails, air transport and other means of transport and the changes in road network structure continued to have diversion effect on the traffic of the road sections.

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

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

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

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

### **4. *Strengthened level of informatization and extensive prospect of the "Internet +" policy***

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

**(V) Investment Analysis****1. Overall analysis of external equity investment**

During the Reporting Period, the Company had new equity investment of RMB3 million (same period of 2018: nil).

For the implementation of the strategic plan under the “13th Five-Year Plan” of the Company to capture the opportunities of development in the information industry, the Company planned to invest RMB6 million in capital contribution to Anhui Transportation Information Industry Co., Ltd., which was jointly invested and established by ATHC. and its subsidiaries Anhui Transport Consulting & Design Institute Co., Ltd. and Anhui Expressway Network Operations Co., Ltd., China Merchants New Intelligence Technology Company Limited\* (招商新智科技有限公司) (a subsidiary of China Merchants Expressway Network & Technology Holdings Co., Ltd. (“China Merchants Expressway”)) and Shanghai Lianyin Venture Capital Co., Ltd.\* (上海聯銀創投有限公司) (a subsidiary of China UnionPay), in which Company had an equity interest of 10%. The matter was considered and passed by the 12th meeting of the Eighth Session of the Board convened on 22 March 2019. Business registration procedures of the company was completed in June 2019. In August 2019, the Company completed the initial capital contribution of RMB3 million.

**(1) Material equity investments**

The Company participated the investment consortium led by China Merchants Expressway to acquire 51% of the shares and shareholder loans of the Third Bridge and the Northern Motorway in Istanbul, Turkey and its operation and maintenance company. The Company would contribute US\$48,195 thousand and hold 7% of the shares of the Consortium Hong Kong SPV. As at the date of this announcement, the Company has not paid the contribution amount. For details, please refer to the part of “Significant connected/related party transactions” in Section V “Major Events”.

**(2) Material non-equity investments**

Unit: '00,000,000 Currency: RMB

Name of project	Basic Information of the project	Project amount	Progress of the project	Amount of Investment for the year	Aggregate Actual amount of investment	Revenue from the project
The construction project to expand Hening Expressway	about 87 km in length	63.75	The construction of the project began in November 2016.	17.19	36.49	The project was officially open for operational in the end of 2019

## Section IV Report of the Board of Directors

### (3) Financial assets measured at fair value

Unit: yuan Currency: RMB

Name of project	Opening balance	Additions during this period	Reductions during this period	Changes in fair value during this period	Ending balance
Trading financial assets – structured deposits	0.00	1,573,100,000.00	1,162,674,019.20	11,891,005.50	422,316,986.30
Equity instrument investment – unlisted companies and LPs					
– Xin'an Financial	93,809,711.03	0.00	0.00	-18,501,031.72	75,308,679.31
– Xin'an Capital	27,489,653.64	0.00	0.00	-2,267,444.85	25,222,208.79
– Wantong Micro Credit	15,000,000.00	0.00	0.00	0.00	15,000,000.00
– Anhui Transportation China Merchants Industrial Fund	99,625,000.00	0.00	0.00	0.00	99,625,000.00
– Anhui Transportation Jinshi Merger and Acquisition Fund	99,625,000.00	0.00	0.00	0.00	99,625,000.00
– Anhui Transportation China Merchants Investment Management Co., Ltd.	375,000.00	0.00	0.00	0.00	375,000.00
– Anhui Transportation Jinshi Fund Management Co., Ltd	375,000.00	0.00	0.00	0.00	375,000.00
Total	<u>336,299,364.67</u>	<u>1,573,100,000.00</u>	<u>1,162,674,019.20</u>	<u>-8,877,471.07</u>	<u>737,847,874.40</u>

#### (vi) Material asset and equity disposal

Applicable  Not applicable

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### (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 2019		2019		Main business
			Total assets	Net assets	Revenue	Net profit	
Xuanguang Company	55.47%	111,760	987,198	687,361	550,989	251,141	The construction, management and operation of Xuanguang Expressway
Ningxuanhang Company	51%	300,000	4,736,250	818,105	154,031	-368,972	Highway's construction, design, supervision, toll, maintenance, management, technology consultation and related advertisement service
Guangci Company	55.47%	56,800	275,130	258,354	109,153	66,888	The construction, management and operation of Guangci Expressway
Expressway Media	38%	50,000	481,148	348,626	148,805	67,437	Design, making, publication of and agency for domestic advertisements
Xin'an Financial	6.62%	1,900,000	3,407,296	2,851,282	210,132	104,325	Financial investment, equity investment, management consulting
Xin'an Capital	6.62%	1,120,000	2,808,223	1,040,107	603,919	80,517	Internet financial services, network information services, pawn business, etc.
Wantong Pawn	71.43%	157,500	81,902	73,071	4,226	2,929	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
Wantong MicroCredit	10%	150,000	117,857	115,026	8,211	522	Distributing petty loans, small size enterprises management consulting and financial advisory

## Section IV Report of the Board of Directors

Name of company	Equity capital the Group possesses	Registered Capital	31 December 2019		2019		Main business
			Total assets	Net assets	Revenue	Net profit	
HK Subsidiary	100%	1,981	1,943	1,877	0	12	Highway enterprises; its business covers relevant consultation and technology service for building, investment and operation of road abroad, and currently, the operation has yet to begin
China Merchants Fund	6.64%	3,000,000	1,546,872	1,531,746	45,713	16,372	Investment in energy conservation and environmental protection in transportation services
Jinshi Merger and Acquisition Fund	6.64%	3,000,000	1,556,158	1,556,158	77,201	52,042	Equity investment, asset management, enterprise management consulting
China Merchants Fund Management Company	2.5%	30,000	31,249	31,237	13,632	2,323	Daily management and investment consultation of China Merchants Fund
Jinshi Fund Management Company	2.5%	30,000	54,531	49,065	23,504	16,880	Daily management and investment consultation of Jinshi Merger and Acquisition Fund
Anhui Transportation Information Industry Company	10%	60,000	36,237	30,640	15,018	640	Construction, operation and service of traffic charging system; Computer software development; Information system integration services, etc.

Note: Except for the companies within the scope of the group merger, the financial data of other companies are not audited.

### (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 formulated the “1123” development strategy, that is, “around a core, to implement a work, explore two directions, to achieve three goals”.

**Around a core:** the Company took the highway road asset resources as the core to build the overall asset scale of the Company, optimize the main business of the highway, and continuously strengthen the core competitiveness of the Company through the internal expansion and external extension of the highway industry.

**To implement a work:** the Company through the issuance of shares and purchase of assets actively promotes the injection of assets, constantly expand the scale of assets, improve the level of revenue, improve the financing capacity, providing a solid capital guarantee for the Company to get involved in the field of diversified development.

**To explore two directions:** the Company develops toward internationalization and diversification. The Company complies with the national “One Belt And One Road” strategic initiative, earnestly implements the development goal of “going global”. At the same time, expand the Company’s development space, actively foster new profit growth points, focus on financial investment, panoramic digital highway and other projects, actively explore the development of diversified businesses.

**To achieve the three objectives:** the Company strives to achieve the three objectives of “expand the main business scale, innovate and develop in multiple ways, and explore the international market”. The comprehensive strength of the Company will be further improved in the listed expressway enterprises, and the influence in the capital market will be further expanded.

### (III) Business plan

The following business plan does not constitute the Company's performance commitment to investors. Investors are invited to pay attention to investment risks.

#### Annual business plan

Affected by COVID-19 epidemic and in accordance with the requirements of the Ministry of Transport, the toll road projects invested by the Group will implement toll free policy during the epidemic period from 0:00 a.m. on 17 February 2020, which will have an impact on the Group's business objectives in 2020. As the end date for the implementation of the toll free policy during the epidemic period and the related supporting policies for this policy have not been determined, the Group's business objectives for 2020 are also subject to considerable uncertainty. The Group will closely follow the relevant policy trends and actively adopt corresponding strategies to identify and disclose the corresponding business objectives in a timely manner. As the reconstruction and expansion of Hening Expressway has been completed and opened to traffic, its depreciation and amortization will be included since 2020, and the operating cost will increase compared with 2019.

#### Planned measures:

##### 1. *Keep the main business bigger, better and stronger*

Road assets are the foundation of the Company's development. We will continue the follow-up work of removal of toll stations at boundary between provinces. We will continue to push forward the related matters related to the re-examination and approval of the toll operation period of the expansion of Hening Expressway, and do well in the evaluation of the formal toll period of Ningqian Expressway. We pay close attention to the growth and changes of traffic flow in all road sections, and continue to improve road capacity.

##### 2. *Continuously improve the operational service level*

First, we will continue to promote the work of increasing revenue and reducing expenditure. We will continue technological innovation, upgrade audit methods, and improve the toll management and supervision system to ensure that tolls are collected. Second, continue to meet the challenges of operational upgrading. Centering on the removal of the provincial boundary toll stations and the change of the charging mode, we strengthen the research on the charging policy and grasp the change of the charging situation after the removal of toll stations at boundary between provinces; strengthen the research on the integration of information technology, continue to upgrade each system, and build an integrated platform for operation and management. Third, continue to improve safety management. We spare no efforts in the maintenance of bridges and tunnels and strive to improve road safety capacity.

### **3. *Actively apply for policy support from government departments***

In view of the fact that the exemption of tolls during the epidemic prevention and control of COVID-19 has a great impact on the main income of the Group, the Company will communicate closely with the relevant government departments and suggest that the State can issue relevant supporting security policies as soon as possible to safeguard the interests of highway enterprises and their investors; we suggest that highway enterprises should be given appropriate financial subsidies and related tax incentives. At the same time, the Company will track the capital market and policy trends in real time, and actively strive for preferential and low-interest loans such as epidemic special loans to alleviate financial pressure.

## **(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:

### **Policy risk**

#### **1. *Industry policy risk***

The Company's profits mainly come from the investment and operation of toll roads. According to Highway Law and other relevant provisions, highway companies do not have the independent pricing power of the toll standard, and the determination and adjustment of the toll standard must be submitted to the provincial transportation department in conjunction with the price department at the same level for examination and approval. Highway companies must implement the new highway toll policy issued by the government. In recent years, the reform in the field of toll roads has been accelerated. The Regulations on the Administration of Toll Roads (Revised) have not yet been promulgated; Policies such as the removal of toll stations at boundary between provinces, accelerating ETC development, toll billing methods adjustment and toll standards adjustment have been introduced continuously, which will help to improve the efficiency of toll roads in the long run, but in the short and medium term, the amount of highway toll exempted and cost input will continue to increase, which is expected to have an impact on the Company's business performance.

#### **2. *Risk of franchise expiration***

According to the Regulations on the Administration of Toll Roads, the time limit for toll roads shall be examined and approved by the people's governments of provinces, autonomous regions and municipalities in accordance with the relevant standards. The maximum time limit for commercial highway tolls determined by the State in the central and western provinces, autonomous regions and municipalities shall not exceed 30 years.

At present, the Company's major road resources have entered a mature period, and less than half of the operating periods of other road assets except the Ningxuanhang project remain. If the Company's existing highway toll collection period expires and no other newly built or acquired operational highway projects are replenished in time, it will have a negative impact on the sustainable development of the Company.

Countermeasures: We analyze and study the policy adjustment of the relevant industries, actively communicate and coordinate with the competent government departments, and try our best to protect the interests of the Company and investors; carefully analyze the characteristics of the changes in the traffic flow and vehicle structure of the road network, improve the emergency toll management model, increase traffic capacity, and reduce the management cost of policy implementation through fine management. We will focus on connotative development, make good use of our own resources by tapping the internal growth potential. We should timely increase financial investment, optimize fund and equity investment, appropriately participate in investment opportunities in emerging industries, start with small-scale and small-proportion equity participation, and actively cultivate new profit growth points.

### **Market risk**

#### **1. *Risk of macroeconomic fluctuations***

The toll road industry is sensitive to macroeconomic changes and road traffic volume and turnover are highly related to GDP. Macroeconomic fluctuations will lead to changes in the requirements of economic activities on transport capacity, that is, changes in highway traffic flow and the total amount of tolls, which will directly affect the operating performance of highway companies.

Although the long-term trend of China's steady economic development will not change, the current downward pressure on the economy can be significant. The continuous emergence of new situations and problems in the current domestic economic operation and the increasing uncertainty of the external environment will bring challenges to China's economy. All these factors will add more uncertainty to the operation of the Company's toll road project.

### 2. *Risk of road network change*

According to the “Thirteenth Five-Year Plan for Development of Transportation in Anhui Province”, by 2020, the mileage of highways in Anhui Province will reach 5,200 kilometers, and achieve highway access to all counties; ordinary national and provincial highways basically achieve the first class highway short and direct links from province to city and city to county, with the mileage of the first class highway reaching 5,000 kilometers. With the further perfected intensification of highway networks, parallel routes and alternative routes will continue to increase, and network diversion will have a negative impact on the growth of toll revenue of the Company. Since the opening of the northern section of Shanghehang High-speed Railway, Anhui Province is in the first tier of provinces with the most high-speed rail mileage, coupled with the development of the integration of private cars and urban and rural passenger transportation, the diversion of road passenger transportation is serious; The adjustment of the macro-policy of “convert road freight to rail freight and water freight” for bulk cargoes will affect the growth rate of road freight volume to some extent. These factors will have an impact on the operating performance of the Group’s toll road projects.

Countermeasures: In view of the market risk, the Company will continue to track and analyze the impact of the macroeconomic environment, national policies and the regional economy where the Company’s road assets are located on the Company’s business operation and formulate corresponding countermeasures; at the same time, the Company will strengthen communication with the government and major shareholders to keep abreast of road network planning, project construction progress and other information. We will conduct a special analysis of the road network in advance and reasonably predict the impact of related projects on the traffic flow of our existing projects. We will make full use of Anhui’s area traffic advantages, improve road signs, expand routing publicity and promotion, change passivity into initiative, and actively use informationalization to carry out road section marketing.

### (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 actively undertakes the corporate environmental, social and governance responsibilities, strictly abides by laws and regulations on operational practices, environmental protection, employment, etc., and guides and supervises the work of various fields through the Environmental, Social and Governance (“ESG”) working group. During the reporting period, the Company did not have any environmental and social issues that have a significant impact on the Company’s operations.

In 2019, the Company relies on the ESG working group to coordinate various departments to carry out ESG work, conduct interviews with senior management and employees of various departments, review, evaluate, summarize the Company’s major issues, forming a matrix of major issues in 2019; further sorted out and improved the Company’s internal regulations and annual management practices related to the ESG field.

During the reporting period, the Company continued to consolidate the management of road safety and smooth traffic flow, increased investment in road hidden dangers investigation, and strengthened the application level of road information equipment. In terms of environmental management, the Company continues to promote the management strategy of integrations of green maintenance, green operation and green office, effectively reducing the impact of energy consumption and resource use on the environment in road operation and daily office work, and accelerating the construction of the Company’s green transportation system. At the same time, the Company continues to improve its service capability and connotation, and the “smile service” brand has won many honors in Anhui Province, and the Company’s soft power has been further enhanced. On the basis of the implementation of road operations and services, the Company continues to promote targeted poverty alleviation, and carries out various projects such as industrial poverty alleviation, student aid and infrastructure construction, and completes the poverty alleviation goal of “both villages and households being relieved from poverty” on schedule. For details on maintaining and promoting the Company’s good relationship with 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 contained in the Environmental, Social and Governance reporting guidelines of the listing rules of the Stock Exchange of Hong Kong. The Environmental, Social and Governance report meets the disclosure requirements of the relevant guidelines and the reporting principles of importance, quantification, balance and consistency.

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

Names	Independent directors or not	Notes
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
Qiao Chuanfu	No	Resigned on 12 December 2019

### 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 part “XIV. Significant connected/related party transactions” in Section V “Major Events” 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 41 to Section XI “Independent Auditor’s Report and Consolidated Financial Statements”. The Company’s retained earnings as at 31 December 2019 calculated in accordance with HKFRS amounted to RMB7,546,568 thousand (2018: RMB6,720,482 thousand), and the Company’s undistributed profits as at 31 December 2019 calculated in accordance with the PRC Accounting Standards amounted to RMB7,990,369 thousand (2018: RMB7,153,378 thousand).

### X. Liquidity, financial resources and capital structure

During the reporting period, the Group obtained borrowings from banks of RMB545 million (2018: RMB42 million). At the end of the reporting period, the outstanding balance of bank borrowings were RMB2,108 million (2018: RMB1,709 million), all of which were long-term borrowings (2018: all of which were longterm borrowings).

As at the end of the reporting period, among the bank borrowings, RMB580 million (2018: RMB600 million) bore fixed interest rate of 1.2% per annum (2018: 1.2%); and the remaining borrowings bore floating interest rates ranging from 4.41% to 4.9% per annum (2018: 4.41% to 4.9%).

Details of currency composition of bank borrowings are set out in Note 21 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 16 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 5.84% (2018: 4.41% to 6.15%), the details are set out in Note 23 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 2019 was 6.17% (31 December 2018: 5.13%) (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 2019 as compared with 2018 remained unchanged and the Group was able to maintain gearing ratio under 30% with good credit ratings.

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

As at 31 December 2019, bank borrowings of RMB580 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 (2018: RMB600 million). The bank borrowing of RMB830 million was secured by a pledge over the toll revenue entitled by the Group for the Ningxuanhang Expressway Liqiao to Xuancheng Section (2018: Nil).

As at 31 December 2019, the Group had no contingent liabilities (2018: Nil).

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

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

### **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 "Directors, Supervisors, Senior Management and Staff" of this annual report.

### **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 2019, the Group made charitable donations of approximately RMB245 thousand (2018: RMB230 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 23 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 2019 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 2018 has been executed in July 2019.

### (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: '000 Currency: RMB

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	The rate of the net profit attributable to shareholders of the Company
					attributable to shareholders of the Company in consolidated financial statements of the distributed years	attributable to shareholders of the Company in consolidated financial statements (%)
2019	0.00	2.30	0.00	381,480.30	1,097,546.19	34.76
2018	0.00	2.50	0.00	414,652.50	1,123,042.23	36.92
2017	0.00	2.30	0.00	381,480.30	1,091,343.09	34.96

### (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, longterm effective	No	Yes
		Anhui Transportation Holding Group, China Merchants Highway	After the completion of the split-equity reforming, the Board of Directors are recommended to develop a longterm 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, longterm 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 16 “Leases” on the Group’s consolidated financial statements.

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

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

##### (a) *Practical expedients applied*

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 “Determining whether an Arrangement contains a Lease”.

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

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

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

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

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

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

**(d) Lessor accounting**

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

**(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

	<b>Now employed</b>
The name of PRC Accountant	PricewaterhouseCoopers Zhong Tian LLP
Compensation of PRC Accountant	RMB1,050,000
Term of audit of PRC Accountant	18 years
The name of Hong Kong Accountant	PricewaterhouseCoopers
Compensation of Hong Kong Accountant	RMB700,000
Term of audit of Hong Kong Accountant	18 years

	<b>Name</b>	<b>Compensation</b>
Accountant for internal control and audit	PricewaterhouseCoopers Zhong Tian LLP	RMB350,000

#### 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 2019 respectively at the 2018 Annual General Meeting. As at 2019, they have provided services to the Company for 18 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**

Applicable  Not applicable

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/related party transactions

### (I) Connected Transactions

In the year ended 31 December 2019, the Company has entered into the following connected transactions:

#### **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, all interest-free long-term shareholders' loans as at 31 December 2017 and all receipt from Shareholders during the period from 1 January 2018 to 28 December 2018 will be converted to shareholders' investment and recorded in other reserve. As a result, the Group's long-term payables will decrease by RMB383,511 thousand, and non-controlling interests will increase by RMB501,200 thousand.

## Section V Major Events

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 (decrease of long-term payables) for the transactions under the Debts Conversion Agreement between Ningxuanhang Company and the Company, Anhui Transportation Holding Group and Xuancheng Transportation were RMB348,976 thousand, RMB305,388 thousand and RMB78,123 thousand, 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”.

### **The Formation of the Joint Venture**

On 23 December 2019, the Company proposed to form a joint venture in Hong Kong (the “Consortium SPV”) through joint contribution together with China Merchants Expressway, CMU, Zhejiang Expressway, Jiangsu Expressway and Sichuan Expressway as consortium members. The consortium intended to acquire 51% of the equity and shareholder loan of Istanbul third bridge and northern ring highway in Turkey and its operation and maintenance company through the Consortium Hong Kong SPV and its wholly-owned subsidiary. The Company intended to invest US\$48.195 million and hold 7% of the shares of the Consortium Hong Kong SPV. The matter was considered and adopted at the 17th meeting of the eighth board of directors held on 20 December 2019. For details, please refer to the announcement of the Company dated 23 December 2019 and headed “Joint Announcement – Connected Transaction: Formation of Joint Venture”.

As China Merchants Expressway is a substantial shareholder for the Company, China Merchants Expressway is a connected person of the Company under Rule 14A.07 of the Listing Rules. In addition, as China Merchants Expressway is controlled by China Merchants Group Limited, which indirectly holds 50% of the shares in CMU, CMU is a connected person of the Company under Rule 14A.13 of the Listing Rules.

Regarding the proposed acquisition of overseas assets, application needs to be made to the National Development and Reform Commission and the National Department of Commerce for record-filing on overseas investment, and to the relevant bank for foreign exchange registration procedures; approval needs to be obtained from the Turkey Ministry of Transportation Highway Administration, consent needs to be obtained from the target company’s current financing bank, and anti-monopoly review must be passed, etc. There is uncertainty as to whether or not the aforementioned procedures can be successfully passed; the international market environment is complex and changeable, and there are many uncertainties. There is a risk that the overseas asset purchase cannot achieve the expected economic effect.

As of the date of this annual report, the Company has not made any payment for the investment. The project is going through the filing or approval procedures and other related procedures of the Chinese and Turkish government departments.

**(II) Continuing connected transactions**

The Group's related party transactions or continuing related party transactions for the year ended 31 December 2019 have been disclosed in Note 39 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: '000 Currency: RMB

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
30 December 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	11,127
30 December 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	11,880
30 December 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	10,276
30 December 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	3,369
30 December 2016	Zhongxing Construction	Subsidiary of substantial shareholder	service provider	To accept project construction management service	From January 1, 2017 to December 31, 2019	Tender price of tender agreement	3,373

## 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
3 January 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	8,204
27 October 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	0
8 January 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	1,475
29 March 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	20,015
10 August 2018	Huanyu Company	Subsidiary of substantial shareholder	service provider	To accept project construction service	August 10, 2018 to December 31, 2019	Tender price of tender agreement	4,119
28 December 2018	Anhui Expressway Network Operations	Subsidiary of substantial shareholder	service provider	To accept toll collection service	From January 1, 2019 to December 31, 2019	Determination through negotiation with reference to cost	15,366

## 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
28 December 2018	Anhui Transportation Holding Group	substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2019 to December 31, 2019	Determination through negotiation with reference to cost	69,202
28 December 2018	Wangqian Company	Subsidiary of substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2019 to December 31, 2019	Determination through negotiation with reference to cost	4,728
28 December 2018	Anqing Company	Subsidiary of substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2019 to December 31, 2019	Determination through negotiation with reference to cost	10,295
28 December 2018	Anhui Transportation Holding Group (Note 3)	substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2019 to December 31, 2019	Determination through negotiation with reference to cost	5,180
28 December 2018	Liguang Company (Note 3)	Subsidiary of substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2019 to December 31, 2019	Determination through negotiation with reference to cost	11,067

## 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
28 December 2018	Anhui Transportation Holding Group (Note 4)	substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2019 to December 31, 2019	Determination through negotiation with reference to cost	7,810
28 December 2018	Yangji company (Note 4)	Subsidiary of substantial shareholder	service recipient	To provide road sections entrustment management service	From January 1, 2019 to December 31, 2019	Determination through negotiation with reference to cost	11,662
15 May 2019	Expressway Construction	Subsidiary of substantial shareholder	service provider	To accept project construction service	May 15, 2019 to March 31, 2020	Tender price of tender agreement	3,796
17 June 2019	Expressway Construction	Subsidiary of substantial shareholder	service provider	To accept project construction service	June 17, 2019 to November 30, 2019	Tender price of tender agreement	10,882

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.

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

### (IV) Related party 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

### (V) Significant related party transactions on common external investment

#### 1. Items which has been disclosed without further changes

Please refer to "XIV. Significant connected/related party transactions (I). Connected Transactions - The Formation of the Joint Venture" in this section for detail.

#### 2. Items which has been disclosed with further changes

Applicable  Not applicable

#### 3. Items which has not been disclosed

Applicable  Not applicable

**(VI) 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: '000 Currency: RMB

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	1,398,457	-1,040,037	358,420
Xuancheng Transportation	Other connected persons	0	0	0	429,943	-207,695	222,248
Total		0	0	0	<u>1,828,400</u>	<u>-1,247,732</u>	<u>580,668</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

### **(VII) 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

**(II) Guarantee**

Unit: '00,000,000 Currency: RMB

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

Total amount of guarantees provided for the subsidiaries by the Company during the reporting period	-0.06
Total balance of guarantees provided for the subsidiaries as at the end of the reporting period	1.60

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

Total guarantee amount	1.6
Total guarantee amount as a percentage of net asset value (%)	1.39
Including:	
Guarantee provided to shareholders and the actual controller	0
The amount of direct or indirect guarantee for guarantees with over 70% debt to asset ratio	0
The amount of guarantee that exceeds 50% of the net assets	0
Total above	0

## Potential risk of unexpired guarantee

Overview      The Company provided a guarantee of RMB500 million for the Company's subsidiary Ningxuanhang Company, which was approved at the 18th meeting of the 5th Board, held on 18 August 2010. As of the end of the reporting period, balance of guarantees provided by the Company amounted to RMB160 million.

### (III) Entrusted cash capital management

#### 1. Entrusted Wealth Management

##### (1) Overall situation of Entrusted Wealth Management

Applicable  Not applicable

*Other cases*

Applicable  Not applicable

##### (2) Individual entrusted wealth management

Applicable  Not applicable

*Other cases*

Applicable  Not applicable

##### (3) Entrusted financial impairment preparation

Applicable  Not applicable

#### 2. Entrusted Loans overall situation

##### (1) Overall situation of 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 RMB1.214 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
Everbright Bank Hefei Daoxianglou Branch	Bank	2,267	21 April 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	132.45	132.45	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,114	16 May 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	240.36	240.36	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,500	7 July 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	262.91	262.91	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,875	7 July 2014	14 July 2023	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.8425%	109.55	109.55	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,366	4 September 2014	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	207.01	207.01	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	2,589.23	13 January 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	159.24	159.24	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,887	16 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	116.05	116.05	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	2,300	23 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	141.45	141.45	Undue	Yes

## 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	199	23 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	12.24	12.24	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,570	14 May 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.65%	201.71	201.71	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,768.5	25 June 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.65%	269.42	269.42	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,533.5	26 August 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.40%	298.81	298.81	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,315	24 September 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	5.15%	170.72	170.72	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,743	6 November 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	232.41	232.41	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,253	16 December 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	257.40	257.40	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	5,661	24 December 2015	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	277.39	277.39	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,009	25 January 2016	24 September 2025	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	49.44	49.44	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,825	14 June 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	168.68	168.68	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,428	24 August 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	62.97	62.97	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,213	18 September 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	141.69	141.69	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,989	17 November 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	87.71	87.71	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,009	20 December 2016	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	132.70	132.70	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	368	9 February 2017	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	16.23	16.23	Undue	Yes

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	6,069	13 April 2017	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	267.64	267.64	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,683	9 May 2017	14 June 2026	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.41%	74.22	74.22	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	6,477	31 August 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	317.37	317.37	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,029	15 September 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	197.42	197.42	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,927	11 October 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	192.42	192.42	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	4,437	9 November 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	217.41	217.41	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	3,130	19 December 2017	31 August 2027	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	153.37	153.37	Undue	Yes
China Merchants Bank Hefei Sipailou Branch	Bank	5,000	12 December 2018	11 December 2028	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	13.61	13.61	Undue	Yes
China Merchants Bank Hefei Sipailou Branch	Bank	5,000	13 December 2018	11 December 2028	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	4.90%	12.93	12.93	Undue	Yes

*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 of Preferential Period for Truck Toll

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

### Preferential Policy of 5% Discount for All ETC Users

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

### Adjustment to Calculation Method and Standard of Toll Payment

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

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

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

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

### **Application for Approval of Toll Collection Period of Hening Expressway**

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

## **XVII. The fulfillment of the social responsibility**

### **(I) Poverty alleviation work situation of the listed company**

#### **1. Precise planning for poverty alleviation**

The Company resolutely implements the major decisions and arrangements of the Party Central Committee, actively responds to the call for national poverty alleviation and rural revitalization, and helps the state-level poverty-stricken village Lishu Village, which belongs to Liufan Township, Taihu County, Anqing City, Anhui Province. In 2017, the Company set up a village task force to move into Lishu Village. According to the requirements of “unit support, cadre support and whole village guarantee”, the Company took root in the poverty-stricken village and performed the duty of assistance. The Company followed the thinking of poverty alleviation through Party building, strengthened the collective economy and the ability of self-regeneration of the poverty-stricken village through industry poverty alleviation, helped to solve the problem of the “last kilometer” in the roads in the village by using the advantages of the Company, implemented projects such as education funding, medical assistance, hardship allowance, to ensure that no household is left out from poverty alleviation, so as to achieve the hard-fought target of “household lifted out of poverty and village removed from poverty-stricken list”, embodying the enterprise responsibility in the overall work of serving the Party and the nation.

### 2. Summary of precision poverty alleviation during the year

In 2019, the Company actively explored innovative poverty alleviation work modes and paths, and made solid progress in targeted poverty alleviation work. The Company adopts the working mode of “Party organization construction + targeted poverty alleviation” to realize the planning, deployment and promotion of party organization construction and targeted poverty alleviation, focus on basic poverty alleviation and industrial poverty alleviation, and boost the poverty alleviation of the villages.

**The construction of Party organizations leading poverty alleviation:** the Company invested RMB250,000, assisted in the construction of 1 house for Party members, 6 standardized activity places for Party branches, donated more than 300 books for the study of Party construction, improved the quality of Party members, and created a strong atmosphere for the whole village for Party members and the masses to work together to alleviate poverty.

**Building roads to lift people out of poverty:** the company provides RMB180,000 to support the construction of unblocked roads in the village group, and continuously invests RMB400,000 to help build bridges destroyed by the water of Changxi river, subsidize the capital gap in the construction project for unblocked roads and support minor repair projects, so as to improve the inconvenient status of roads in Lishu Village and accelerate the transportation to lift people out of poverty.

**Attaches great importance to the industrial poverty alleviation:** The Company support construction of Muscovy duck breeding base, mountain small cattle breeding base, agricultural products processing plants, and set up a “Taihu Gifts” agricultural product demonstration site at the service area, promote the agricultural products from Lishu Village, helping to achieve a cumulative sale of RMB700,000 of agricultural products, promoting the development of poverty alleviation industry and the steady increase of income for poverty-stricken households.

In 2019, the Company invested a total of 3.0897 million to help 920 registered poor people out of poverty, and completed the task of “all households lifted out of poverty, all villages out of poverty list” on schedule.

## 3. Effect of targeted poverty alleviation

Unit: '0,000 Currency: RMB

Items	Quantity and development
Overall Situation	
Among: 1. Funds	303.77
2. Material	5.2
3. Number of recorded poverty population lifted out of poverty (person)	920
Input by category	
1. Industrial development poverty alleviation	
Among: 1.1 Industry poverty alleviation project type	<input checked="" type="checkbox"/> Agricultural and forestry industries poverty alleviation <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 alleviation project	1
1.3 Investment amount of industrial poverty alleviation project	80
1.4 Number of recorded poverty population lifted out of poverty (person)	200
2. transfer employment poverty alleviation	
Among: 2.1 Investment amount of vocational skills training	5
2.2 Number of vocational skills training(person/time)	60
2.3 Number of recorded poverty population achieving employment (person)	89
3. Relocation poverty alleviation	

## Section V Major Events

Items	Quantity and development
4. Poverty alleviation through education	
Among: 4.1 investment amount of subsidizing poor students	25.25
4.2 number of poor students funded (person)	164
5. Health poverty alleviation	
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 <input checked="" type="checkbox"/> Establish ecological public welfare posts <input type="checkbox"/> Other
6.2 input amount	5
7. Guarantee	
Among: 7.1 investment amount to help "three left-behind" personnel	5.52
7.2 number of "three left-behind" persons helped (person)	110
7.3 amount invested in helping poor disabled people	10
7.4 number of people with poverty and disability helped	56
8. Social poverty alleviation	
8.2 input amount of targeted poverty alleviation work	100.2
9. Other projects	
Among: 9.1. Number of projects	5
9.2. Investment amount	78
9.3 Number of recorded poverty population lifted out of poverty	301
9.4. Descriptions of other project	

RMB400,000 was invested to assist the project of Changxi Bridge in Lishu Village, Liufan Township, Taihu County, Anqing City, Anhui Province; RMB180,000 was invested for the carrying out of the project of unblocked roads in the village and group; RMB100,000 was invested to support the construction projects of small and micro scale; RMB50,000 was invested for the carrying out of Party construction poverty alleviation work; RMB50,000 was invested to assist the construction of beautiful village for object of the Yunjiazhuang Central Village, Fotang Administrative Village, Taozhou Town, Guangde County, Xuancheng City, Anhui Province, which is a target of assistance of the Company.

Awards (Content, Level)

Please refer to Section IX "Environmental, Social and Governance Report" for details.

### 4. Plans of Subsequent Precision Poverty Alleviation

- (1) consolidate the achievements of poverty alleviation, ensure the stability of poverty alleviation to prevent poverty, and complete the task of lifting 12 people out of poverty in the remaining 5 households of Lishu Village;
- (2) deepen party building and poverty alleviation, closely unite the “two village committees”, train and support a number of Party members to become specialist in wealth creation, build the “landscape of Lishu with red Party flag” brand;
- (3) continue to increase support for characteristic industries, strengthen training for village cadres and migrant workers from poor families, and help the industry to develop in the direction of standardization, branding and marketization, so as to improve the ability to adapt to the product market and prevent and control risks;
- (4) focusing on rural revitalization, we should increase support for infrastructure construction and improve the level of public services supporting the facilities. We should solve the livelihood issues in Lishu Village in areas such as transportation, education, health, and signal coverage, to build the village into an example of beautiful village at provincial level, foster village civilization and further improve the living environment.

### (II) Social Responsibility works

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

At the beginning of 2020, in order to facilitate the epidemic prevention and control work of COVID-19 and effectively fulfill the social responsibility of the state-owned listed company, the Board decided to donate RMB5 million to the provincial and municipal emergency headquarters for epidemic prevention and control through Anhui Red Cross Society to support the prevention and control work of COVID-19. The donation will be submitted to the Company’s 2019 annual general meeting for approval.

### (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 actively responds to the nation's "13th Five-Year Development Plan for Transportation Energy Conservation and Environmental Protection", with the target of building a green transportation system and promoting the green culture on the basis of strict compliance with the Environmental Protection Law of the People's Republic of China and the Regulations on the Administration of Construction Project Environmental Protection and other laws and regulations and industry regulations, fully brings the enterprise subjective initiative into play, implementing the concept of green development into the Company's operation.

In 2019, the Company will continue to deepen the green maintenance effect, strengthen the control of the use of snow melting agent, promote the recycling of waste, organize regular road greening maintenance and inspection, increase the noise management along the road, and create a smooth and comfortable road environment. The Company will accelerate the improvement and construction of standardized ETC special lanes, and promote energy conservation and emission reduction while improving the traffic efficiency and service level of expressways. The Company is also actively promoting green office, refining energy-saving and water-saving management regulations, passing the concept of energy-saving and water-saving, to create a "green" and "efficient" office environment.

The environmental protection measures and results of the company during its operation are listed in the Section IX "Environment, Society and Governance Report".

**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.

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.

### 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 shares 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

### 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	30,015
The total number of shareholders of ordinary shares at the end of the month before the date of the publication of the annual report	28,828

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

Unit: shares

##### The ten largest shareholders

Name of shareholders	Change during the reporting period	Total shareholding as at the end of the year	Shareholding percentage	Number of restricted shares	Shares pledged or locked up State	Number	Nature of shareholders
Anhui Transportation Holding Group Company Limited	0	524,644,220	31.63	0	Nil		State-owned shares
HKSCC NOMINEES LIMITED	-72,000	488,955,899	29.48	0	Not known		Overseas legal person
China Merchants Highway Network Technology Holding Company Limited	0	404,191,501	24.37	0	Nil		State-owned legal person
Hong Kong Securities Clearing Co. Ltd	13,470,516	19,066,910	1.15	0	Nil		Others
Ding Xiuling	0	5,411,435	0.33	0	Nil		Domestic natural person
Industrial and Commercial Bank of China Ltd. – Fuguo China securities dividend index enhanced securities investment fund	3,029,901	4,425,701	0.27	0	Nil		Others
China Citic Bank Co., Ltd. – Jianxin China securities 500 index enhanced securities investment fund	495,975	4,001,556	0.24	0	Nil		Others
Liao Hui	2,749,200	2,749,200	0.17	0	Nil		Domestic natural person
Qin Jianhua	854,637	2,276,437	0.14	0	Nil		Domestic natural person
National Social Security Fund Combination No. 116	1,999,901	1,999,901	0.12	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	Type and Number of shares	Number
Anhui Transportation Holding Group Company Limited	524,644,220	Renminbi-denominated ordinary shares		524,644,220
HKSCC NOMINEES LIMITED	488,955,899	Overseas listed foreign shares		488,955,899
China Merchants Highway Network Technology Holding Company Limited	404,191,501	Renminbi-denominated ordinary shares		404,191,501
Hong Kong Securities Clearing Co. Ltd	19,066,910	Renminbi-denominated ordinary shares		19,066,910
Ding Xiuling	5,411,435	Renminbi-denominated ordinary shares		5,411,435
Industrial and Commercial Bank of China Ltd. – Fuguo China securities dividend index enhanced securities investment fund	4,425,701	Renminbi-denominated ordinary shares		4,425,701
China Citic Bank Co., Ltd. – Jianxin China securities 500 index enhanced securities investment fund	4,001,556	Renminbi-denominated ordinary shares		4,001,556
Liao Hui	2,749,200	Renminbi-denominated ordinary shares		2,749,200
Qin Jianhua	2,276,437	Renminbi-denominated ordinary shares		2,276,437
National Social Security Fund Combination No. 116	1,999,901	Renminbi-denominated ordinary shares		1,999,901

### Explanations of connected relationship between the above-mentioned shareholders or acting in concert

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 (《上市公司股東持股變動信息披露管理辦法》).

Note: 1. The total number of shareholders of A shares were 29,948 and H shares were 67 as at the end of the reporting period.

2. The total number of shareholders of A shares were 28,761 and H shares were 67 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

## Section VI Change of Ordinary Shares and Shareholders

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

Applicable  Not applicable

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

As at 31 December 2019, 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	89,160,000(L)	H shares	18.08%	Unknown
HSBC Holdings plc	Interests in controlled corporation	98,525,221(L)	H shares	19.98%	Unknown
		99,825,933(S)		20.25%	

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 H shares	Pledged or locked-up
Anhui Transportation Holding Group	Beneficial owner	524,644,220	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 2019, 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 2019.

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

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

##### 1. Legal person

<b>Name</b>	<b>Anhui Transportation Holding Group Company Limited</b>
Legal representative	Xiang Xiaolong
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 518,935,600 shares of Huishang Bank, representing 4.26% of its total shares; it holds 157,880,000 shares of Anhui Transport Planning and Design Institute directly and indirectly, representing 48.63% of its total shares; it holds 135,128,300 shares of Huaan Securities Co indirectly, representing 3.73% of its total shares; it holds 5,999,300 shares of Guotai Junan Securities Co indirectly, representing 0.07% of its total shares;
Other information	Nil

## Section VI Change of Ordinary Shares and Shareholders

**2. Natural person**

Applicable  Not applicable

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

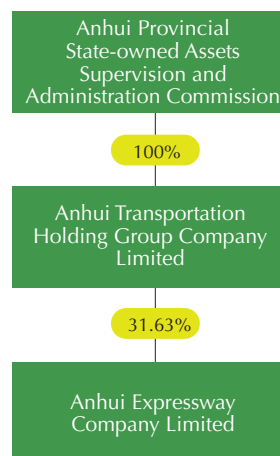
Applicable  Not applicable

**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 Company and is under the control of Anhui Provincial State-owned Assets Supervision and Administration Commission.





### (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

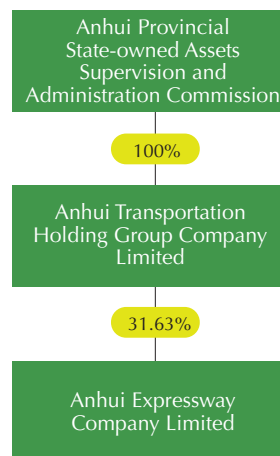
#### 4. Index and date of the effective controller's change during the reporting period

Applicable  Not applicable

## Section VI Change of Ordinary Shares and Shareholders

### 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 Company and is under the control of Anhui Provincial State-owned Assets Supervision and Administration Commission.



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

Applicable  Not applicable

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

Applicable  Not applicable

## Section VI Change of Ordinary Shares and Shareholders

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

Unit: '00,000,000 Currency: RMB

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).

### 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	Sex	Age	The start date of term of office	The expiration date of term of office	Total remuneration (before tax) from the Company during the reporting Period (RMB' 0,000)	Whether or not obtained remuneration from any related party of the Company
Xiang Xiaolong	Chairman	Male	56	2020-02-04	2020-08-16	0	Yes
Chen Dafeng	Director	Male	57	2014-08-17	2020-08-16	0	Yes
Xu Zhen	Director General Manager	Male	56	2016-05-20	2020-08-16	53.17	No
Xie Xinyu	Director Deputy General Manager	Male	53	2014-08-17	2020-08-16	50.66	No
Yang Xudong	Director	Male	47	2017-08-17	2020-08-16	0	Yes
Du Jian	Director	Male	49	2016-05-20	2020-08-16	0	Yes
Kong Yat Fan	Independent Director	Male	48	2014-08-17	2020-08-16	12	No
Jiang Jun	Independent Director	Male	47	2016-10-14	2020-08-16	8	No
Liu Hao	Independent Director	Male	42	2017-08-17	2020-08-16	8	No
Chen Yuping	Supervisory board chairman	Female	57	2017-08-17	2020-08-16	0	Yes
Dai Hui	Supervisor	Male	60	2017-03-23	2020-08-16	50.66	No
Jiang Yue	Supervisor	Male	38	2016-05-20	2020-08-16	0	Yes
Li Huimin	Deputy General Manager	Male	56	2015-12-16	2020-08-16	50.66	No
Chen Jiping	Deputy General Manager	Male	49	2016-08-19	2020-08-16	50.66	No
Dong Huihui	Secretary to the Board	Female	52	2017-03-24	2020-08-16	46.37	No
Qiao Chuanfu	Chairman	Male	61	2016-05-20	2019-12-12	0	Yes
Total	/	/	/	/	/	330.18	/

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
Xiang Xiaolong	<p>He was born in 1964, had obtained an academic qualification equivalent to the Master of Business Administration from Anhui Institute of Business Administration. He previously acted as the secretary and deputy director of Anhui Provincial Supply and Marketing Cooperative Office, the deputy general manager of Anhui Provincial Agricultural Resources Company, the director of Anhui Provincial Supply and Marketing Cooperative Office, an assistant of the mayor of the Municipal Government, the director of the Municipal Development and Reform Commission, and the secretary of the Municipal Government and the director of the Municipal Administrative Services Center in Anqing, the deputy mayor of the Anqing Municipal Government, a member of the Standing Committee and the deputy mayor of the Anqing Municipal Party Committee, the deputy director and a member of the Party Committee of the State-owned Assets Supervision and Administration Commission of the Anhui Provincial Government, the deputy director of the State-owned Assets Supervision and Administration Commission of the Anhui Provincial Government and the deputy secretary of the Party Committee (Director Level). Currently he is the secretary of the Party Committee and the chairman of the board of directors of Anhui Transportation Holding Group Company Limited. Since 4 February 2020, he has taken the post of chairman of the Board of the Company.</p>
Chen Dafeng	<p>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.</p>

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

Name	Major work experiences
Xu Zhen	<p>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.</p>
Xie Xinyu	<p>He was born in 1967. He is a holder of an engineering master's degree, and a fellow of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute. 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 a director of Anhui Xin'an Financial Group Company Limited, Anhui Xin'an Capital Operating Management Group Company Limited, Anhui Expressway (H.K.) Limited and the chairman of Anhui Transportation Holding Group (H.K.) Limited.</p>
Yang Xudong	<p>He was born in 1973, is a doctoral candidate and a senior engineer. He has previously held the positions as a project manager of domestic project department of China Merchants Holdings (International) Company Limited and as a general manager assistant and general manager of investment development department of China Merchants Highway Network Technology Holding Company Limited. He is currently the deputy general manager and general manager of investment development department of China Merchants Highway Network Technology Holding Company Limited, and is concurrently a director of Guangxi Wuzhou Transportation Company Limited. Since 17 August 2017, he has been appointed as Director of the Company.</p>

## 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) and the chairman of China Merchants Huaruan Information Company Limited (招商華軟信息有限公司). 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.

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

Name	Major work experiences
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 and Shanghai Xuerong Bio-Technology Company Limited. Since 17 August 2017, he has been appointed as an independent Director of the Company.
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 and a level two legal advisor of state-owned enterprises. 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, the general counsel of Anhui Transportation Investment Group Company Limited and the general counsel of Anhui Transportation Holding Group Company Limited. Since May 2018, she has been appointed as the deputy secretary of the Party Committee and a director of Anhui Transportation Holding Group. 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 and the chairman of the labour union 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.



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

Name	Major work experiences
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 working in China Merchants Highway Network Technology Holding Company Limited, and he previously worked as the project manager of the equity management division 1 and the corporate management department, 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 an assistant to the general 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.
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 director of operations management of 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 City Guangci Expressway Company Limited and Anhui Ningxuanhang Expressway Investment Company Limited.

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

Name	Major work experiences
Dong Huihui	<p>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 directors of Anhui Ningxuanhang Expressway Investment Company Limited.</p>
Qiao Chuanfu	<p>He was born in 1959, is a holder of a university degree (on the job programme) and a master's degree in executive business administration and is a senior economist. He was the deputy director of the Navigation Management Authority of the Anhui Province, officer of the Water Transport Service Centre of the Anhui Province; the general manager of Anhui Province Shipbuilding Corporation; the general manager of Anhui Province Transport Construction Investment Development Corporation; the general deputy director of World Bank Financing Project Office at Transport Department of Anhui Province; chairman of the board, the Party Committee secretary and general manager of Anhui Transportation Investment Group Company Limited; the vice chairman of the board, general manager and Party Committee deputy secretary of Anhui Transportation Group; the chairman of the board and Party Committee secretary of Anhui Transportation Holding Group Company Limited. From 20 May 2016 to 12 December 2019, he had taken the post of chairman of the Board of the Company.</p>

### Other Information

Applicable  Not applicable

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

Applicable  Not applicable

### 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
Xiang Xiaolong	Anhui Transport Holding Group Company Limited	Secretary of the Party Committee, Chairman	2019.10	
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 Intelligence Technology Company Limited	Chairman	2017.7	
	China Merchants Huaruan Information Company Limited	Chairman	2019.1	
Chen Yuping	Anhui Transport Holding Group Company Limited	Deputy secretary of the Party Committee and Director	2018.5	
Jiang Yue	China Merchants Highway Network Technology Holding Company Limited	Assistant to the general manager of the capital operation department	2019.7	
Qiao Chuanfu	Anhui Transport Holding Group Company Limited	Secretary of the Party Committee, Chairman	2016.3	2019.10

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

Explanation on positions held in shareholders entities

### 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
Xu Zhen	Anhui Ningxuanhang Expressway Investment Company Limited	Chairman	2017.11	
Xie Xinyu	Anhui Xin'an Financial Group Company Limited	Director	2011.7	
	Anhui Xin'an Capital Operation Company Limited	Director	2015.6	
	Anhui Transport Holding Group (H.K.) Company Limited	Chairman	2013.9	
	Anhui Expressway (H.K.) 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	
	Jinyi Co, Limited	Independent director	2018.10	

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

<b>Name</b>	<b>Name of other entity</b>	<b>Position held in other entity</b>	<b>The start date of term of office</b>	<b>The expiration date of term of office</b>
Liu Hao	Shanghai University of Finance and Economics	Doctoral supervisor and professor of Accounting College	2014.7	
	Shanghai Shenneng Company Limited	Independent director	2016.5	
	Jiangsu Yulong Steel Tube Company Limited	Independent director	2016.8	2019.10
	Shanghai Xuerong Bio-Technology Company Limited	Independent director	2017.8	
Dai Hui	Anhui Ningxuanhang Expressway Investment Company Limited	Supervisory board chairman	2017.11	
Jiang Yue	Jilin Expressway Company Limited	Supervisor	2016.4	
Chen Jiping	Xuanguang Expressway Company Limited	Director	2017.4	2019.4
	Anhui Ningxuanhang Expressway Investment Company Limited	Director	2017.11	
	Xuancheng City Guangli Expressway Limited Liability Company	Director	2017.4	2019.4
Li Huimin	Anhui Expressway Media Company Limited	Director	2017.8	
Dong Huihui	Anhui Ningxuanhang Expressway Investment Company Limited	The secretary to the Board	2017.11	

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

Determination procedure for remuneration of Directors, Supervisors and senior management	After the respective consideration of the Board of Directors and the Supervisory Committee, it will be submitted to shareholders at a general meeting for approval.
Determination basis of remuneration of Directors, Supervisors and senior management	Determined according to China's relevant policies or requirements and taking into account the market rates and the practical condition of the Company, including the Company's performance, the duties of the Directors, Supervisors and senior management, and the Company's current remuneration standards for directors, supervisors and senior management.
Actual payment of remuneration to Directors, Supervisors and senior management	RMB3,301.8 thousand
Actual remuneration in aggregate received by all Directors, Supervisors and senior management as at the end of the reporting period	RMB3,301.8 thousand

### IV. Changes of Directors, Supervisors and senior management of the Company

Name	Position held	Change situation	Change reason
Qiao Chuanfu	Chairman	Resignation	Change of work arrangement

The board of directors of the Company received the resignation letter on 12 December 2019 from Mr. Qiao Chuanfu, who was the chairman of the Company. Due to change of work arrangement, Mr. Qiao had tendered his resignation as a director, chairman of the Company and a chairman of the Company's strategic development and investment committee, which is subordinate to the board of directors. Mr. Qiao's resignation took effect upon receipt of his resignation application by the Board. The Board would like to express its sincere gratitude to Mr. Qiao for his endeavours and contributions to the Company during his term of office!

The Company held the sixteenth meeting of the Eighth Session of the Board by communication on the morning of 13 December 2019. The board of directors unanimously recommended Mr. Chen Dafeng, an executive director, as the interim convener of the board of directors, temporarily performed the duties of chairman; The Board agreed to nominate Mr. Xiang Xiaolong as a candidate for the new director of the Company, the term of office would begin on the date of election (approval of the shareholders' meeting for the election of new director) and end on 16 August 2020. For details, please refer to the Company's announcement dated 13 December 2019 and headed "Resignation of Director and Nomination of Candidate for New Director".

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

The Company held the first extraordinary general shareholders meeting in 2020 on 4 February 2020, and Mr. Xiang Xiaolong was elected as the new director of the Company. The 19th meeting of the Eighth Session of the Board was convened immediately after the shareholders meeting, and Mr. Xiang Xiaolong was elected as the chairman of the Company, a member of the Company's strategic development and investment committee, and the chairman of the committee.

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

Applicable  Not applicable

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

#### 1. Staff

Number of serving staff of the parent company	1,466
Number of serving staff of major subsidiaries	681
	<hr/>
The total number of serving staff	2,147
	<hr/> <hr/>
Number of retired staff for whom the parent company and major subsidiaries bear costs	113
	<hr/> <hr/>

#### Profession composition

Profession type	Number
Production staff	1,633
Technical staff	171
Financial staff	40
Administration Staff	303
	<hr/>
Total	2,147
	<hr/> <hr/>

#### Education

Education type	Number (person)
Postgraduate degree	58
Bachelor's degree	550
Tertiary vocational diploma	1,080
Secondary vocational diploma	350
High school and below	109
	<hr/>
Total	2,147
	<hr/> <hr/>

### 2. Remuneration policy

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

The Company strictly implements the social security laws and regulations of the State and regions, and protects legal rights of its staffs. The Company has participated in “Five Insurances and One Fund”, i.e. the pension insurance, basic medical insurance, unemployment insurance, job-related injury insurance and maternity insurance and housing fund for its employees and paid relevant contribution in full. The Company paid contribution to the abovementioned 5 social insurances in the sum of RMB 34,200 thousand in 2019 and paid contribution to housing fund in the sum of RMB 24,110 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 2019, the enterprise annuity expenses were RMB 10,980 thousand in total.

### 3. Training plan

Company attaches great importance to the education training work, and constantly optimize the training system, according to the “interim measures for staff training management, the company headquarters education training work rules and other requirements, formulate the 2019 Anhui Expressway Staff Education and Training Plan, encourage employees to “reach out of the company” or “bring in” the trainers, and take training management mode of hierarchical classification, formulated the training plan, in the security operation, operation and management, professional skills, levy management and policies of the state, and so on, systematically and effectively improving the management, skills and professional knowledge level of the staff.

In 2019, the Company carried out targeted and professional training for employees at different positions and levels. For example, the Company conducted special training for middle-level cadres, and held “Middle-level Cadres Management Ability Improvement Class” to improve the core competitiveness of management personnel and overall leadership. For general management positions, the Company Carried out “Management Capability Improvement Class”, provided professional training for employees at different levels of management positions, improved managers’ management thinking ability, strengthened managers’ teamwork and leadership. 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.



### 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:

- Except for the service contract signed between the Company and Mr. Xiang Xiaolong which is valid from 4 February 2020 to 16 August 2020, 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 RMB80,000 per annum.
- The Director's remuneration for each overseas independent Director is RMB120,000 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 2019 or at the end of 2019, no Director or Supervisor or any of their connected entities had a material interest (whether direct or indirect) in any transactions, arrangements or contracts considered to be significant to the business of the Group that were entered into, or participated by the Company, any of its subsidiaries, the parent company of the Company or any subsidiaries of the parent company.

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

During the reporting period, according to the Listing Rules, 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 2019, 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.

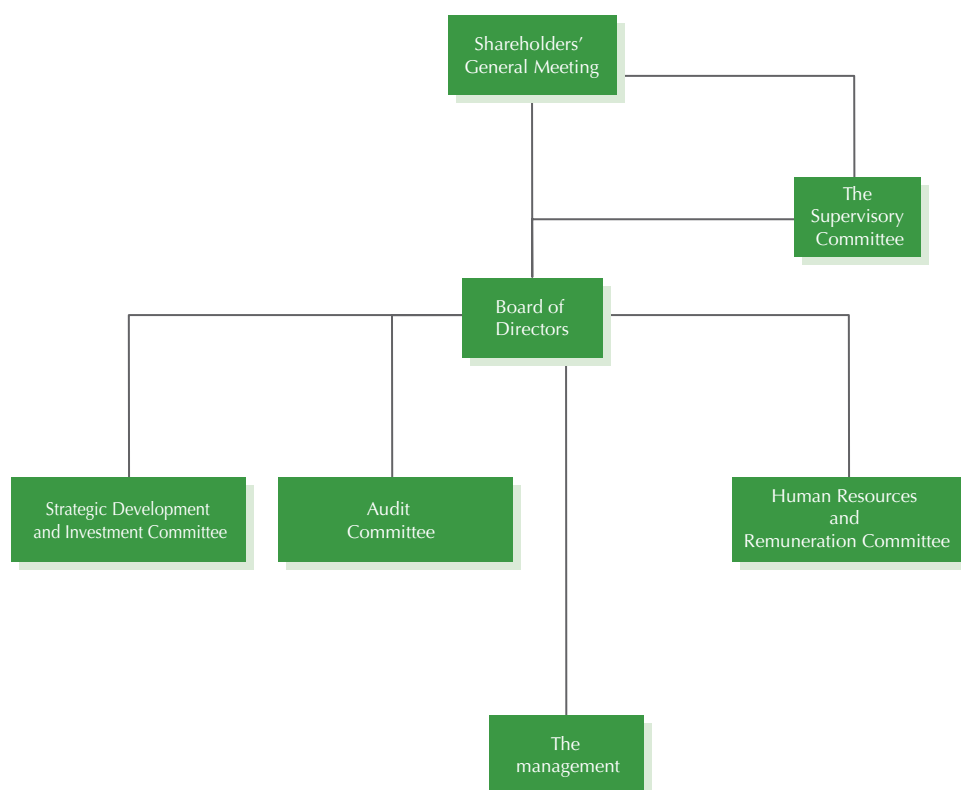
### **7. Arrangements for the purchase of shares or bonds**

At any time during 2019 or at the end of 2019, none of the Company, any of its subsidiaries, the parent company of the Company or any subsidiaries of the parent company was a party to any arrangement to enable any Director or Supervisor to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

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

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

During the reporting period, in order to fully protect the interest of investors and further standardize and improve the corporate governance structure, the State Council issued the Official Reply regarding Adjusting the Application of Provisions to Matters Including the Notice Period of Overseas Listed Companies for Convening Shareholders’ Meetings, pursuant to which it was agreed that the requirements of the Company Law of the People’s Republic of China should be applicable uniformly in respect of the notice period, motions from shareholders and convening procedures for shareholders’ general meeting of overseas listed joint stock limited companies registered in the PRC. The Company will consider its own actual conditions and plans to amend the relevant parts in the Articles of Association in the near future.

### 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.

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, 17 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. 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. Inside 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 2019.

### **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:

- ◇ 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 2018 annual and 2019 interim results presentation in Hong Kong in March and August 2019 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 the Articles of Association a stable and active dividend policy. Since the listing, the Company has been paying cash dividends continuously for 23 consecutive years. By the end of 2018, the Company has paid a total cash dividend of about RMB5.829 billion, with a total dividend of RMB3.5475 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 RMB0.23 per share in this year, with a dividend rate of 30.77%.

### 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 the outgoing 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

### 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 section IX “Environmental, Social and Governance Report” of this annual report.



## Section VIII Corporate Governance Structure and Governance Report

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
The 2019 First Extraordinary General Meeting	3 April 2019	Shanghai Securities News China Securities Journal	4 April 2019
2018 Annual General Meeting	17 May 2019	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> <a href="http://www.anhui-expressway.net">http://www.anhui-expressway.net</a>	18 May 2019

#### Statement of the general meeting of shareholders

Resolutions passed in The 2019 First Extraordinary General Meeting

- To consider, approve and ratify the entering into of the debts conversion agreement dated 28 December 2018 (the “Debts Conversion Agreement”) in respect of, among others, the connected transaction (the “Anhui Expressway Equity Conversion”) between the Company and Anhui Ningxuanhang Expressway Investment Company Limited and the entering into of the Anhui Expressway Equity Conversion pursuant to the Debts Conversion Agreement, and to authorize the directors of the Company to take such actions and to enter into such documents which are necessary to give effect to the Anhui Expressway Equity Conversion, provided that such actions or documents are administrative nature and ancillary to the Debts Conversion Agreement(Ordinary Resolution)

Resolutions passed in 2018 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 2018 (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 2019 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).

### III. Directors' Performance of Duties

#### 1. Directors' attendance at Board meetings and shareholders' general meetings during the reporting period

Name	Independent director (yes or no)	Number of meetings that should be attended during this year	Attendance at board meeting				Attendance at shareholders' meeting	
			Times of attending in person	Times of attending through communication means	Times of attending by delegate	Times of absence	Two successive absence from the meeting (yes or no)	Times of attending
Qiao Chuanfu	No	4	2	2	0	0	No	2
Chen Dafeng	No	7	2	5	0	0	No	2
Xu Zhen	No	7	2	5	0	0	No	2
Xie Xinyu	No	7	2	5	0	0	No	2
Yang Xudong	No	7	0	5	2	0	No	0
Du Jian	No	7	2	5	0	0	No	2
Kong Yat Fan	Yes	7	1	5	1	0	No	1
Jiang Jun	Yes	7	0	5	2	0	No	0
Liu Hao	Yes	7	2	5	0	0	No	1

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

## Section VIII Corporate Governance Structure and Governance Report

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

Applicable  Not applicable

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

## IV. 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:

<b>Committee</b>	<b>Strategic Development and Investment Committee</b>	<b>Human Resources and Remuneration Committee</b>	<b>Audit Committee</b>
<b>Director</b>			
Xiang Xiaolong	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

Note :

C: Chairman of relevant Board Committee

M: Member of relevant Board Committee

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

During the reporting period, the Strategic Development and Investment Committee continued to carry out the company's "the 13th Five-year Plan" development strategy, continued to strengthen the main business advantages, through the internal and external expansion of the expressway industry and to expand the scale of assets; At the same time, based on its own superior resources, the committee complies with the national "One Belt And One Road" strategic guidance, combining internal development conditions and the international market environment to actively "go global" so as to foster new profit growth points.

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 2019 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.

### V. 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 onsite Board meetings and shareholders' general meeting in 2019. 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 by the Board of Directors to the general meeting of shareholders; 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.

### VI. 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

### VII. 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.

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

For details, please see the “2019 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

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

PricewaterhouseCoopers Zhong Tian LLP has reviewed the internal control of the Company in 2019 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

### X. 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 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, 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 2019, the Board of Directors, which is the 8th session of Board of Directors of the Company, composed of 8 Directors, including:

##### **Executive Directors:**

Chen Dafeng  
Xu Zhen (*General Manager*)  
Xie Xinyu

##### **Non-executive Directors:**

Yang Xudong  
Du Jian

##### **Independent Non-executive Directors:**

Kong Yat Fan  
Liu Hao  
Jiang Jun

Note : Due to change of work arrangement, Mr. Qiao Chuanfu, the chairman of the Board, had tendered his resignation as an executive director on 12 December, 2019, and the resignation had taken effect upon being sent to the board of directors.

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.

During the reporting period, the chairman of the Company is Mr. Qiao Chuanfu (Mr. Qiao Chuanfu was appointed as chairman of the Company on 20 May 2016, resigned on 12 December 2019, and Mr. Xiang Xiaolong was appointed as chairman of the Company on 4 February 2020). 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.



### 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 Hong Kong Institute of Chartered Secretaries and the Listed Companies Association of Anhui, and provided the Company with relevant training records. In 2019, 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	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.

### 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 2019, the Strategic Development and Investment Committee consisted of:

- Qiao Chuanfu (the chairman of the committee and executive Director, resigned on 12 December 2019)
- Chen Dafeng (Executive Director)
- Xu Zhen (Executive Director)
- Yang Xudong (Non-executive Director)
- Jiang Jun (Independent non-executive Director)

For the work report for 2019 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 2019, 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 2019, the Audit Committee held 4 meetings. Details of attendance are as follows:

<b>Member's name</b>	<b>Attendance in person at meeting (times)</b>	<b>Number of meeting (times)</b>	<b>Attendance rate</b>
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 2019, 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).

In 2019, the Human Resources and Remuneration Committee held 1 meeting. Details of attendance are as follows:

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

For the work report for 2019 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.

### **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 2018 Annual General Meeting of the Company has approved the re-appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's 2019 PRC and Hong Kong auditors respectively. The audit and non-audit service fees for the year are as follows:

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

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

### **G. Remuneration of Directors, Supervisors and Senior Management**

During the reporting period, the total amount of remuneration of Directors, Supervisors and senior management of the Company are within the following range:

	<b>Number of Person</b>
Nil to HK\$1,000,000 (equivalent to RMB835,900)	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 has established a sound and effective risk management and internal control system. The objective of risk management and internal control system of the Company is to reasonably ensure the operating and management to be in compliance with laws and regulations, that the assets are safe, the financial report and the relevant information are true and complete, improve operational effect and result, and promote and achieve development strategy. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to meet business objectives and to only provide a reasonable, but not absolute assurance that there will be no material misrepresentations or losses.

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

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

Scope of duties:

The Board

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

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.

### 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 2020, the internal control working group tested the effectiveness of internal control operation for 2019. 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.

## (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 2019, 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 2020, the Company tested the effectiveness of internal control operation for 2019. The Board of Director confirms that for the year ended 31 December 2019, the Group's risk management and internal control systems were effective and adequate, and no major monitoring errors or major monitoring weaknesses were identified during the reporting period.

The Board considers that for the year ended 31 December 2019, 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, overview of the HKICS “shareholder communication investigation and research report”, financial audit and performance report preparation, discloseable transactions, connected transactions, insider information and insider control and its information disclosure, preparation and disclosure of “environmental, social and governance report”, 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.

- (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.

## Section VIII Corporate Governance Structure and Governance Report

- (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.

- (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.

### ABOUT THIS REPORT

#### **Basis of Preparation**

The report is prepared with references to the “Notice on Enhanced Undertaking of Social Responsibilities for Listed Companies and Release of the ‘Guidelines to Environmental Information Disclosure of Listed Companies at Shanghai Stock Exchange’”, guidelines set out in the “Report on the Company’s Social Responsibility”, and the “Environmental, Social and Governance Reporting Guide” (“ESG Guide”) set out in Appendix 27 of Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### **Scope of Reporting**

This report truly and objectively reflects the relevant information of Anhui Expressway Company Limited in 2019 on performance in such aspects as Environmental, Social and Governance (ESG). This report covers the period from 1 January 2019 to 31 December 2019 (“the reporting period”). In order to enhance the comparability and forward-looking of the report, some contents have been extended.

#### **Reliability Guarantee**

The preparation of the report follows the reporting principles of importance, quantification, balance and consistency. All information used in the report came from official documents, statistical reports or public data of internal systems of the Company. 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 20th meeting of the eighth session of the board of directors of the Company on March 27, 2020.

#### **Report Access**

This report is released within Annual Report via electronic edition that can be accessed and downloaded in the website of Anhui Expressway Company Limited ([www.anhui-expressway.net](http://www.anhui-expressway.net)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### STEADY PATH FOR OPERATION

As a national basic, leading and strategic industry, transportation is an important support and strong guarantee for economic and social development. The Company always remembers General Secretary Xi Jin Ping said earnestly that “only companies that actively take social responsibility are the most competitive and vital enterprises”. On the basis of making our main business bigger, stronger, and better, we actively fulfill our political responsibility, economic responsibility and social responsibility.

#### 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 investors, and providing better trips for the people. Over the years, the Company has gradually improved operating management system and optimized risk management and control structure by combining development philosophy and brand proposition for steady improvement of corporate environmental, social and governance capabilities and comprehensive corporate value, so as to achieve the common progress and development of the Company’s management ability and the ability to fulfill duties.

#### ESG Philosophy

The Company has always regarded the fulfillment of social responsibilities as the essential way for the sustainable development of the enterprise and the longevity of the foundation. It firmly believes that the development of the Company is inseparable from the support of good national policies, the hard work of employees and the full support of all sectors of society. As a state-owned listed enterprise, the Company firmly establishes the core values of “integrity, pragmatism, innovation and responsibility”. Adhering to the mission of “paving for the beautiful Anhui and speeding up the happy life”, we are shouldering the responsibility of transportation and pursuing economic efficiency. At the same time, we actively safeguard the legitimate rights and interests of stakeholders, protect the environment, and give back to the society, and make unremitting efforts to realize the vision of being the “strong support of the country’s transportation and the role model in the industry”.

#### ESG Management Structure

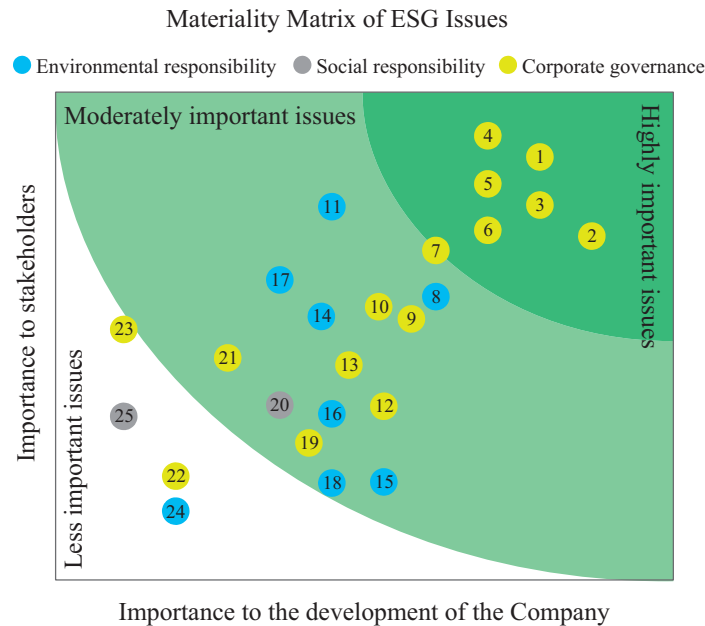
To better implement the corporate environmental, social and governance management, improve ESG management level and ESG information disclosure quality, in January 2019, the Company set up the environmental, social and governance (ESG) working group which is headed by the general manager of the Company, the deputy general manager and four members of the board of supervisors as the deputy leaders and the Board Secretary’s Office as the main implementation department of report preparation. In the future, the Company will continue to enhance the ESG governance awareness of the members of the board of directors, further strengthen the ESG participation of the board of directors, consolidate the functions of the ESG working group, optimize the coordination between various departments, gradually form an institutionalized ESG management system, and constantly improve the effectiveness of ESG management and control.



## Material Issue Management

Stakeholders’ attention to various ESG issues and determination of the importance of issues are the basis for the Company’s assessment of major issues. The Company conducts surveys for a wide range of stakeholders every 2 years. In 2018, the Company collected opinions and feedback from investors/shareholders, government regulatory agencies, employees, customers/drivers/road users, the board of directors/supervisory committee/operators, and suppliers/partners and the public. Through 1,445 evaluation surveys and internal interviews and communication, the Company was informed of the stakeholders’ evaluations and expectations of corporate social responsibility performance. In 2019, the Company further conducted interviews with senior management and employees of various departments to review and evaluate major issues, generalizing and summarizing the issues that the Company is highly concerned about in 2019. Meanwhile, the Company further organized and improved its internal regulations and annual management practices as the basis for the preparation of this report.

Through the analysis and ranking of the survey results, 6 highly material issues including “anti-corruption”, “safe production” and “improving road quality and ensuring traffic safety” were finally identified. In this report, the Company will fully elaborate on the key issues and will closely follow the concerns and demands of stakeholders to adjust the Company’s strategies and management policies.



## Section IX Environmental, Social and Governance Report

Importance Degree	No.	Issue
<b>High importance</b>	1	Anti-corruption
	2	Work safety, including emergency plan, accident response mechanism and relevant supervision measures
	3	Improve road quality and ensure traffic safety
	4	Employee compensation and benefits
	5	Employee safety and health guarantee
	6	Keep roads clear and improve transportation efficiency
	7	Talent attraction and retention
	8	Highway noise standards and control
	9	Employee training and development
	10	Develop sustainable development plan, management system and ESG risk assessment
<b>Moderate importance</b>	11	Water resources utilization and measures to protect water resources
	12	Avoid child labor and forced labor
	13	Improve the quality of road service and build a service brand
	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
	19	Complaint handling and service improvement
	20	Community public welfare construction, including but not limited to targeted poverty alleviation and volunteer activities
	21	Consumer privacy protection
<b>Less importance</b>	22	Avoid unfair competition and vicious competition
	23	Supply chain management and sustainable development of upstream and downstream
	24	Greenhouse gas and carbon emission management and emission reduction measures
	25	Create employment opportunities and promote employment for local residents of the operation site

## Section IX Environmental, Social and Governance Report

### Stakeholder Communication

The Company has built a relatively complete communication mechanism 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
<b>Investors/ shareholders</b>	Improve business performance Transparent information disclosure	Shareholders' meeting Holding of the performance meeting Periodic reports and information announcements
<b>Governments and regulators</b>	Compliance operation Enhance risk management and control Support local development	Daily report Meeting Communications and visits Periodic reports and information announcements
<b>Staff</b>	Complaints and feedback Career promotion space Training and growth Healthy and safe working environment	Regular meeting Daily communication Normal training Employee activity
<b>Customers/crews/ road users</b>	Enhance customer experience Customer complaints and feedback Customer privacy protection Open and transparent charges Road is in good condition Road safety and rescue	Customer service hotline Customer complaint platform Customer satisfaction survey Toll information disclosure Road information disclosure
<b>Environment</b>	Environmental management Green operation Publicity and education	Environmental information disclosure Forum and exchange activities
<b>Suppliers/partners</b>	Open and fair bidding Cooperation promotion Regular communication feedback	Electronic bidding platform Business development and cooperation Meetings
<b>Community/public</b>	Community communication Community public welfare activities	Public welfare activities Targeted poverty alleviation Information disclosure

### Prudent Operation

The Company strictly controls the key points of enterprise basic management, actively responds to changes in the external environment in a stable and pragmatic attitude, continuously improves risk control capabilities, strengthens integrity construction, strictly abides by laws, and solidifies the Company's development foundation, to escort its stable and long-term development.

### **Perform Well in Clean Governance Construction**

A culture of integrity is the “spiritual guide” and “cultural beacon” for enterprises to achieve reform and development. The Company continues to improve the supervision system and continuously strengthen supervision handling to create a clean atmosphere and further strengthen the construction of corporate integrity. The Company has formulated in detail the “Interim Measures for Strict Political Discipline and Political Rules” and the “Interim Measures for the Investigation And Punishment of Disciplinary Violations” in accordance with the Supervision Law of the People’s Republic of China, and guided the practice of integrity by focusing on major areas and key links and through the organic combination of system constraints, integrity education, mass supervision and inspections.

The Company encourages real-name reporting mechanism. The Company reports and supervises the fraud personnel and incidents through channels of publicly known reporting hotlines 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 strengthened the privacy protection of real-name whistleblowers and strictly prohibited disclosing the whistleblower information. In 2019, the Disciplinary Committee of the Company conducted a style inspection every quarter, and conducted special inspections on the implementation of “two responsibilities” by the 7 management offices to ensure full coverage of inspections.

In order to cultivate employees’ sense of integrity, the Company organized a range of integrity culture construction activities. In 2019, the Company convened a meeting on integrity construction and anti-corruption, organized the main responsible person of the subordinate units to “describe the work and the accountability”, and vigorously carried out the “anti-corruption education +” activity. At important festival nodes, we promptly send out reminders through SMS to guide employees to practice honestly. As of the end of the reporting period, the Company had no corruption-related lawsuits.

### **Investor Communication and Participation**

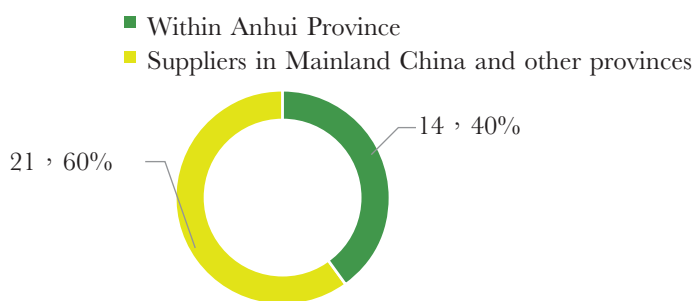
The Company attaches great importance to communication with investors or potential investors, manages investor relations adhering to the principles of full disclosure, compliance disclosure, equal treatment, high efficiency and low consumption, honesty and trustworthiness. In accordance with the Company Law of the People’s Republic of China, “Working Guidance for the Listed Companies and Investor Relations” and other relevant laws and regulations, the Company formulated the “Management Measures on Investor Relations” and the “Administrative System of Proceeds” to protect the legitimate rights and interests of investors, and maintained close communication with investors by making full use of the Company’s website, “e interactive” platform, Company mailbox, hotline and other channels to maintain a long-term trust relationship between investors and the Company. In 2019, for better management of investor relations, the Company carried out knowledge training on investor relations management for directors, supervisors, senior executives and department heads. In 2019, the Company carried out 2 roadshows, accepted 16 on-the-spot surveys by institutional investors, and 2 telephone surveys; answered 29 questions from small and medium-sized investors through the “e interactive” platform, and 12 questions from investors via Company email.

### Win-Win Cooperation

In strict accordance with the Law of the People's Republic of China on Bidding And Tendering, the Method of Implementation of the Law of the People's Republic of China on Bidding and Tendering in Anhui Province and other laws and regulations, the Company has formulated the Bidding Management System to control the entire process of supply chain and procurement. In 2019, the Company has 61 public bidding projects, involving 35 suppliers.

- By screening enterprises with excellent qualifications, results and performance, the Company built a management evaluation system to evaluate suppliers every year on a regular basis, and continuously and dynamically manage centralized procurement of suppliers.
- In accordance with the Bidding Management System, the Company established a procurement working group and a review team to carry out public bidding, and signed an additional "Integrity Agreement" to ensure that suppliers strictly abide by the provisions of the integrity and confidentiality system. A procurement ledger was also established for auditing.
- The Company makes full use of information technology, promotes electronic bidding, improves the efficiency and transparency of bidding, and establishes complaint and reporting methods to completely eliminate fraud in the procurement process.

**Number and percentage of suppliers by region\***



\* Data category description: The statistical category of the number and distribution of suppliers of the company in 2019 only includes the engineering suppliers determined through open bidding, and does not include the suppliers identified through other forms.

### **SAFETY PATH FOR WORKING**

With the socio-economic development, highway transportation is showing a rapid growth trend, and the hidden risks are also emerging, which puts forward higher requirements for the Company's road safety and smooth work. The Company constantly creates standardized, systematic and informatized management models, enhances technological innovation capabilities, and effectively promotes interconnection between regions with safe and smooth roads.

#### **Safe Operation**

Ensuring the safety operation of road is the priority of the Company and the foundation of all work. The Company firmly establishes the safety concept of "safety is life, safety is service and safety is benefit". According to the Road Traffic Safety Law of the PRC and Emergency Handling Law of the PRC and other legal provisions, we deepened unified, efficient and standard safety management system and administrative system, improved road maintenance, strengthened risk management and controlled capabilities and consolidated safety production management, to provide a safe and secure travel environment for the public.

In 2019, Xuanguang Expressway Company was included in the "2019 Anhui Provincial Safety Culture Construction Demonstration Enterprise List".

#### **Improve Road Maintenance**

The Company continues to deepen daily maintenance and investigation work of hidden dangers, pays close attention to standardized operations, and eradicates hidden dangers on roads. According to the Technical State Assessment Standards for Highways implemented by the Ministry of Transport in 2019, the Company timely updated 9 maintenance policies including the "Measures for Highway Bridge Maintenance" and the "Administrative Measures for Highway Maintenance Engineering" to clarify the principles, work content and technical means on routine maintenance and management of roads. The Company prepared for dual prevention of risk management and hidden danger management and established a risk management and control working mechanism, to thoroughly investigate weak links and problems, promptly correct hidden dangers and strictly control the road quality.

#### **Increase security inspection efforts**

The Company organized a daily maintenance inspection team to timely and in-depth assess the road infrastructure and the auxiliary traffic facilities along the route, and repair the discovered defects within the prescribed time, to strictly prevent the occurrence of secondary accidents.

### **Increase risk prevention and control**

The Company strengthens the observation of key maintenance objects such as bridges and tunnels, formulates maintenance plans, and ensures clear road maintenance responsibilities, timely inspections, and ready supervision and inspections, especially during important seasons such as flood seasons, year-end and New Year, to investigate in-depth weak links and problems, and resolutely remediate road safety hazards. In 2019, the Company invested more than RMB15 million throughout the year, and has completed the upgrading of bridge safety protection capabilities and the upgrading of highway tunnels, so that safety control is firmly guaranteed.

The management offices of the Company have also successively launched special activities such as “1 + 3 + N Special Action for Centralized Investigation and Management of Potential Hazards in Safe Production”, the 100-day action for safety production risk prevention and control and hidden trouble investigation and management, “Inspecting risks, plugging loopholes, filling shortcomings, and implementing”, strengthened the investigation of traffic safety, lighting, ventilation, monitoring, and the safe production of service areas (gas stations) and power supply and distribution facilities. For example, Chuzhou Management Office has set up a fog line of sight induction system on certain sections of the Hening Expressway in combination with the reconstruction and expansion of the traffic safety project; and the Ningguo Management Office has renovated 23 movable guardrails in the Xuanning section, eliminating risks and hidden dangers.

### **Increase innovation research**

The Company actively cooperates with industry enterprises, research institutions, universities, etc. to promote the rapid progress of industry maintenance technology. In 2019, the Company’s Gaojie Management Office, in cooperation with Wuhan Erhang Road and Bridge Special Engineering Co., Ltd. and the Wuhan Institute of Rock and Soil Mechanics under the Chinese Academy of Sciences, jointly conducted a research project on “Research and Application of Reinforcement Technology for Bridge Lifting in Operation”. The project won the first prize of the 7th Anhui Provincial Highway Society Transportation Technology Progress Award.

### **Consolidate Safety Production Management**

The Company unwaveringly promotes the construction of a safety culture, implements safety responsibilities and promotes safety publicity, education and training to create a working atmosphere of “safety first for everything and each member”. According to the “Interim Measures for the Administration of Work Safety”, the Company has set up a safety production committee and signed a safety production responsibility letter in the headquarters, the management office, the jurisdiction of the management office, and the road section, forming a responsibility structure of “levels of responsibility, everyone is responsible, and each has its own responsibilities”, and implementing the safety responsibilities of all cadres and employees.

In accordance with the “Interim Provisions on Safety Production Training”, the Company actively carries out a series of safety production training, knowledge competitions and other activities to continuously improve the safety awareness of employees and their ability to deal with potential safety hazards. In 2019, the Company organized special trainings on the network security situation and status of the transportation industry, and carried out 35 special trainings with 3,086 participants around the theme of the safety production month.

In 2019, the “Ankang Cup” competition of the Gaojie Management Office won the national honor again, and was awarded “Excellent Work Safety Unit” by Anqing City for 11 consecutive years.

### **Road Unobstructed**

With the development of social economy and the increase in demand of travel, smooth roads have become one of the public’s most concerns, and it also directly reflects the Company’s road operation level. In 2019, the Company strengthened the deployment of severe weather and accident rescue, actively carried out the reform of the toll system, highlighted to keep the roads smooth, and strived to provide unimpeded travel conditions for the public to enhance the travel experience of passengers.

### **Comprehensive Means to Ensure Smooth**

The Company continuously improves the timeliness of internal response and problem handling, and strengthens the joint logistics linkage with social units to improve the smoothness of internal and external information and work processing to ensure that all kinds of incidents are handled in an orderly and thorough manner to ensure smooth traffic daily and under unexpected circumstances.

### **Emergency smoothing mechanism**

The Company has formulated the “Maintenance Management Regulations for Time-limited Repair”, which requires the construction team to repair the complete road damage facilities unconditionally within 48 hours of receiving the “Road Damage Repair Notice”; it will jointly monitor the road condition with multiple departments to accurately issue real-time road condition and weather information reminders and pre-warning for the passengers and to reasonably choose the travel route to prevent and relieve vehicle congestion.



## Section IX Environmental, Social and Governance Report

For holidays, bad weather and road accidents handling, the Company has established a series of emergency command, material security and preparedness systems, and has issued “Emergency Response Plan for Expressway Operations”, “Special Emergency Response Plan for Flood Control” and “Special Emergency Response Plan for Geological Disasters” and other guiding working documents. Meanwhile, the Company established a severe weather response team, a professional emergency rescue team and other special teams. The external joint road administration team and social rescue units have formed a multi-party management system to ensure rapid response, internal and external coordination and proper handling of emergencies.

### Case: Hefei Management Office responding to emergencies

During the Spring Festival in 2019, the section of the Hefei Management Office experienced six consecutive snowfalls. According to the actual condition, the Hefei Office deployed personnel in time to patrol the bridges and roads covered by snow and icing by sections and groups. The team shared the real-time snow removal progress of each road section in time, to remove snow and ice on the bridges, steep slopes, interchange and the ramp as quickly as possible in accordance with the principle of “man rests without stopping the machines”. During the snowfall, more than 2,000 people and more than 300 machines were dispatched by Hefei Management Office.

### Case: Obstacle-clearing Rescue System App

The obstacle-clearing rescue system of the Company can realize the information interaction between the computer webpage terminal, mobile phone App and WeChat public account. Staff and passengers can perform one-key rescue through the App, which will automatically forward information such as time and road sections. The obstacle-clearing rescue app visualizes the obstacle-clearing rescue business, ensuring timely and accurate transmission of communication information, which lays the foundation for the precise rescue work of rescue teams, and improves the rescue efficiency of related personnel.

### Emergency smoothing drill

In order to improve the practice capabilities of all employees, the Company has organized regular road emergency training with various parties. Over the past year, the Company has organized more than 30 emergency drills. For example, Tianchang and Jiangsu Huai'an Management Offices jointly carried out drill for emergency rescue of highway traffic accidents. Xiaoxian County Management Office organized an emergency drill for the winter snow removal of the highway in advance, which laid the foundation for an efficient and orderly emergency response.

#### Case: Xuanguang Company carried out emergency drills for flood control

In 2019, the Road Administration, the highway police and the company held a diversion drill for emergency handling of traffic interruptions during the flood season. The drill site simulated the suspension due to sudden rainstorms with landslides in slope protection mountains, and all lanes were blocked, causing a single traffic interruption and accidents that all upstream vehicles need to be diverted. According to the drill plan, the three parties completed the disposal procedures for flood season inspection, danger information sending, disaster site safety control zone setting, site safety and traffic order management and control, emergency treatment, road emergency access, and safe evacuation. Through the drill, the maneuverability of the emergency plan for the Xuanguang Expressway during the flood season was tested, the joint logistics and emergency response capabilities of all parties were improved, and valuable practical experience was accumulated for handling sudden water collapse events.

### Intelligent Road Smoothing Maintenance

The Company actively responds to the construction of the "Digital China" strategy, implements the requirements of the "Notice on Vigorously Promoting the Development and Application of Expressway ETC" of the Ministry of Transport, and comprehensively carries out the reconstruction of expressway ETC, broadens the application scenarios of digital equipment, and strives to improve the management level of digitization and intelligence of highway facilities.

### **Equipment installation and maintenance**

In 2019, in terms of ETC construction, the Company built ETC pole racks and RSU antennas, information screens, automatic railing machines and other equipment, and carried out ETC lane transformation, board screen transformation, UPS host machine transformation, etc. to achieve the goal of comprehensive barrier-free traffic. In terms of electromechanical equipment maintenance, the Company carries out the electromechanical information maintenance of the toll station with information technology, grasps the progress of and effectively supervises equipment maintenance in real time. With regard to the installation of mobile payment devices, the Company promoted the installation and commissioning of payment devices, and completed the mobile payment coverage of all exits in lanes with manual toll collection.

In 2019, the Company newly opened 175 ETC lanes (including ETC/MTC mixed lanes). As of the end of the reporting period, the Company had a total of 244 ETC lanes (including ETC/MTC mixed lanes) (excluding the sections under entrusted management).

### **Comprehensive entrance control**

Starting from 16 December 2019, the Company has compulsorily initiated full-vehicle toll collection for all road sections, implemented weighing testing on freight vehicles at expressway entrances, and linked the inspection data with the card issuing system at the entrance of toll stations to expand the functional scope of the ETC system and achieve “mandatory inspection of trucks and prohibition of overweight vehicles”.

### **Network technology inspection**

The “Green Channel Inspection App” can automatically create, report, and remind the Company’s “Green Channel File” and “Fake Green Channel Plugging and Revenue Increase” information to achieve the purpose of automated management of the green channel business at the toll station. The Company makes use of the “Green Channel Inspection App” handheld device to achieve real-time on-site inspection, greatly improving the efficiency of Green Channel vehicles at the toll station.

### **High Quality Service**

The “Thirteenth Five-Year” period is an important period for the Company to strive to grow into a well-known expressway enterprise with “outstanding main business, diversified development channels, efficient operation and management, and significant brand effect.” The Company treats road services in the same way as road quality, integrates services into the strategy of business operation, management and development, and injects brand awareness ahead of time. Adhering to the smiling service concept of “Sincere smile, attentive service”, we provide customers with high quality, convenient and warm service. While continuously improving the recognition and satisfaction of the passengers, it also ensures that the Company will continue to develop steadily under the development of both opportunities and challenges.

### Optimize Toll Service

With the development of Internet technology, expressway toll payment is ushering in new changes. The year 2019 is an important period for the transformation from the old network toll model to the new one. The Company actively adapts to the new normal, accelerates the construction of panoramic digital highways, combines new technology applications and data analysis, integrates into the “Internet +” management model, and explores post-event audits method under the new situation. This method shifts the toll collection from on-site management to back-end management and control. It also builds a multi-departmental, all-round, and highly efficient coordination mechanism by virtue of the audit big data platform. Through regular monthly data audits and linkage audits, we can improve the early detection, preparation, and disposal capabilities of toll-escape vehicles, comprehensively improving the level of charge management, and ensure the fairness and justice of charges. In 2019, the Ningguo Management Office investigated and punished various types of toll-escape vehicles by on-site rectification and investigation of toll-escape vehicles and the use of an inspection platform. The total of 37,147 toll escaped vehicles were identified. The Hefei Management Office fully utilized the blacklist system to maintain the order of crossings. 22 vehicles were listed in the blacklist.

### Warm-hearted and Convenient Service

“Smile Service” represents the Company’s service spirit and cultural heritage. Our “smile service” transforms from a “small window” to a “big service”. From point to face, we continue to expand service extension, deepen the connotation of service, and continue to meet the new needs of the Company’s services under the new situation, and strive to build a long-term mechanism for “big services”.

The Company set up convenient service desks at the crossing of the toll stations to provide quick services such as directions, hot water, mobile phone fast charging, topical medicines, and simple maintenance for passengers in need. Especially after winter, the highway would be closed due to the bad weather sometimes. Toll stations provide services such as boiling water, food, and road condition consultation for the detained passengers, eliminating their anxiety in time. In 2019, the “Yingchunhua” brand of Hefei Management Office was successfully released as a representative of the “Smile Service” brand at the Corporate Culture Festival; the QC team composed of young employees of the management office won the third-class quality and technical achievements of the Anhui Quality Management Group in 2019; smile service as a typical case of “benchmark management”, was successfully included in “Hefei City Total Quality Management Comic Book”; meanwhile, Diao Yingying, an employee of the management office, was awarded the title of the sixth “The Most Beautiful Chinese Road Attendant”.

## Section IX Environmental, Social and Governance Report

The Company also organized the “Woodpecker” volunteer service team, “Spring Blossom Team” and other platforms and carriers to carry out volunteer service activities during holidays, such as youth members issuing youth civilization service cards, “9 + x” Convenience Services, etc. at the toll crossings and service areas, to carry forward the spirit of volunteering, and undertake the Company’s social responsibilities as a state-owned enterprise. In 2019, the branch committee of the Communist Youth League of Hefei Management Office was awarded the title of “General Branch of Youth Red Flag League” of the national “Journey with Love” activity; the Baohe Avenue Toll Station affiliated was successfully awarded the honorary title of “National Youth Civilization” for the fourth consecutive years; employee Qi Ning was awarded the honorary title of “Excellent Young Volunteer in a Provincial Enterprise” and the “Excellent Volunteer in Love at Home and in the Community” in the Economic Development Zone of Hefei City.

### **Listen to the Customer’s Voice**

Customer feedback is the indicator for the Company’s continuous development. The Company encourages passengers to make complaints through service hotline consultations, complaints on portals, etc., or directly to the management offices that govern the highways, and feedback their opinions on service quality, road safety, and charging standards. In accordance with the requirements of the “Interim Measures for the Management of Smile Service of Highway Toll Window”, the Company strictly regulates the complaint handling process, requiring employees to listen to, record, investigate, verify, and provide feedback on customer complaints in a timely and effective manner, and the Company will follow up on the complaint issues in a unified manner, and properly handle every question raised by the attendants, to ensure the smooth operation of the Company. In 2019, the Company received 4 complaints, and the normal complaint closing rate was 100%.

### **Protect Customer Privacy**

The Company fully recognizes the importance of protecting customer privacy in the information age, and has formulated the “Interim Measures for Informationalization of Work Management” to standardize the passenger information collection process and storage and the use of the information. The Company takes full advantage of the electronic work platform, strengthens the information collection and management, ensures that the data collected is only used by the relevant internal personnel authorized in specific scenarios, and fully protects the privacy of the drivers and passengers. For example, for information collection of drivers and passengers, the Company only records the necessary information such as license plate numbers and costs incurred. Meanwhile, we implement three levels of protection in our internal network to ensure the security of important information. In 2019, the Company had no lawsuits caused by the loss or disclosure of sensitive information.

### Fight against the Epidemic

In the Spring Festival of 2020, a novel coronavirus infection pneumonia epidemic suddenly spread throughout the country. An epidemic is an order, and prevention and control is a responsibility. The Company responded quickly and set up the epidemic prevention and control work headquarters on January 29, which quickly deployed to implement the first-level response plan for major public health events in Anhui Province and led the epidemic prevention and control work arrangements. All departments of the Company worked closely to ensure the efficient implementation of epidemic prevention and control.



The Company responded promptly to prepare for epidemic prevention and control

### Strengthen highways to ensure smooth traffic

During the epidemic, keeping the “traffic line” means guarding the “lifeline”. The Company acted swiftly and cooperated closely with the local public security, transportation, health and epidemic prevention departments to strengthen the toll station body temperature inspection and personnel investigation in high-risk areas; resolutely guarantee the epidemic prevention and control and the safe and rapid passage of important life production materials, and strictly implement the principles of resolutely blocking virus transmission channels, ensuring continuous highway transportation networks, continuous green channel for emergency transportation, and continuous transportation of materials necessary for living and production and the principle of “no stopping, no inspection, no fees, and priority access”. During the peak periods, we will increase the strength of guidance, and give priority to ensuring the rapid passage of ambulance vehicles, epidemic prevention vehicles, medical personnel, medical equipment, and vehicles transporting supplies that are urgently needed for the people’s lives, to win valuable time to fight against the epidemic, and to protect the safety and health of the people.

### **Promote the resumption of business and production**

Transportation is not only a strong backing for the outbreak of the epidemic, but also a “pioneer” to ensure the smooth operation of economy and life, and to effectively maintain normal traffic order is the basic prerequisite for winning the epidemic battle and orderly resuming production. The Company insists on seriously implementing the guidelines and requirements of the Ministry of Communications on the resumption of production, giving full play to the role of the toll road toll-free policy, and all transportation vehicles are exempted from tolls during the epidemic prevention and control. The principle of priority and convenience is adopted to free up green channels and open up dedicated channels. At the same time, during the resumption of production and return of personnel, sufficient toll stations would be open, inspection frequency will be increased, on-site guidance will be strengthened, transportation protection would be provided for the enterprise’s resumption of production, and strong support would be provided to stabilize the overall economic and social condition.

### **Support epidemic prevention and control with warm heart**

The Company donated RMB5 million to the Red Cross Society of Xuancheng, Chuzhou, Anqing, Suzhou and Bozhou, and directly assisted its epidemic prevention and control emergency team to support the development of epidemic prevention and control.

## Fully protect the health and safety of employees

Protecting the safety and health of employees during the epidemic is the Company's obligation to do its part, and it is also an important means to consolidate the front line against the epidemic. The Company promptly issued the "Notice on Relevant Matters of Wantong Park Management after Resuming Work" and strengthened personnel management, logistical support, and epidemic publicity, to ensure the health and safety of front-line staff during the fight against epidemic with every effort. Due to the Company's outstanding performance in preventing and control of the epidemic, Hefei Management Office and Cao Chuan, an employee of Gaojie Management Office were publicly praised on a group level and individual level respectively by the Anhui State-owned Assets Supervision and Administration Commission.

 <p><b>01</b></p>	 <p><b>02</b></p>	 <p><b>03</b></p>
<p>The Company closed office park, requiring all people entering and leaving the park to wear masks and detect body temperature;</p>	<p>Paid close attention to the health condition of employees and registered in time to ensure the health of all employees;</p>	<p>Daily disinfection of offices and vehicles, and the implementation of meal breaks at different time period to strengthen the daily prevention and control in offices;</p>
 <p><b>04</b></p>	 <p><b>05</b></p>	 <p><b>06</b></p>
<p>Purchased protective equipment such as masks and disinfectants in time for employees and check the wearing of protective equipment;</p>	<p>Promoted the use of protective equipment to improve employees' awareness and level of protection;</p>	<p>RMB70,000 was allocated to condonences the grassroots employees in the front line of prevention and control, and purchased medicines and supplies related to epidemic prevention and control.</p>



### **FRIENDLY PATH FOR ENVIRONMENT**

The Company actively responds to the national “13th Five-Year Development Plan for Transportation Energy Conservation and Environmental Protection” of the nation”, fully exerts our subjective initiative, and integrates environmental protection concepts into corporate management decisions and daily operations, to accelerate the construction of green transportation through concept innovation, technological innovation, and management innovation, and contribute to building an environment-friendly society.

#### **Green Conservation**

Managing the maintenance resources used in road maintenance and their impact on the environment is an important part of the Company’s environmental protection work. The Company actively promotes the concept of green maintenance and 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 and other laws and regulations. In 2019, the Company further revised the “Administrative Measures for the Maintenance of Expressway Greening” to clarify the scope of responsibilities and work quality standards of the relevant departments for the maintenance, supervision and evaluation of the highway greening under their jurisdiction. Meanwhile, the Company increased the promotion of anti-slip surface layer and polymer grouting repair technology, emphasizing the recycling of asphalt, reducing the waste generation rate, fully implementing its green conservation goals, and improving its green conservation management level.

### **Snow melting agent use and management of snow melting agent**

Following the principle of “scientific, precision and environmental protection”, the Company strictly stores snow melting agent to avoid increased use of snow melting agent due to uneven spreading and low use efficiency as a result of the agglomeration resulting from moisture. The amount of snow melting agent used is strictly controlled, with the model of “mechanical and physical snow removal as principal method and manual removal and chemical snow melting as supplement”. The snow melting agent is distributed based on snowfall conditions to reduce the environmental pollution caused by the snow melting agent entering the farmland and river.

### **Waste recycling**

Following the principle of “reduction, harmlessness and resource utilization”, the Company promotes the recycling of waste materials, and maximizes the use of the generated bitumen waste materials for urbanization transformation or maintenance of surrounding rural infrastructure. The un-reused waste materials were collected and handed over to a qualified professional company for disposal and strictly prohibited to dump or bury waste at will.

### **Road greening maintenance**

The Company regularly inspects the management of greening plants along the highway, the central isolation zone and the interchange area, and performs watering, cleaning, drainage, fertilization, pest control and other greening maintenance construction in accordance with the “Technical Specifications for Highway Maintenance” of the PRC to ensure the seedling density and survival of seedlings, safeguard the effectiveness of road greening plants on road safety, soil and water conservation, and environmental beautification, and maintain a good safe driving environment. In 2019, the Company focused on extinguishing the invasive alien species Common Goldenrod, effectively controlling the reproduction of the Common Goldenrod and avoiding damage to the highway ecosystem.

### **Road noise prevention measures**

The Company strictly abides by the Law of the People’s Republic of China on the Prevention and Control of Environmental Noise Pollution and effectively controls noise by setting up noise barriers such as replacing sound barriers and adding green belts to ensure the quality of life of residents along the line.

### **Green Service**

The Company abides by laws and regulations such as the Law of the People’s Republic of China on Energy Conservation, the Law of the People’s Republic of China on Cleaner Production Promotion, and the Law of the People’s Republic of China on Water Pollution Prevention and Control, and actively expands the business philosophy of green services by promoting ETC toll collection and upgrading services districts on expressways and other actions to upgrade the energy consumption structure and provide the public with green, reliable and efficient services.

### Promotion of ETC lanes

In 2019, the Company continued to build ETC lanes, upgraded the toll collection method of large-area roads under its jurisdiction to free-flow tolls and optimized the network security architecture to increase the toll rate and attract and assist more passengers to use ETC toll collection services. This service effectively promoted the number of frequent starts and braking of vehicles 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 less than that of vehicle passing through manual toll collection lane, and the CH compound emission is reduced by 0.7 g/trip. ETC channel can also reduce fuel consumption by 20% on average. CO<sub>2</sub> emissions were reduced by about 48.9%; Carbon monoxide emissions were reduced by about 71.3%; and nitrogen oxide emissions by 16.4%.

The use of the ETC system improves the efficiency of highway toll stations, reduces the number of toll lanes, helps to reduce the size of toll stations, and saves capital and management costs. ETC card-free line effectively avoids card loss caused by card collection and issuance, and in return reduces waste of resources.

### Reconstruction Sewage Treatment of Service Areas

The Company upgrades and transforms the service areas with the concept of green environmental protection to improve the environmental management and green service level of the service areas. In 2019, Xuanguang Expressway Company invested RMB1.06 million to renovate the sewage treatment facilities of the Guangde service area under its jurisdiction. After the renovation is completed, the daily sewage treatment capacity of the service area reaches 150 tons, which improves the compliance rate of sewage treatment and reduces the impact of wastewater discharge on the environment.

### Green Office

The Company integrates the green development concept into every detail of the Company's operations and continuously improves its self-environmental management capabilities. Starting from small areas, we adopt practical actions to help green and low-carbon offices, so that the green concept is deeply rooted in people's hearts.

In 2019, the Company formulated the Management System for Planned Water Use and Water Conservation, Water Metering Management System, and Hygienic Management System for Secondary Water Supply, and established a special energy-saving and emission-reduction management group and a water-saving leadership group to regulate the use of energy and water resources and guarantee effective implementation of energy-saving and water-saving management.

### Energy Saving

The Company actively takes measures to save power and energy use management and adopts new energy alternatives to practice energy conservation and emission reduction. In terms of power supply, the Company follows the principle of “turning off the lights when leaving” in daily office, and issues warm tips for turning off the lights to save energy; controlling the air conditioning turn-on time and room temperature. Employees shall report the use time in advance in case of overtime to strictly control power use of park areas, including setting the landscape lighting time, controlling the use of landscape lights, etc.. Besides, the Company advocates the use of clean energy, and some buildings use solar system lighting.

In terms of heating, the Company implements municipal collective heating measures for unified management. By reasonably controlling heating time and temperature, it effectively reduces excessive energy consumption caused by heating. The heating equipment adopts a shell-and-tube heat exchanger device, which has high thermal conductivity and can reduce heat loss during heat conduction.

### Water Conservation

In 2019, the Company actively promoted the construction of water-saving demonstration units and promoted the development of water-saving cities. According to “Hefei Water Conservation Management Regulation” and other regulations, the Company established a water-saving leadership group, regularly held water-saving meetings, and formulated relevant water-saving goals, assessment methods and rewards and punishment measures, to further refine water resources management and water pollution prevention. We regularly check the phenomenon of “running, spraying, dripping, and leaking” regularly every year, timely repair and replace the aging appliances, and strengthen the water-saving ability. In addition, the Company conscientiously implements the water-saving priority policy and improves the water-saving awareness of all units and employees to expand the water-saving effect.

From 11 May 2019 to 17 May 2019, the Company organized the 28th National Urban Water Saving Publicity Week with the theme of “Building Water-Saving Cities and Promoting Green Development”, making full use of electronic screens, bulletin boards, knowledge contests, and essay writing to convey the concept of water saving, advocate green life, encourage people to pay attention to environmental protection and put into action. Through this activity, the Company invested RMB15,000 to repair and replace 20 water-saving faucets, 51 water-saving toilets and other 130 water-saving appliances, and discovered 9 water leakage points. After repairing the leak, it can save an average of 140 tons of water per day, greatly improving the Company’s water saving capacity.

### Utility Vehicle Management

The Company strictly implements the “Management of Public Vehicles”. The vehicles adopt an appointment-use system to achieve “centralized management, unified dispatch, unified accounting”. The Company advocates multi-department travel at the same time, which greatly improves the utilization rate of vehicles, and uses the big data to analyze and supervise the use of vehicles through the vehicle management platform. In 2019, the Company has eliminated all vehicles that exceed the standard, and regularly repairs and maintains the filter system of vehicles to ensure that the environmental performance of the vehicles meets national and industry standards.

### Office Waste Management

The waste generated in the Company’s operation mainly includes hazardous wastes such as waste lamps, printer cartridges and waste batteries, non-hazardous wastes such as waste paper and household waste, and kitchen waste generated in the canteen. On the one hand, the Company encourages employees to reuse hazardous waste by adding toner, on the other hand, it collects waste office items in a unified manner and hands them to qualified third parties for disposal. For non-hazardous waste, the Company actively advocated an online office system to reduce printing and offline meetings, set up classified garbage bins, and sorted and collected domestic garbage, which was then handed over to municipal waste disposal units for unified transportation, collection and disposal. For kitchen waste generated in the canteen, after separation of oil and water, it is collected and disposed by qualified units in a unified manner to prevent direct discharge of oil pollution and reduce environmental pollution.

In 2019, the Company actively responded to the national waste classification call for the promotion of waste classification knowledge through various channels to improve employees’ awareness and action on waste classification. At the same time, the Company updated the kitchen exhaust system equipment to ensure the compliance of kitchen exhaust emissions.

### GROWTH PATH FOR EMPLOYEES

Talent is the foundation of the Company’s development and the guarantee of the Company’s longevity. The Company has always insisted on being people-oriented, taking “business co-building, achievement, sharing” as the starting point and end point of the Company’s employee management, establishing fair and harmonious labor relations, building a career path for growth and development, creating a simple and sunny organizational atmosphere, giving humanistic care and achieving the common growth of employees and the Company.

### Employee Rights

The Company continuously improves the human resources policy system. On the basis of protecting the rights and interests of employees, we give full play to the flexibility of the employment system and provide employees with fair work opportunities, competitive salaries and benefits, and a healthy and safe working environment.

In accordance with the Labor Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China and other laws and regulations, the Company formulated the "Labor Contract Management Measures" that meet the characteristics of the Company's labor, and signed labor contracts with employees to ensure their legal labor rights. Besides, the Company abides by the relevant national regulations and implements a 40-hour work system per week, resolutely resisting forced labor. In 2019, there were no child labor or forced labor lawsuits.

### Adhere to Equal Employment

Equal employment and combating employment discrimination are related to the protection of basic human rights. The Company has always adhered to the principles of equal employment and "employing based on post". In strict accordance with the provisions of the Labor Law of the People's Republic of China and the Law of the People's Republic of China on the Protection of Minors and based on the requirements under the Management Measures for Staff Recruitment and Labor Contract Management Measures, we firmly adhere to the principle of openness and fairness in recruitment and employment, resist the employment of child labor, fully respect the legal rights and interests of female employees, and oppose all inequalities that treat employees differently based on gender, age, nationality, ethnicity, religious belief, location of household registration, etc. that are not related to work. Once illegal activities such as child labor or forced labor are discovered, the Company will immediately terminate the labor contract and report to the local human resources and social security bureau and other government units for processing.

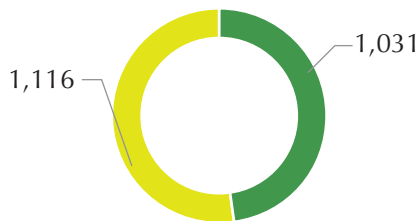
The Company adheres to the principle of equality and multi-channel recruitment, publishes recruitment information in a public way, organizes evaluations and interviews in a unified manner, and eliminates black box operations and events detrimental to fair recruitment. The Company sets up the "Human Resource Management Process" and integrates it into the human resource management system (eHR), and standardizes management processes such as employee recruitment, resignation, job adjustment and salary adjustment adhering to the closed-loop management model of "complete process, one thing at one time", to ensure that the Company's employee recruitment and personnel changes meet the relevant regulations of the Company and the country.

## Section IX Environmental, Social and Governance Report

As of the end of the reporting period, the Company has a total of 2,147 employees, and 52.0% of whom are female employees.

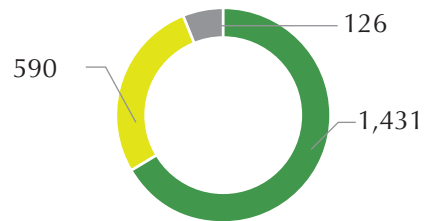
**Number of employees by gender**

- Male employee
- Female employee



**Number of employees by age**

- 35 years old and below
- 35-50 years old
- 50 years old and above



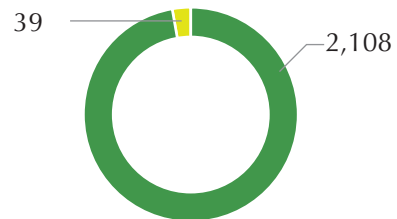
**Number of employees by employment type**

- Employees of the parent company
- Employees of major subsidiaries



**Classified by region**

- Anhui Province
- Other regions



### Improve Salary and Benefits

The Company taps the needs of employees, formulates and improves salary distribution and performance appraisal systems, and provides employees with multi-level welfare packages, to help to retain and absorb talents, stabilize employee structure and improve employee motivation.

### **Salary management**

The Company has formulated the “Interim Measures for Remuneration Management” and implemented the policy of “paying salary based on positions and establishments”, and determined salary based on the four position settings namely management positions, professional technical posts, toll posts and work attendance support posts in combination with factors including years of service, work experience and education of employees. In addition to fixed salary, the Company also pays a certain percentage of floating salary to reward outstanding employees.

### **Assessment incentives**

In order to further evaluate employees’ personal contributions, personal capabilities, and provide references for employees’ future promotion and development, the Company formulated the “Performance Appraisal Implementation Plan for Department at Headquarter” for the headquarters, and implemented targeted evaluation standards according to the employee grading; for first-line employees at the management office and toll stations, the Company proposed incentive mechanisms such as star assessment of toll collectors and engineering assessment of excellent stationmasters, encouraging aspiring employees to set up examples and exert their special strengths to improve the Company’s business capabilities and service levels. In 2019, based on the adjustment mechanism results of the annual assessment (“181” assessment), the Company comprehensively assessed employees and adjusted their basic salary, and selected 293 outstanding employees.

### **Welfare guarantee**

The Company provides comprehensive social security and employee benefits, in order to motivate employees and increase their efficiency. In accordance with the requirements of the Social Security Law of the People’s Republic of China, the Company has established an enterprise annuity plan for employees in addition to providing statutory insurance including pension, medical treatment, work injury, maternity, unemployment or commercial accident insurance, housing provident fund and paid annual leave. In addition, the Company purchases accidental injury insurance, major illness insurance for employees, and provides additional insurance benefits for female employees.

### **Employee development**

The Company strives to build a scientific and reasonable talent growth mechanism, promote a comprehensive and systematic training system, provide adequate and diversified training opportunities, encourage employees to continuously improve their capabilities, to provide strong support for employees’ career development, and accelerate employees to become the mainstay and core of the Company.



### Smooth Promotion Channels

The Company has always adhered to the principles of fairness, openness, competition and selection of excellence, providing employees with a full range of development opportunities. After years of development and improvement, it has gradually formed complete professional promotion management measures including 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”, which detailed the promotion conditions and selection standards of employees, and fully met the promotion needs of employees of different positions and levels.

#### Job category

#### Basis for promotion

##### Management positions

The promotion is determined under the guidance of the “Measures for the Administration of Executive Employee” with reference to academic qualifications, capabilities, and performance assessment.

##### Professional technical positions (engineering, economics, politics, accounting, law, etc.)

Position adjustment and promotion of professional technicians was determined under the guidance of the “Measures for the Administration of Professional and Technical Post”, and talents are selected through “evaluation” (acquisition of professional and technical qualifications), “employment” (employment of professional and technical duties), and “appointment” (employment of professional and technical positions), as well as the selection mode of “merit-based appointments, strict assessment, appointment period management” and the determination method of “total control, dynamic management”, based on the appointment situation and business needs.

##### Administrative and logistics posts

Promotion is guided by the “Measures for the Administration of Skilled Talent” with reference to years of service, technical grade, job requirements and other factors.

### Improve the Training System

The Company has established a classified “online + offline” multi-channel training system by upholding the concept of “allocating the best talent to the best position”, and developed general training courses and special training plan based on the “Interim Measures for Staff Training Management” and the “Company Headquarters Education Training Work Rules”, to help employees improve their management and professional skills, and provide solid support for their future career development. In 2019, the Company conducted training for 1,515 employees, and the average training hours for all employees was 31.70 hours/person.

In 2019, the Company resolutely completed the key tasks of canceling provincial toll stations and deepening the reform of the toll system, and carried out professional training for employees at provincial boundary stations to help them better complete the transfer and adapt to new jobs. Meanwhile, the Company continued to optimize the network training system (E-learning), set up management, humanities, social sciences and other courses to expand the knowledge of employees in an all-round way.

### Company Headquarters

Set up management ability improvement classes, through team development training, communication and expression, official documents writing, new generation employee management and other courses, carry out targeted centralized explanation, case study analysis and situational interaction to improve the system thinking ability of managers and enhance their teamwork and leadership ability.



### Management Offices

Independently carry out special training on deepening reforms, special training on cancellation of provincial border toll stations, etc., and improve the professional competence of employees in different positions such as charging inspection business and electromechanical maintenance business.

#### Case: Management Office of Xiao County carried out special training for personnel of provincial border stations

At the beginning of 2020, Management Office of Xiao County launched a special training activity for the cancellation of provincial toll stations. This activity was led by the Department of human resources and implemented by the toll department. The relevant departments and three provincial border toll stations cooperated to organize employees to carry out trainings on new charging policy business knowledge, safety knowledge, legal system and job transfer knowledge. From January to February 2020, the Company will conduct training and assessment for the employees of the provincial boundary station of each management department by batches, so that the training for personnel of the provincial boundary station will be 100% covered.

### Employee Care

The Company guides employees to develop a healthy lifestyle, advocates a workplace environments of mutual assistance and love, and continues to practice humanistic care for employees. It is expected to be a source of happy work for employees, a warm and caring harbor, and a solid and reliable backing.

### Focus on Employee Health

Adhering to a high sense of responsibility, the Company always regards the health and safety of employees as the cornerstone of operational development, provides employees with a safe and healthy working environment, attaches great importance to employees' physical and mental health, and guides employees to work healthily and live happily.

#### Arrange health checkup

Employee health examinations are arranged every year in a regular manner to help employees discover occupational health hazards in a regular basis and prevent and eliminate major risks that may have impact on employee health.

#### Carry out cultural and sports activities

"Green walking" activities are carried out to mobilize employees to balance work and life, and pay attention to physical health.



#### Health seminar

We cooperate with major hospitals to carry out psychological counseling, occupational disease protection, female health knowledge consultation, health lectures and other activities in a regular basis to spread health knowledge.

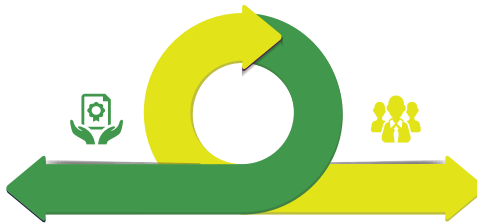
### Case: Setting up training courses on first aid and health knowledge

In 2019, the Company cooperated with the Second Affiliated Hospital of Anhui Medical University to organize the “First Aid and Health Knowledge Training Class”, which showed the employees in detail on-site rescue ways for the various accidental injuries caused by the unexpected situations in their daily work and life, and gave explanations and operational exercises on first-aid knowledge and skills such as CPR and Heimlich. More than 40 people from the Company headquarters participated in the training.

### Care for Employees with Sincerity

The Company makes use of the labor union platform to gain a deeper understanding of the needs of employees, organizing activities such as sending warmth, condolences during high temperature days and “golden autumn” student assistance, and continues to improve the filing system of employees in need and help employees in need.

The Company promotes employee mutual assistance coverage of all employees and all types of insurance, and does related work such as insurance and compensation. In 2019, the Company renewed the insurance of “mutual assistance for accidental injury to employees”, “mutual assistance for employees with major illnesses” and “protection for female employees against special diseases” and other insurance.



The Company pays special attention to families in difficulty, employees themselves, and families in difficulty due to serious illnesses, accidents, education treatment of children, and grants a certain amount of condolence in accordance with relevant regulations. In 2019, the Company granted a total of RMB83,200 for condolences.

### **BENEFIT PATH FOR PEOPLE LIVELIHOOD**

The year 2019 is the year of building a well-off society in an all-round way and decisively poverty alleviation. It is the final year of the Thirteenth Five-Year Plan and a year of targeted poverty alleviation of the Company. The Company actively responded to the national call for targeted poverty alleviation, with a firmer determination and clearer thinking, and actively fulfilled the responsibilities as a state-owned enterprise with its resources and technological advantages. It implemented the national targeted poverty alleviation project, introduced a fee reduction and exemption policy, and actively participated in public welfare volunteer activities. The “last mile” of sprinting poverty alleviation will contribute to the cause of era of poverty alleviation nationwide and the building of a well-off society in an all-round way.

#### **Targeted Poverty Alleviation**

The Company fully implemented the “Notice of the State Council on Issuing the Thirteenth Five-Year Plan for Poverty Alleviation”, formulated the “targeted Poverty Alleviation Work Plan of the Company” and carried out targeted assistance work to assist Lishu Village, Taihu County, Anqing City, Anhui Province. Since 2017, the subordinate Gaojie management office of the Company has dispatched members to form a village resident team to carry out a three-year resident assistance work. The year 2019 is the sprint year for the targeted poverty alleviation of the Company. The Company continues to help its counterparts villages to alleviate poverty by building roads, strengthening the collective economy and industrial poverty alleviation.

#### **Basic poverty alleviation first**

In order to change the situation of transportation inconvenience in the mountainous areas of Lishu Village, the village resident team focused on poverty alleviation through road construction. In 2019, the Company provided RMB180,000 to support the construction of road projects. In terms of transportation poverty alleviation, the Company has continuously invested RMB400,000 to assist in the construction of bridges destroyed by the Changxi River, subsidizing the funding gap of the road project and supporting the minor repair project, which was completed in November 2019.

#### **Industrial poverty alleviation promotion**

Implementing industrial poverty alleviation is a fundamental measure to help poor areas achieve stable income growth. Over the past three years, the Company has successively aided the construction of muscovy duck breeding bases, supported the construction of alpine small yellow vealer breeding bases, and assisted in the construction of 108-kilowatt village-level photovoltaic power plant expansion projects, etc., and guided poor households to develop income-increasing industries such as black pigs, small yellow vealer and tea. Besides, the Company actively implemented the consumer poverty alleviation policies, cooperated with Taihu County to set up a “Taihu Gifts” agricultural product demonstration site in Taihu service area of Gaojie, promoted the agricultural products of Lishu Village, and effectively promoted the development of poverty alleviation industry and the stable increase of income of poor households. In 2019, the Company invested RMB800,000 in poverty alleviation.

### **Fee reductions**

The expressway is the artery of national transportation and the life path of the people's production and life. It is closely related to economic development and social livelihood. The Company further strengthened the measures to benefit the people, and promoted the differentiated tolls of expressway on the basis of strictly implementing the "green channel" for the transportation of fresh agricultural products, exempting tolls for small passenger cars on major holidays, Huitong Card reductions and other reductions and benefits to the people, to promote differential toll collection on expressways reduce the cost of the logistics industry, benefit the people to travel, support the development of related industries, and make important contributions to balancing social wealth.

### **Exemption and Reduction on Green Channel**

The Company opened "green channel" for vehicles such as transportation of fresh agricultural products, flood relief, emergency transportation of coal and cross-regional combine harvesters, and reduced tolls. In 2019, in strict accordance with the document joint issued by the Ministry of Transport and the Ministry of Rural Agriculture on the adjustment of the "green channel" policy for the transportation of fresh agricultural products, the Company resumed the implementation of the "green channel" policy for the transportation of fresh agricultural products for vehicles that legally transport piglets and chilled pork, with no vehicle tolls.

### **Exemption and Reduction on Major Holidays and Festivals**

The Company strictly abides by the National Toll Free Policy for Small Passenger Cars to provide convenience for people to travel and return to their hometowns on holidays, while promoting the holiday economy and stimulating domestic consumption.

### **Exemption and Reduction on ETC**

The Company strictly abides by the Notice on Vigorously Promoting the Development and Application of Expressway ETC of the General Office of the Ministry of Transport, strictly implements the policy of giving 5% discount to the users of ETC traffic vehicles in the region, and gives the region ETC vehicles basic discounts without difference to improve the efficiency and experience of expressways.

### Volunteering Activities

As a responsible enterprise, the Company has always been enthusiastic about public welfare, and advocated employees to actively participate in various public welfare volunteer activities. Through the establishment of volunteer service teams and joint charities, the Company carried out volunteer service activities around caring for children with disabilities and left-behind children, orphans, the widowed elderly, and call on employees and the public to provide help to those in need.

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**Case: Huangwei Toll Station of Gaojie Management Office participated in the activity themed “Caring for Special Children and Guarding the broken-winged Angel”**

In June 2019, young volunteers from the Huangwei Toll Station of the Gaojie Management Office came to the Yuexi County Special Education Center in Anhui Province to participate in activity themed “Caring for Special Children and Guarding the broken-winged Angel”. Volunteers sent learning and daily necessities to the children, listened to their learning and life in detail, visited the children’s learning achievements and works of arts, and developed interactive games with children at their classrooms and celebrated Children’s Day together.

## Appendix I Overview of ESG KPI

Category	ESG Indicator	Unit	2019	2018
<b>A Environment <sup>a)</sup></b>				
<b>A1 Emissions</b>				
<b>A1.1</b>	<b>The types of emissions and respective emissions data.</b>			
	Nitrogen Oxides (NO <sub>x</sub> ) <sup>f)</sup>	ton	<b>6.5</b>	4.2
<b>A1.2</b>	<b>Greenhouse gas emissions in total and, where appropriate, intensity.</b>			
	Total greenhouse gas emissions	ton-carbon dioxide equivalence	<b>15,106.9</b>	16,971.2*
	Greenhouse gas emission intensity	ton-carbon dioxide equivalence/km (length of highway in operation)	<b>27.1</b>	30.5*
	Direct emission (scope 1) <sup>b)2)</sup>	ton-carbon dioxide equivalence	<b>1,824.5</b>	1,818.3*
	Indirect emission (scope 2) <sup>c)3)</sup>	ton-carbon dioxide equivalence	<b>13,282.3</b>	15,152.9*
<b>A1.3</b>	<b>Total hazardous waste produced and, where appropriate, intensity.</b>			
	Total amount of hazardous waste <sup>d)</sup>	ton	<b>1,165.8</b>	981.3
	Density of hazardous waste	ton-carbon dioxide equivalence/km (length of highway in operation)	<b>2.1</b>	1.8
<b>A1.4</b>	<b>Total non-hazardous waste produced and, where appropriate, intensity.</b>			
	Total amount of non-hazardous waste	ton	<b>1,677.5</b>	1,254.6
	Density of non-hazardous waste	ton-carbon dioxide equivalence/km (length of highway in operation)	<b>3.0</b>	2.3
	Kitchen waste	ton	<b>983.3</b>	757.1
	Household waste	ton	<b>694.3</b>	497.5



## Section IX Environmental, Social and Governance Report

Category	ESG Indicator	Unit	2019	2018
A2 Use of Resources	<b>A2.1 Direct and/or indirect energy consumption by type in total and intensity.</b>			
	Total energy consumption <sup>e1/4)</sup>	tons of standard coal	<b>2,901.9</b>	3,186.6*
	Energy intensity	tons of standard coal/ km (length of highway in operation)	<b>5.2</b>	5.7*
	Petrol consumption <sup>e,1)</sup>	ten thousand liters	<b>415,516.6</b>	417,427.0*
	Diesel consumption <sup>e,2)</sup>	ten thousand liters	<b>309,096.5</b>	299,066.0*
	Liquefied petroleum gas	ton	<b>24.8</b>	30.1
	Outsourced electricity	ten thousand kWh	<b>16,508,000</b>	18,832,883*
	Total resources consumption	Ton	<b>107,450.2</b>	65,054.2
	Asphalt mixture (hot mix)	ton	<b>47,194</b>	38,416
	Cement concrete (new material)	kg	<b>28,505,484</b>	15,659,000
	Stone (new material)	kg	<b>24,482,052</b>	9,671,000
	Stone (reuse)	kg	<b>5,682,180</b>	720,000
	Snow-melting agent	kg	<b>683,150</b>	–
	Curing agent (bridge repair)	kg	<b>50</b>	215
	Paint	kg	<b>4,480</b>	–
	Steel	kg	<b>899,174</b>	588,000
	<b>A2.2 Water consumption in total and intensity.</b>			
	Total water consumption	ton	<b>206,364.3</b>	247,803.6*
	Water consumption intensity	ton/km (length of highway in operation)	<b>370.5</b>	444.9*

## Section IX Environmental, Social and Governance Report

Category	ESG Indicator	Unit	2019	2018
<b>B Society</b>				
<b>B1 Employment</b>				
	<b>B1.1 Total workforce by gender, employment type, age group and geographical region.</b>			
	Total employees	person	2,147	3,075
<b>Gender</b>	Male employees	person	1,031	1,409
	Female employees	person	1,116	1,666
<b>Employment type</b>	Employees of the parent company	person	1,466	2,261
	Employees of major subsidiaries	person	681	814
	35 year-old and below	person	1,431	2,074
<b>Age</b>	35-50 year-old	person	590	869
	50 year-old and above	person	126	132
<b>Region</b>	Anhui Province	person	2,108	–
	Other areas other than Anhui Province of China	person	39	–
<b>B2 Health and Safety</b>				
	<b>B2.1 Number and rate of work-related fatalities.</b>			
	Number of work-related fatalities.	person	0	0

## Section IX Environmental, Social and Governance Report

Category	ESG Indicator	Unit	2019	2018
<b>B3 Development and Training</b>				
	<b>B3.1 The percentage of employees trained by gender and employee category.</b>			
	Total employees trained	person	1,515	–
<b>Gender</b>	Male employees	person	760	–
	Female employees	person	755	–
<b>Employment type</b>	Employees of the parent company	person	882	–
	Employees of major subsidiaries	person	633	–
	<b>B3.2 The average training hours completed per employee by gender and employee category.</b>			
	Total average training hours completed	hour/person	31.7	27.9
<b>Gender</b>	Male employees	hour/person	30.2	28.4
	Female employees	hour/person	33.1	27.4
<b>Employment type</b>	Employees of the parent company	hour/person	42.3	34.5
	Employees of major subsidiaries	hour/person	8.9	9.6
<b>B5 Supply Chain Management</b>				
	<b>B5.1 Number of suppliers by geographical region <sup>g/</sup></b>			
	Total suppliers	suppliers	35	36
<b>Region</b>	Number of suppliers within Anhui Province	suppliers	11	–
	Mainland China (other than Anhui Province)	suppliers	24	–

Category	ESG Indicator	Unit	2019	2018
<b>B6 Product Responsibility</b>	<b>B6.2 Number of products and service related complaints received and how they are dealt with.</b>			
	Complaints by providing related services	times	<b>4</b>	4
	Normal closure rate for complaints	%	<b>100%</b>	100%
<b>B7 Anti-corruption</b>	<b>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.</b>			
	Number of concluded legal cases	cases	<b>0</b>	0
<b>B8 Community Investment</b>	<b>B8.2 Resources contributed to the focus area.</b>			
	Total investments in targeted poverty alleviation	ten thousand	<b>309.0</b>	340.0
	Investment amount	ten thousand	<b>303.8</b>	314.6
	Material	ten thousand	<b>5.2</b>	25.4
	Number of recorded poverty population lifted out of poverty	person	<b>920</b>	1,111

## Section IX Environmental, Social and Governance Report

### Notes:

- a) If indicators of the A1 environmental category are not specified, the statistical categories are the indicator data generated or used by the own road sections of the Company;
- b) Indicator A1.2 Greenhouse gases (scope 1) include direct emissions from gasoline, diesel, liquefied petroleum gas, etc.;
- c) Indicator A1.2 Greenhouse gases (scope 2) include indirect emissions from outsourced electricity;
- d) Indicator A1.3 Total amount of hazardous waste includes the total amount of waste generated in the work such as lamps, batteries, and ink cartridges;
- e) Indicator A 2.1 Total energy consumption includes the total use of gasoline, diesel and liquefied petroleum gas, of which,
  - e,1) Gasoline consumption includes the use of gasoline on its own road sections and commissioned sections, the calculation scope of energy consumption and greenhouse gas emissions generated is the same as that of gasoline statistics
  - e,2) Diesel consumption includes the use of diesel on its own road sections and commissioned sections, the calculation scope of energy consumption and greenhouse gas emissions generated is the same as that of diesel statistics
- f) In 2019, due to the construction of a new ramp at the Gaojie Management Office and the implementation of large-scale special maintenance projects, the use of cement concrete and stone materials has increased significantly.
- g) Indicator B 5.1 The statistical scope of the number of suppliers by region includes only engineering suppliers determined through public bidding, and does not include suppliers identified by non-bidding forms.
- h) Data marked with “\*” indicates the revised 2018 data: the Company has further determined the statistical methods and scope of the energy and water resources indicators, revised the energy consumption in 2018 and data relating to greenhouse gas emissions and greenhouse gas emissions intensity, energy consumption and energy consumption intensity; revised water consumption in 2018 and related water consumption intensity.

### Standard for determining data

- (1) Nitrogen oxides (NOx) emissions from gasoline and diesel are calculated with reference to the “Technical Guidelines for the Compilation of Emission Inventories of Road Vehicles (Trial Version)” (《道路機動車大氣污染物排放清單編製技術指南(試行版)》) issued by the Ministry of Environmental Protection;
- (2) The direct greenhouse gas emissions from gasoline, diesel, liquefied petroleum gas, etc. are calculated with reference to the “Compiling Guidelines for Provincial Greenhouse Gas Inventories” (《省級溫室氣體清單編製指南》) issued by the National Development and Reform Commission for climate change;
- (3) The indirect greenhouse gas emissions from outsourced electricity are calculated with reference to the “Provincial Greenhouse Gas Inventory Guidelines” (《省級溫室氣體清單編製指南》) issued by the National Development and Reform Commission for climate change. Among them, the electricity emission factor of the mainland area refers to the standard of the 2017 Emission Reduction Project China Regional Power Grid Baseline Emission Factor (《2017年度減排項目中國區域電網基準線排放因子》);
- (4) The total energy consumption refers to the Chinese standard “GB/T 2589-2008 General Rules for General Energy Consumption Calculation” (《GB/T 2589-2008綜合能耗計算通則》) for standard coal conversion.

## Appendix II ESG System Index Table

Level	Major performance indicator	Name of system
A1 General disclosure	Policies on air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous wastes.	"Management Measures for Utility Vehicle Use"
A2 General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	"Management System for Planned Water Use and Water Conservation" "Water Metering Management System" "Hygienic Management System for Secondary Water Supply" "Periodic Maintenance System"
A3 General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	"Quota Management System" "Water Saving Reward and Punishment System"
B1 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.	"Terms of Reference of Human Resources and Remuneration Committee" "Labor Contract Management Measures" "Management Measures for Staff Recruitment" "Human Resource Management Process" "Interim Measures for Remuneration Management" "Performance Appraisal Implementation Plan for Department at Headquarter"
B2 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.	"Interim Measures for the Administration of Safety Production" "Operational Road Safety Risk Point Search Guide"
B3 General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	"Measures for the Administration of Executive Employee" "Measures for the Administration of Professional and Technical Position" "Measures for the Administration of Skilled Talent" "Interim Measures for Staff Training Management" "Company Headquarters Education Training Work Rules"

## Section IX Environmental, Social and Governance Report

Level	Major performance indicator	Name of system
B4 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.	“Labor Contract Management Measures” “Management Measures for Staff Recruitment” “Human Resource Management Process”
B5 General disclosure	Policies on managing environmental and social risks of supply chain.	“Bidding Management System” “Interim Measures for Tendering and Bidding Management” “Provisional Measures for Management of Procurement via Non-tendering Methods”
B6 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.	“Interim Measures for the Management of Smile Service of Highway Toll Window”
B7 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 issuer.	“Interim Measures for the Administration of Strict political discipline and rules” “Interim measures for the Administration of Middle Management Integrity Construction Work” “Interim Measures for the Administration of Investigation and Handling of Disciplinary Violations” “Regulations on Anti-Fraud and Reporting Mechanism”
B8 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.	“Company’s Targeted Poverty Alleviation Work Plan”

## Appendix III ESG Indicator Index

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



## 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 service Friendly path for environment – Green office
A2.1	Direct and/or indirect energy consumption by type in total and intensity	Appendix I Overview of ESG KPI
A2.2	Water consumption in total and intensity.	Appendix I Overview of ESG KPI
A2.3	Description of energy use efficiency initiatives and results achieved.	Friendly path for environment – Green office
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 office 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 issuer’s significant impact on the environment and natural resources.	Friendly path for environment – Green service Friendly path for environment – Green office
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 Friendly path for environment – Green office
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
B1.2	Employee turnover rate by gender, age group and geographical region.	/

## Section IX Environmental, Social and Governance Report

Level	Major performance indicator	Report section/statement
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.	Safety path for working – Safe Operation Growth path for employees – Employee care
B2.1	Number and rate of work-related fatalities.	Appendix I Overview of ESG KPI
B2.2	Lost days due to work injury.	/
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safety path for working – Safe Operation
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.	Appendix I Overview of ESG KPI
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
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.	Growth path for employees – Employee rights
General disclosure	Policies on managing environmental and social risks policies of the supply chain.	Steady path for operation – Win-win
B5.1	Number of suppliers by geographical region.	Steady path for operation – Win-win Cooperation Appendix I Overview of ESG KPI
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Steady path for operation – Win-win Cooperation

## Section IX Environmental, Social and Governance Report

Level	Major performance indicator	Report section/statement
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 – Prudent operation Safety path for working – High Quality Service
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 Appendix I Overview of ESG KPI
B6.3	Description of practices relating to observing and protecting intellectual property rights.	/
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.	Safety path for working – High Quality Service
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 issuer.	Steady path for operation – Prudent operation
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 – Prudent operation
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Steady path for operation – Prudent operation
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. (e.g. education, environmental concerns, labour needs, health, culture, sport).	Benefit path for people livelihood - Targeted poverty alleviation Benefit path for people livelihood - Volunteering Activity
B8.2	Resources contributed (e.g. money or time) to the focus area.	Appendix I Overview of ESG KPI

## Section X Report of the Supervisory Committee

In 2019, 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 its duties prudently and exercised its authority independently according to law in order to ensure the regular operation of the Company 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 Company 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 Company, 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 Company's internal control.

In 2019, 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 2 shareholders' general meeting. During the reporting period, there was no matters in which the Supervisor representative of the Company negotiates with or sues the Directors.

The Supervisory Committee issued the following opinions related to relevant important items such as the regular reports approved by the Board of Directors and the shareholders' meeting, regulatory and management of internal control, etc. in 2019 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 interest of the Company.

### **II. Financial condition of the Group**

The Supervisory Committee carefully examined the 2019 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 2019 in compliance with the provision of the relevant laws, regulations and the Articles of Association.

### III. Connected transactions of the Group

The Supervisory Committee reviewed all connected transactions of the Group during the year and forms the opinion that all daily connected transactions in the year were reviewed and performed in strict accordance with the legal procedures. Directors associated with the relevant transactions abstained from voting. The actual transaction amount of the daily connected transaction in 2019 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 2019” issued by the Board and considers: The internal control system of the Company 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 Company, 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 Company.

In 2020, 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 Company’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, improve their business standards, give full play to the supervisory role of the Supervisory Committee, ensure the effective implementation of the Company’s internal control measures, effectively prevent and resolve the risks, and promote the healthy and stable development of the Company.

**Chen Yuping**

*Chairman of the Supervisory Committee*

Hefei, Anhui, the PRC

27 March 2020



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 188 to 285, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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.



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.



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 2019, total concession intangible assets amounted to approximately RMB11,219,787 thousand, which accounted for 70% of total assets. For the year ended 31 December 2019, the additions and amortisation of concession intangible assets amounted to approximately RMB1,694,008 thousand and RMB600,617 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.



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 2019 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.



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.



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Lee Chung Bor.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 27 March 2020

# Consolidated balance sheet

As at 31 December 2019

(All amounts in Renminbi thousand unless otherwise stated)

ASSETS	Note	As at 31 December	
		2019	2018
<b>Non-current assets</b>			
Concession intangible assets	5	11,219,787	10,308,886
Right-of-use assets	6	8,334	–
Land use rights	6	–	9,399
Property, plant and equipment	7	1,126,224	958,059
Investment properties	8	381,919	364,868
Intangible assets	9	3,812	3,406
Investment in associates	11	135,542	128,932
Deferred income tax assets	24	34,686	26,523
Financial assets at fair value through other comprehensive income ("financial assets at FVOCI")	12	315,531	336,300
		<u>13,225,835</u>	<u>12,136,373</u>
<b>Current assets</b>			
Inventories	15	5,678	5,033
Other current assets		3,213	3,513
Receivables and prepayments	14	206,163	171,562
Financial assets at fair value through profit or loss ("financial assets at FVPL")	13	422,317	–
Restricted cash	16	201,792	60,000
Cash and cash equivalents	16	1,905,261	2,453,475
		<u>2,744,424</u>	<u>2,693,583</u>
<b>Total assets</b>		<u>15,970,259</u>	<u>14,829,956</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Ordinary share capital	17	1,658,610	1,658,610
Share premium	17	1,415,593	1,415,593
Other reserves	18	35,040	51,533
Retained earnings		7,669,056	6,992,938
		<u>10,778,299</u>	<u>10,118,674</u>
<b>Non-controlling interests</b>	10(f)	<u>831,105</u>	<u>510,433</u>
<b>Total equity</b>		<u>11,609,404</u>	<u>10,629,107</u>

# Consolidated balance sheet (continued)

As at 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

LIABILITIES	Note	As at 31 December	
		2019	2018
<b>Non-current liabilities</b>			
Long-term payables	23	392,500	1,079,788
Borrowings	21	1,812,698	1,562,897
Deferred income tax liabilities	24	25,747	98,049
Deferred income	19	26,409	28,583
		<u>2,257,354</u>	<u>2,769,317</u>
<b>Current liabilities</b>			
Trade and other payables	20	1,611,403	1,109,867
Current income tax liabilities		157,785	152,967
Provision	22	39,114	23,010
Borrowings	21	295,199	145,688
		<u>2,103,501</u>	<u>1,431,532</u>
<b>Total liabilities</b>		<u>4,360,855</u>	<u>4,200,849</u>
<b>Total equity and liabilities</b>		<u>15,970,259</u>	<u>14,829,956</u>

The notes on pages 195 to 285 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 188 to 285 were approved by the Board of Directors on 27 March 2020 and the consolidated balance sheet was signed on its behalf by:

Director (項小龍)

Director (許振)

# Consolidated income statement

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
<b>Revenue</b>	27	<b>4,640,431</b>	3,875,803
Cost of sales	29	<b>(3,000,344)</b>	(2,226,319)
<b>Gross profit</b>		<b>1,640,087</b>	1,649,484
Other gains – net	28	<b>121,910</b>	105,818
Administrative expenses	29	<b>(99,471)</b>	(88,707)
Net impairment reversal/(losses) on financial assets	30	<b>2,838</b>	(2,712)
<b>Operating profit</b>		<b>1,665,364</b>	1,663,883
Finance costs	32	<b>(118,832)</b>	(130,277)
Share of profit of associates	11	<b>3,610</b>	3,922
<b>Profit before income tax</b>		<b>1,550,142</b>	1,537,528
Income tax expenses	33	<b>(498,180)</b>	(448,049)
<b>Profit for the year</b>		<b>1,051,962</b>	1,089,479
<b>Attributable to:</b>			
Owners of the Company		<b>1,089,855</b>	1,115,361
Non-controlling interests		<b>(37,893)</b>	(25,882)
		<b>1,051,962</b>	1,089,479
<b>Basic and diluted earnings per share</b> (expressed in RMB per share)	34	<b>0.6571</b>	0.6725

The notes on pages 195 to 285 are an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
<b>Profit for the year</b>		<b>1,051,962</b>	1,089,479
<b>Other comprehensive loss:</b> <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, 24	(15,577)	(51,410)
<b>Total comprehensive income for the year</b>		<b><u>1,036,385</u></b>	<b><u>1,038,069</u></b>
<b>Attributable to:</b>			
Owners of the Company		<b>1,074,278</b>	1,063,951
Non-controlling interests		<b><u>(37,893)</u></b>	<b><u>(25,882)</u></b>
		<b><u>1,036,385</u></b>	<b><u>1,038,069</u></b>

The notes on pages 195 to 285 are an integral part of these consolidated financial statements.



# Consolidated statement of changes in equity

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Attributable to owners of the Company				Non-controlling interests	Total
		Ordinary share capital (Note 17)	Share premium (Note 17)	Other reserves	Retained earnings		
<b>Balance at 1 January 2018</b>		<u>1,658,610</u>	<u>1,415,593</u>	<u>103,957</u>	<u>6,258,043</u>	<u>650,390</u>	<u>10,086,593</u>
<b>Comprehensive income</b>							
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		-	-	(51,410)	-	-	(51,410)
<b>Total comprehensive (loss)/income</b>		<u>-</u>	<u>-</u>	<u>(51,410)</u>	<u>1,115,361</u>	<u>(25,882)</u>	<u>1,038,069</u>
<b>Transactions with owners</b>							
Dividends relating to 2017	35	-	-	-	(381,480)	-	(381,480)
Dividends paid to non-controlling interests of subsidiaries relating to 2017		-	-	-	-	(127,255)	(127,255)
Others	18	-	-	(1,014)	1,014	-	-
Difference between the carrying amount and undiscounted amount of interest free loan received from non-controlling interests, net of tax	23, 24	-	-	-	-	13,180	13,180
<b>Balance at 31 December 2018</b>		<u>1,658,610</u>	<u>1,415,593</u>	<u>51,533</u>	<u>6,992,938</u>	<u>510,433</u>	<u>10,629,107</u>

# Consolidated statement of changes in equity (continued)

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Attributable to owners of the Company				Non-controlling interests	Total
		Ordinary share capital (Note 17)	Share premium (Note 17)	Other reserves	Retained earnings		
<b>Balance at 1 January 2019</b>		<u>1,658,610</u>	<u>1,415,593</u>	<u>51,533</u>	<u>6,992,938</u>	<u>510,433</u>	<u>10,629,107</u>
<b>Comprehensive income</b>							
Profit for the year ended 31 December 2019		-	-	-	1,089,855	(37,893)	1,051,962
Other comprehensive loss							
- Fair value losses on financial assets at FVOCI, net of tax	12	-	-	(15,577)	-	-	(15,577)
<b>Total comprehensive (loss)/income</b>		-	-	(15,577)	1,089,855	(37,893)	1,036,385
<b>Transactions with owners</b>							
Dividends relating to 2018	35	-	-	-	(414,653)	-	(414,653)
Dividends paid to non-controlling interests of subsidiaries relating to 2018		-	-	-	-	(142,635)	(142,635)
Others	18	-	-	(916)	916	-	-
Debt conversion	10(b)	-	-	-	-	501,200	501,200
<b>Balance at 31 December 2019</b>		<u>1,658,610</u>	<u>1,415,593</u>	<u>35,040</u>	<u>7,669,056</u>	<u>831,105</u>	<u>11,609,404</u>

The notes on pages 195 to 285 are an integral part of these consolidated financial statements.

# Consolidated cash flow statement

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	<b>1,165,505</b>	1,274,257
Interest paid		<b>(102,763)</b>	(95,067)
Income tax paid		<b>(450,946)</b>	(461,173)
<b>Net cash generated from operating activities</b>		<b>611,796</b>	718,017
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	<b>(126,189)</b>	(116,475)
Purchase of intangible assets	9	<b>(2,115)</b>	(407)
Purchase of investment properties	8	–	(1,692)
Payments for an associate	11	<b>(3,000)</b>	–
Net increase in restricted cash	16	<b>(141,792)</b>	(60,000)
Purchase of financial assets at FVPL	3.3	<b>(1,573,100)</b>	–
Proceeds from sales of financial assets at FVPL	3.3	<b>1,162,674</b>	–
Net decrease in financial products		–	360,000
Proceeds from sales of property, plant and equipment		<b>300</b>	657
Proceeds from sales of intangible assets		<b>100</b>	–
Interest received	28	<b>74,501</b>	76,873
Dividends received from an associate		–	21,135
Dividends received from financial assets at FVOCI		–	200
<b>Net cash (used in)/generated from investing activities</b>		<b>(608,621)</b>	280,291
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		<b>545,000</b>	42,000
Proceeds from long-term payables		–	148,600
Repayments of bank borrowings		<b>(145,688)</b>	(23,248)
Repayments of long-term payables	23	<b>(393,465)</b>	(32,952)
Dividends paid to the non-controlling interests		<b>(142,635)</b>	(127,255)
Dividends paid to the Company's shareholders	35	<b>(414,653)</b>	(381,480)
<b>Net cash used in financing activities</b>		<b>(551,441)</b>	(374,335)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(548,266)</b>	623,973
Cash and cash equivalents at beginning of the year		<b>2,453,475</b>	1,829,395
Exchange gains on cash and cash equivalents		<b>52</b>	107
<b>Cash and cash equivalents at end of the year</b>		<b>1,905,261</b>	2,453,475

The notes on pages 195 to 285 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(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 2019, the Group’s toll roads and concession period granted are shown as follows:

<b>Toll road</b>	<b>Length kilometres</b>	<b>Concession periods granted</b>
Hening Expressway	134	From 16 August 1996 to 15 August 2026
National Trunk 205 Tianchang Section	30	From 1 January 1997 to 31 December 2026
Xuanguang Expressway	67	From 1 January 1999 to 31 December 2028
Gaojie Expressway	110	From 1 October 1999 to 30 September 2029
Lianhuo Expressway Anhui Section	54	From 1 January 2003 to 30 June 2032
Xuanguang Expressway Nanhuan Section	17	From 1 September 2003 to 31 December 2028
Ninghuai Expressway Tianchang Section	14	From 18 December 2006 to 17 June 2032
Guangci Expressway	14	From 20 July 2004 to 20 July 2029
Ningxuanhang Expressway Xuancheng to Ningguo Section	46	From 8 September 2013 to 7 September 2043
Ningxuanhang Expressway Ningguo to Qianqiuguan Section (i)	40	From 19 December 2015 to 18 December 2020
Ningxuanhang Expressway Liqiao to Xuancheng Section (i)	27	From 30 December 2017 to 29 December 2022

- (i) 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 27 March 2020.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(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 (“HKFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVOCI and financial assets at FVPL, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. 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 HKFRSs effective in 2019 adopted by the Group***

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

- HKFRS 16 “Leases”
- HK (IFRIC) 23 “Uncertainty over Income Tax Treatments”
- Amendments to HKFRS 9 regarding prepayment features with negative compensation
- Amendments to HKAS 28 regarding long-term interests in associates and joint ventures
- Amendments to HKAS 19 regarding plan amendment, curtailment or settlement
- Amendments from annual improvements to HKFRS Standards 2015 – 2017 Cycle on HKFRS 3 “Business Combinations”, HKFRS 11 “Joint Arrangements”, HKAS 12 “Income Taxes” and HKAS 23 “Borrowing Costs”

The Group had to change its accounting policies following the adoption of HKFRS 16 and the impacts are summarised in Note 2.2. The other amendments and interpretation listed above did not have any impact on the consolidated financial statements of the Group.

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policies and disclosures (continued)

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

A number of new standard and amendments of HKFRSs which are relevant to the Group's operations are effective for the financial year beginning after 1 January 2019 and have not been applied in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standard and amendments. These new standard and amendments are set out below:

- Amendments to HKFRS 3 regarding definition of a business, effective for annual accounting periods beginning on or after 1 January 2020
- Amendments to HKAS 1 and HKAS 8 regarding definition of material, effective for annual accounting periods beginning on or after 1 January 2020
- Revised Conceptual Framework for Financial Reporting 2018, effective for annual accounting periods beginning on or after 1 January 2020
- HKFRS 17 "Insurance Contracts", effective for annual accounting periods beginning on or after 1 January 2021
- Amendments to HKFRS 10 and HKAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture. The amendments were originally intended to be effective for annual accounting periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

The Group is assessing the full impact of these new standard and amendments. According to the preliminary assessment, none of these is expected to have a significant impact on the consolidated financial statements of the Group.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(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 16 “Leases” on the Group’s consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 “Leases” retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.25.

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

#### (a) Practical expedients applied

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

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

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 “Determining whether an Arrangement contains a Lease”.

## 2 Summary of significant accounting policies (continued)

### 2.2 Changes in accounting policies (continued)

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

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

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

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

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

Land use rights – decrease by RMB9,399 thousand

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

#### (d) Lessor accounting

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

### 2.3 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.



# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(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*

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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interests in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

## 2 Summary of significant accounting policies (continued)

### 2.3 Subsidiaries (continued)

#### 2.3.1 Consolidation (continued)

**(b) *Changes in ownership interests in subsidiaries without change of control***

Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

**(c) *Disposal of subsidiaries***

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### 2.3.2 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 2.11.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 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.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of an associate" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interests in associates are recognised in the consolidated income statement.

## 2 Summary of significant accounting policies (continued)

### 2.5 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.

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 2019.

The Group is domiciled in Anhui Province, the PRC. Its revenue is generated from Anhui Province, the PRC. As at 31 December 2019 and 2018, 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.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(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

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 on a net basis within “other gains – net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss (“FVPL”) are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at FVOCI are recognised 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 2.26(b) and (d) for details.

Concession intangible assets are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and impairment losses.

## 2 Summary of significant accounting policies (continued)

### 2.7 Service concession arrangements (continued)

The amortisation of concession intangible assets is calculated using the straight-line method to allocate cost over the concession periods granted (Note 1).

Where the carrying amount of the concession intangible assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.11).

The concession periods are approved by the Grantor therefore the Group does not have renewal or termination option for the concession periods granted. At the end of concession period, the Group has to return these concession intangible assets to the Grantor at specific conditions required by the law for toll roads. The Group does not have rights to receive specified assets at the end of concession period.

The re-pricing right of above toll roads is owned by the Grantor.

As part of its obligations under the respective Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages. Please refer to Note 2.24 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.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 2 Summary of significant accounting policies (continued)

### 2.8 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the income statement.

Construction in progress represents property, plant and equipment under construction or installation and is stated at cost less accumulated impairment losses. Construction in progress is not depreciated until such time when the assets are completed and ready for their intended use.

### 2.9 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 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the consolidated income statement.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property; or
- end of owner-occupation, for a transfer from owner-occupied property to investment property.

## 2 Summary of significant accounting policies (continued)

### 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 Impairment of non-financial assets

Assets that have an indefinite useful life or have not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are not subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.12 Financial assets

#### 2.12.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("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.



# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets (continued)

#### 2.12.2 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.

#### 2.12.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at 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. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that 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 finance income 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/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets (continued)

#### 2.12.3 Measurement (continued)

##### (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.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### 2.12.4 Impairment

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 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.

### 2.14 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 2019  
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## 2 Summary of significant accounting policies (continued)

### 2.15 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 2.12.4 for a description of the Group's impairment policies on financial assets which are applicable to other receivables.

### 2.16 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.

### 2.17 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.

### 2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2 Summary of significant accounting policies (continued)

### 2.19 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.

### 2.20 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.

### 2.21 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 2019  
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## 2 Summary of significant accounting policies (continued)

### 2.21 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.

## 2 Summary of significant accounting policies (continued)

### 2.22 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.

### 2.23 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 25.

### 2.24 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)

### 2.25 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

## 2 Summary of significant accounting policies (continued)

### 2.25 Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group leases lands. 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 the lease and recognised as right-of-use assets.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.



# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 2 Summary of significant accounting policies (continued)

### 2.25 Leases (continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise vehicles.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of land leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

### 2.26 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.

## 2 Summary of significant accounting policies (continued)

### 2.26 Revenue recognition (continued)

**(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.

### 2.27 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.

### 2.28 Enterprise safety fund

According to the regulations of the PRC, the Group is required to accrue 1% of its toll income of prior year as enterprise safety fund from 1 January 2004 onwards unless the accrued balance exceeds 1.5% of toll income of prior year. The fund can only be used for improvements of the safety of its toll roads. Accruals to the fund are treated as an appropriation to reserves, which will be reversed to retained earnings upon utilisation.

## 3 Financial risk management

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and investment of excess liquidity.

The Group's activities do not expose it to significant foreign exchange risk because it principally operates in the PRC and RMB is the currency of the primary economic environment in which the Group operates.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

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 2019, if RMB had strengthened/weakened by 10% against HKD with all other variables held constant, post-tax profit for the year would have been RMB194 thousand lower/higher (31 December 2018: RMB191 thousand), mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash at bank.

#### (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 2019 and 2018:

	As at 31 December	
Counterparties	2019	2018
Major financial institutes	<u>2,107,049</u>	<u>2,513,472</u>

The Group has policies to place its deposits only with major financial institutions. As at 31 December 2019 and 2018, 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.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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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

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 2019 and 2018 reconcile to the opening impairment allowances as follows:

	Other receivables	
	2019	2018
Beginning of the year	(126,556)	(123,844)
Impairment loss reversed/(recognised) (Note 30)	2,838	(2,712)
Other receivables written-off as uncollectible	23,286	—
End of the year	(100,432)	(126,556)

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 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.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 3 Financial risk management (continued)

### 3.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

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

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.

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	
	2019	2018
Pawn loans to customers		
– Real estate backed pawn loans	74,472	94,624
– Forest rights backed pawn loans	39,571	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	2,000
	<u>142,398</u>	<u>185,718</u>
Less: Impairment allowances		
– Real estate backed pawn loans	(30,173)	(33,779)
– Forest rights backed pawn loans	(39,571)	(62,739)
– Equity interests backed pawn loans	(17,250)	(17,250)
– Combination of real estate and equity interest backed pawn loans	(8,696)	(8,696)
– Accounts receivable backed pawn loans	(2,000)	(1,400)
	<u>(97,690)</u>	<u>(123,864)</u>
	<u>44,708</u>	<u>61,854</u>

## 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.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 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	
	2019	2018
Pawn loans to customers:		
– Real estate backed pawn loans	44,299	60,845
– Forest rights backed pawn loans	–	–
– Equity interests backed pawn loans	–	–
– Combination of real estate and equity interest backed pawn loans	409	409
– Accounts receivable backed pawn loans	–	600
	<u>44,708</u>	<u>61,854</u>

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 14(a)) are summarised as follows:

	As at 31 December	
	2019	2018
Not past due	32,040	47,040
Past due but not impaired	–	–
Impaired	110,358	138,678
	<u>142,398</u>	<u>185,718</u>
Less: Impairment allowances	(97,690)	(123,864)
	<u>44,708</u>	<u>61,854</u>

## 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 21.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet and balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
<b>At 31 December 2019</b>					
Bank borrowings, including interest (Note 21)	373,088	579,971	613,792	1,156,571	2,723,422
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 20)	1,388,209	-	-	-	1,388,209
Long-term payables, including interest and current portion (Note 23)	<u>190,786</u>	<u>168,818</u>	<u>25,970</u>	<u>302,456</u>	<u>688,030</u>
	<u><u>1,952,083</u></u>	<u><u>748,789</u></u>	<u><u>639,762</u></u>	<u><u>1,459,027</u></u>	<u><u>4,799,661</u></u>



# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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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
<b>At 31 December 2018</b>					
Bank borrowings, including interest (Note 21)	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 20)	816,039	–	–	–	816,039
Long-term payables, including interest and current portion (Note 23)	<u>280,074</u>	<u>526,391</u>	<u>144,854</u>	<u>1,019,601</u>	<u>1,970,920</u>
	<u>1,303,340</u>	<u>1,110,666</u>	<u>638,017</u>	<u>1,740,964</u>	<u>4,792,987</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 2019, 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 2019 and 2018, the Group's bank borrowings at floating rate were denominated in RMB. As at 31 December 2019, the Group's bank borrowings to the extent of RMB1,527,897 thousand (31 December 2018: RMB1,108,585 thousand) were issued at floating rates. As at 31 December 2019, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB6,034 thousand (2018: RMB5,527 thousand) higher or lower.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(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 2019, the Group's long-term payables of RMB363,820 thousand (31 December 2018: RMB723,930 thousand) were at floating rate and expose the Group to cash flow interest rate risk. As at 31 December 2019, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB1,819 thousand (2018: RMB3,253 thousand) higher or lower. As at 31 December 2019, the Group's long-term payables of RMB197,292 thousand (including current portion of long-term payables) (31 December 2018: RMB595,936 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 23.

### 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 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
Total borrowings (Note 21)	2,107,897	1,708,585
Long-term payables (Note 23)	561,112	1,319,866
Less: cash and cash equivalents (Note 16)	(1,905,261)	(2,453,475)
Net debts	763,748	574,976
Total equity	11,609,404	10,629,107
Total capital	12,373,152	11,204,083
Gearing ratio	6.17%	5.13%

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 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 2019 and 2018.

#### At 31 December 2019

##### Financial assets

Financial assets at FVPL  
Financial assets at FVOCI

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
Financial assets at FVPL	–	–	422,317	422,317
Financial assets at FVOCI	–	–	315,531	315,531
	<u>–</u>	<u>–</u>	<u>737,848</u>	<u>737,848</u>

#### At 31 December 2018

##### Financial assets

Financial assets at FVOCI

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
Financial assets at FVOCI	–	–	336,300	336,300
	<u>–</u>	<u>–</u>	<u>336,300</u>	<u>336,300</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 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 2019 and 2018:

	Financial assets at FVOCI	Financial assets at FVPL	Total
<b>Year ended 31 December 2018</b>			
Opening balance	404,846	–	404,846
Losses recognised in other comprehensive income	(68,546)	–	(68,546)
Closing balance	<u>336,300</u>	<u>–</u>	<u>336,300</u>
<b>Year ended 31 December 2019</b>			
Opening balance	<b>336,300</b>	–	<b>336,300</b>
Additions	–	<b>1,573,100</b>	<b>1,573,100</b>
Disposals	–	<b>(1,162,674)</b>	<b>(1,162,674)</b>
Gains recognised in profit or loss (Note 28)	–	<b>11,891</b>	<b>11,891</b>
Losses recognised in other comprehensive income	<b>(20,769)</b>	–	<b>(20,769)</b>
Closing balance	<u><b>315,531</b></u>	<u><b>422,317</b></u>	<u><b>737,848</b></u>

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

	Fair value as at 31 December 2019	Valuation technique	Unobservable input	Range (weighted average)
Financial assets at FVPL	422,317	Income approach Market comparable approach	Discount rate	3.84%~3.90%/ (3.87%)
Financial assets at FVOCI	215,000		P/B	10~13/(11.5)
Financial assets at FVOCI	<u>100,531</u>	Income approach	Discount rate	11.18%~11.68%/ (11.43%)
	<u><u>737,848</u></u>			

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 2019  
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## 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.

## 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 2019 of RMB39,114 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 22).

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 2019  
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## 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, 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.

# Notes to the consolidated financial statements

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## 5 Concession intangible assets

	As at 31 December	
	2019	2018
Cost	<b>18,780,197</b>	17,268,896
Accumulated amortisation	<b>(7,560,410)</b>	(6,960,010)
Net book amount	<b><u>11,219,787</u></b>	<u>10,308,886</u>

	Year ended 31 December	
	2019	2018
Opening net book amount	<b>10,308,886</b>	10,002,807
Additions	<b>1,694,008</b>	908,856
Transfer in from property, plant and equipment (Note 7)	<b>91,440</b>	–
Transfer out to property, plant and equipment (Note 7)	<b>(273,700)</b>	(9,565)
Disposals	<b>(230)</b>	–
Amortisation charges (Note 29)	<b>(600,617)</b>	(593,212)
Closing net book amount	<b><u>11,219,787</u></b>	<u>10,308,886</u>

As at 31 December 2019, 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 2019, no concession intangible assets (31 December 2018: RMB1,959,489 thousand) are still under construction. Those constitute property, plant and equipment upon completion are transferred out.

Borrowing costs with the amount of RMB7,071 thousand have been capitalised in 2019 (2018: RMB7,150 thousand) at an average interest rate of 1.20% (2018: 1.20%).

Amortisation expenses of RMB600,617 thousand have been charged in "cost of sales" (2018: RMB593,212 thousand).

As at 31 December 2019, certain land use right certificates for Ninghuai expressway Tianchang section, Hening expressway, Ningxuanhang expressway Xuancheng to Ningguo section and one toll station in Guangde have not yet been obtained.



# Notes to the consolidated financial statements

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## 6 Right-of-use assets (previously land use rights)

The Group's right-of-use assets represented prepaid lease payments for land use rights, and their net book value are analysed as follows:

	As at 31 December	
	2019	2018
	<b>Right-of-use assets</b>	Land use rights
Cost	22,039	22,039
Accumulated amortisation	(13,705)	(12,640)
Net book amount	<u>8,334</u>	<u>9,399</u>

	Year ended 31 December	
	2019	2018
	<b>Right-of-use assets</b>	Land use rights
Opening net book amount	9,399	10,464
Amortisation charges (Note 29)	(1,065)	(1,065)
Closing net book amount	<u>8,334</u>	<u>9,399</u>

All of the Group's right-of-use assets (previously 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 RMB1,065 thousand (2018: RMB1,065 thousand) have been charged in "cost of sales".

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 7 Property, plant and equipment

	Buildings	Safety, communication and signalling equipment	Toll stations and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
<b>At 1 January 2018</b>							
Cost	702,959	974,062	226,473	84,016	164,511	48,154	2,200,175
Accumulated depreciation	(183,361)	(660,532)	(149,845)	(65,905)	(140,827)	–	(1,200,470)
Net book value	<u>519,598</u>	<u>313,530</u>	<u>76,628</u>	<u>18,111</u>	<u>23,684</u>	<u>48,154</u>	<u>999,705</u>
<b>Year ended 31 December 2018</b>							
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 29)	(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>
<b>At 31 December 2018</b>							
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>
<b>Year ended 31 December 2019</b>							
Opening net book amount	456,033	259,989	74,709	19,170	20,131	128,027	958,059
Additions	–	6,009	1,160	1,709	4,637	112,674	126,189
Disposals	–	–	–	(294)	(64)	–	(358)
Transfers	15,639	3,552	56,024	–	2,585	(77,800)	–
Transfer in from concession intangible assets (Note 5)	68,284	135,890	36,503	–	33,023	–	273,700
Transfer out to investment properties (Note 8)	(34,835)	–	–	–	–	–	(34,835)
Transfer out to intangible assets (Note 9)	–	(189)	(1,289)	–	–	(207)	(1,685)
Transfer out to concession intangible assets (Note 5)	–	–	–	–	–	(91,440)	(91,440)
Depreciation (Note 29)	(22,347)	(51,716)	(17,727)	(4,623)	(6,993)	–	(103,406)
Closing net book amount	<u>482,774</u>	<u>353,535</u>	<u>149,380</u>	<u>15,962</u>	<u>53,319</u>	<u>71,254</u>	<u>1,126,224</u>
<b>At 31 December 2019</b>							
Cost	707,404	1,117,151	340,318	88,600	205,282	71,254	2,530,009
Accumulated depreciation	(224,630)	(763,615)	(190,938)	(72,638)	(151,964)	–	(1,403,785)
Net book value	<u>482,774</u>	<u>353,535</u>	<u>149,380</u>	<u>15,962</u>	<u>53,319</u>	<u>71,254</u>	<u>1,126,224</u>

Depreciation expenses of RMB93,568 thousand (2018: RMB107,104 thousand) have been charged in “cost of sales”; depreciation expenses of RMB9,838 thousand (2018: RMB9,903 thousand) have been charged in “administrative expenses”.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 8 Investment properties

	<b>Buildings</b>
<b>At 1 January 2018</b>	
Cost	507,957
Accumulated amortisation	<u>(176,079)</u>
Net book amount	<u><u>331,878</u></u>
<b>Year ended 31 December 2018</b>	
Opening net book amount	331,878
Additions	1,692
Transfer in from property, plant and equipment (Note 7)	48,705
Amortisation expenses (Note 29)	<u>(17,407)</u>
Closing net book amount	<u><u>364,868</u></u>
<b>At 31 December 2018</b>	
Cost	562,242
Accumulated amortisation	<u>(197,374)</u>
Net book amount	<u><u>364,868</u></u>
<b>Year ended 31 December 2019</b>	
Opening net book amount	<b>364,868</b>
Transfer in from property, plant and equipment (Note 7)	<b>34,835</b>
Amortisation expenses (Note 29)	<u>(17,784)</u>
Closing net book amount	<u><u><b>381,919</b></u></u>
<b>At 31 December 2019</b>	
Cost	597,077
Accumulated amortisation	<u>(215,158)</u>
Net book amount	<u><u><b>381,919</b></u></u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 8 Investment properties (continued)

Amortisation expenses of RMB17,784 thousand (2018: RMB17,407 thousand) have been charged in “cost of sales”.

The fair values for the investment properties of the Group as at 31 December 2019 totalled RMB576,154 thousand (31 December 2018: RMB596,851 thousand).

The fair values have been arrived based on the 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	
	2019	2018
Rental income (Note 27)	51,107	52,306
Direct operating expenses from property that generated rental income	(18,034)	(17,657)
	<u>33,073</u>	<u>34,649</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 9 Intangible assets

	<b>Acquired computer software licenses</b>
<b>At 1 January 2018</b>	
Cost	19,271
Accumulated amortisation	<u>(12,206)</u>
Net book amount	<u>7,065</u>
<b>Year ended 31 December 2018</b>	
Opening net book amount	7,065
Additions	407
Transfer in from property, plant and equipment (Note 7)	1,286
Amortisation expenses (Note 29)	<u>(5,352)</u>
Closing net book amount	<u>3,406</u>
<b>At 31 December 2018</b>	
Cost	21,473
Accumulated amortisation	<u>(18,067)</u>
Net book amount	<u>3,406</u>
<b>Year ended 31 December 2019</b>	
Opening net book amount	<b>3,406</b>
Additions	<b>2,115</b>
Disposals	<b>(100)</b>
Transfer in from property, plant and equipment (Note 7)	<b>1,685</b>
Amortisation expenses (Note 29)	<u><b>(3,294)</b></u>
Closing net book amount	<u><b>3,812</b></u>
<b>At 31 December 2019</b>	
Cost	<b>25,382</b>
Accumulated amortisation	<u><b>(21,570)</b></u>
Net book amount	<u><b>3,812</b></u>

Amortisation expenses of RMB3,294 thousand (2018: RMB5,352 thousand) have been charged in "administrative expenses".

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 10 Subsidiaries

The following is a list of the subsidiaries at 31 December 2019:

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	RMB111,760	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	RMB300,000	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	RMB56,800	55.47%	44.53%
Wan Tong Pawn (d)	The PRC, limited liability company	Pawn, small loan and related services in Anhui province, the PRC	RMB157,500	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	HKD2,400	100.00%	–

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 10 Subsidiaries (continued)

### (a) Xuan Guang

Xuan Guang is an equity joint venture established by the Company and Xuancheng Communication Investment Co., Ltd. (“宣城市交通投资有限公司”, “XCIC”, formerly named “Xuancheng Highway Management Company”) in July 1998 with an operating period of 30 years. The Company invested in total RMB366,600 thousand in Xuan Guang, in the forms of capital contribution of RMB36,660 thousand and long-term loan of RMB329,940 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 11 August 2003, XCIC contributed Xuanguang Expressway (Nanhuan section) to Xuan Guang at an agreed price of RMB398,800 thousand in the form of capital contribution of RMB39,880 thousand and long-term loan of RMB358,920 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 RMB25,335 thousand and shareholder’s loan of RMB228,015 thousand) at a total consideration of RMB253,350 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 2019, the net profit portion of the distribution attributable to the Company amounted to RMB139,551 thousand (2018: RMB145,386 thousand). The net profit portion of the distribution attributable to XCIC amounted to RMB112,028 thousand (2018: RMB116,713 thousand).

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(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 RMB100,000 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 RMB129,362 thousand to Ningxuanhang in the forms of paid-in capital of RMB83,000 thousand and capital surplus of RMB46,362 thousand; ATHC made cash contribution of RMB182,353 thousand to Ningxuanhang in the forms of paid-in capital of RMB117,000 thousand and capital surplus of RMB65,353 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 2019 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	1,628,662	679,927	718,530	174,341	5,400	4,095,996
Repayments	-	-	-	(360,110)	-	-	(360,110)
Debt conversion (i)	(889,136)	-	(679,927)	-	(174,341)	-	(1,743,404)
End of the year	-	1,628,662	-	358,420	-	5,400	1,992,482

The interest rate of interest bearing long-term loans ranged from 4.41% to 6.15% per annum in 2019 (2018: 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.



# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 10 Subsidiaries (continued)

### (b) Ningxuanhang (continued)

The interest free loan of the Company is initially recognised at its fair value, which equals the present value of the future cash to be received discounted using the annual interest rate published by the People's Bank of China for long-term bank loans, and is subsequently carried at amortised cost using the effective interest method.

The 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.

### (i) Debt conversion

The Company, ATHC and XCIC (the "Shareholders") entered into a debts conversion agreement with Ningxuanhang on 28 December 2018. According to the agreement, all interest-free long-term shareholders' loans as at 31 December 2017 and all receipt from Shareholders during the period from 1 January 2018 to 28 December 2018 will be converted to shareholders' investment and recorded in other reserve. The agreement became effective upon required authorisation and approval from the 1st Interim Shareholders General Meeting of 2019 on 3 April 2019.

Debt conversion reconciliation of long-term payables and related deferred income tax liabilities to non-controlling interest is as follows:

Decrease of long-term payables (Note 23)	383,511
Decrease of deferred income tax liabilities (Note 24)	<u>117,689</u>
Increase of non-controlling interest	<u><u>501,200</u></u>

For the year ended 31 December 2019, the net loss attributable to the Company amounted to RMB187,978 thousand (2018: RMB175,844 thousand); the net loss attributable to ATHC amounted to RMB143,748 thousand (2018: RMB134,469 thousand); the net loss attributable to XCIC amounted to RMB36,858 thousand (2018: RMB34,479 thousand).

## 10 Subsidiaries (continued)

### (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 RMB56,800 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 RMB215,330 thousand and RMB18,880 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 2019, the net profit attributable to the Company amounted to RMB37,181 thousand (2018: RMB32,673 thousand). The net profit portion of the distribution attributable to XCIC amounted to RMB29,848 thousand (2018: RMB26,229 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 RMB210,000 thousand. The Company invested in RMB150,000 thousand and held 71.43% equity interests in Wan Tong Pawn. Hua Tai invested in RMB60,000 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 RMB37,500 thousand and RMB15,000 thousand respectively as capital redemption from Wan Tong Pawn. After the capital redemption, the total registered capital of Wan Tong Pawn reduced to RMB157,500 thousand. The Company and Hua Tai held 71.43% and 28.57% equity interests in Wan Tong Pawn.

For the year ended 31 December 2019, the net profit attributable to the Company amounted to RMB2,092 thousand (2018: RMB310 thousand); the net profit attributable to Hua Tai amounted to RMB837 thousand (2018: RMB124 thousand).

### (e) AEHK

As at 30 September 2013, AEHK was set up in Hong Kong. The registered capital of AEHK is HKD2,400 thousand, and the Company held 100% equity interests of AEHK. In 2015, the Company finished capital injection to AEHK. As at 31 December 2019, AEHK is still in pre-operation stage.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 10 Subsidiaries (continued)

### (f) Material non-controlling interests

As at 31 December 2019 and 2018, the analysis of non-controlling interests is as follow:

	As at 31 December	
	2019	2018
Non-controlling interests attributable to		
– Xuan Guang	280,198	284,697
– Ningxuanhang	415,112	94,518
– Guangci	114,916	111,176
– Wan Tong Pawn	20,879	20,042
	<u>831,105</u>	<u>510,433</u>

### 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	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Current</b>								
Assets	108,582	188,066	266,587	285,558	112,776	79,479	81,760	73,203
Liabilities	(735,791)	(802,174)	(171,567)	(153,475)	(16,776)	(8,632)	(8,832)	(3,211)
Total current net (liabilities)/assets	(627,209)	(614,108)	95,020	132,083	96,000	70,847	72,928	69,992
<b>Non-current</b>								
Assets	4,627,668	4,840,386	720,779	757,250	162,097	178,852	142	150
Liabilities	(3,182,353)	(4,024,803)	(129,891)	(193,325)	-	-	-	-
Total non-current net assets	1,445,315	815,583	590,888	563,925	162,097	178,852	142	150
Net assets	<u>818,106</u>	<u>201,475</u>	<u>685,908</u>	<u>696,008</u>	<u>258,097</u>	<u>249,699</u>	<u>73,070</u>	<u>70,142</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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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 statement of comprehensive income

	Ningxuanhang		Xuan Guang		Guangci		Wan Tong Pawn	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	<b>138,404</b>	164,606	<b>550,989</b>	552,075	<b>109,153</b>	98,618	<b>4,226</b>	6,354
(Loss)/profit before income tax	<b>(318,575)</b>	(356,090)	<b>335,459</b>	349,483	<b>89,372</b>	78,541	<b>2,929</b>	1,697
Income tax (expense)/income	<b>(50,009)</b>	11,298	<b>(83,880)</b>	(87,384)	<b>(22,343)</b>	(19,639)	-	(1,263)
(Loss)/profit for the year	<b>(368,584)</b>	(344,792)	<b>251,579</b>	262,099	<b>67,029</b>	58,902	<b>2,929</b>	434
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive (loss)/income	<b>(368,584)</b>	(344,792)	<b>251,579</b>	262,099	<b>67,029</b>	58,902	<b>2,929</b>	434
Total comprehensive (loss)/income allocated to non-controlling interests	<b>(180,606)</b>	(168,948)	<b>112,028</b>	116,713	<b>29,848</b>	26,229	<b>837</b>	124
Dividends paid to non-controlling interests	-	-	<b>116,527</b>	104,304	<b>26,108</b>	22,951	-	-

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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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	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Cash flows from operating activities</b>								
Cash generated from/(used in) operations	45,711	(35,219)	429,349	396,988	94,933	73,363	26,494	(37,014)
Interest paid	(179,812)	(166,906)	-	-	-	-	-	-
Income tax paid	-	-	(100,217)	(79,852)	(21,135)	(16,712)	(248)	(1,199)
Net cash (used in)/generated from operating activities	(134,101)	(202,125)	329,132	317,136	73,798	56,651	26,246	(38,213)
Net cash (used in)/generated from investing activities	(7,354)	(4,650)	(17,064)	(10,634)	144	156	56	(18)
Net cash generated from/(used in) financing activities	59,202	267,352	(335,681)	(308,233)	(58,632)	(51,540)	-	-
Net (decrease)/increase in cash and cash equivalents	(82,253)	60,577	(23,613)	(1,731)	15,310	5,267	26,302	(38,231)
Cash and cash equivalents at beginning of the year	139,272	78,695	74,328	76,059	20,463	15,196	7,164	45,395
Cash and cash equivalents at end of the year	57,019	139,272	50,715	74,328	35,773	20,463	33,466	7,164

# Notes to the consolidated financial statements

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## 11 Investment in associates

	Year ended 31 December	
	2019	2018
Beginning of the year	128,932	125,010
Additions (a)	3,000	–
Share of associates' results:		
– Profit before income tax	34,835	34,269
– Income tax expense	(9,145)	(9,212)
– Dividends declared (Note 28)	(22,080)	(21,135)
End of the year	<u>135,542</u>	<u>128,932</u>

As at 31 December 2019, the Group's interest in associates which are unlisted, is as follows:

Name	Particulars of issued capital held	Country of establishment	% of interest held
Anhui Expressway Advertisement Co., Ltd. ("安徽高速傳媒有限公司", "AEAC")	Equity capital	The PRC	<u>38%</u>
Anhui Transportation Information Industry Co., Ltd. ("安徽交控信息產業有限公司", "ATII") (a)	Equity capital	The PRC	<u>10%</u>

- (a) ATII was established by the Company, ATHC, China Merchants New Intelligence Technology Co., Ltd. ("招商新智科技有限公司"), Shanghai Unionpay Enterprise Investment Co., Ltd. ("上海銀聯創業投資有限公司"), Anhui Expressway Network Operations Co., Ltd. ("安徽省高速公路聯網運營有限公司", "AENO") and 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") in June 2019. The total registered capital of ATII was RMB60,000 thousand.

As at 31 December 2019, the Company invested in RMB3,000 thousand and held 10% equity interest in ATII. One of the seven directors of the board of directors of ATII is nominated by the Company, thereby the Company is able to exercise significant influence over ATII.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 11 Investment in associates (continued)

Set out below is the summarised financial information of AEAC and ATII:

### Summarised balance sheet

	AEAC		ATII
	As at 31 December		As at 31 December
	2019	2018	2019
<b>Current</b>			
Assets	276,159	252,966	33,541
Liabilities	(132,522)	(121,022)	(5,597)
Total current net assets	143,637	131,944	27,944
<b>Non-current</b>			
Assets	204,989	207,350	2,696
Liabilities	—	—	—
Total non-current net assets	204,989	207,350	2,696
<b>Net assets</b>	<b>348,626</b>	<b>339,294</b>	<b>30,640</b>

### Summarised statement of comprehensive income

	AEAC		ATII
	Year ended 31 December		Period from 12 June 2019 to 31 December 2019
	2019	2018	
Revenue	148,805	163,112	15,018
Profit for the year	67,438	65,940	640
Total comprehensive income for the year	67,438	65,940	640
Dividends	58,106	55,619	—

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 11 Investment in associates (continued)

### Reconciliation of summarised financial information

	AEAC		ATII
	Year ended 31 December 2019	2018	Period from 12 June 2019 to 31 December 2019
Beginning of the year	339,294	328,973	–
Profit for the year	67,438	65,940	640
Dividends distribution	(58,106)	(55,619)	–
End of the year	348,626	339,294	640
The Group's share in %	38%	38%	10%
Equity interest in associates	132,478	128,932	64

## 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)	ATZIF (b)	ATGBF (c)	AXCM (a)	WTMC (d)	ATZFM (b)	ATGFM (c)	
At 1 January 2019	93,810	99,625	99,625	27,490	15,000	375	375	336,300
Fair value losses on financial assets at FVOCI recognised in OCI	(18,501)	–	–	(2,268)	–	–	–	(20,769)
At 31 December 2019	75,309	99,625	99,625	25,222	15,000	375	375	315,531

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



# Notes to the consolidated financial statements

For the year ended 31 December 2019

(All amounts in Renminbi thousand unless otherwise stated)

## 12 Financial assets at FVOCI (continued)

- (a) As at 31 December 2019, 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 RMB75,309 thousand (31 December 2018: 6.62% and fair value of RMB93,810 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 RMB25,222 thousand (31 December 2018: 6.62% and fair value of RMB27,490 thousand).

In 2019, dividend of RMB12,583 thousand was declared by AXFG. As at 31 December 2019, the dividend was not received (Note 14).

- (b) Anhui Transportation Zhaoshang Private Fund Management Co., Ltd. (“安徽交控招商私募基金管理有限公司”, “ATZFM”, formerly named “Anhui Transportation Zhaoshang Fund Management Co., Ltd.” (“安徽交控招商基金管理有限公司”)) 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 RMB30,000 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 2019, the Company invested in RMB375 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 RMB3,000,000 thousand. ATZIIF is principally engaged in fund investments. As at 31 December 2019, the Company invested in RMB99,625 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.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 12 Financial assets at FVOCI (continued)

- (c) Anhui Transportation Goldstone Private Fund Management Co., Ltd. (“安徽交控金石私募基金管理有限公司”, “ATGFM”, formerly named “Anhui Transportation Goldstone Fund Management Co., Ltd.” (“安徽交控金石基金管理有限公司”)) 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 RMB30,000 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 2019, the Company invested in RMB375 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, Huafu 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 RMB3,000,000 thousand. ATGBF is principally engaged in fund investments. As at 31 December 2019, the Company invested in RMB99,625 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.

- (d) As at 31 December 2019, financial assets at FVOCI represented 10% equity interests in Hefei Wan Tong Microcredit Co., Ltd. (“合肥市皖通小額貸款有限公司”, “WTMC”).
- (e) Amounts recognised in profit or loss and OCI

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

	Year ended 31 December	
	2019	2018
Losses recognised in OCI (Note 18) – related to equity investments	(20,769)	(68,546)
Dividends from equity investments held at FVOCI recognised in profit or loss in other gains (Note 28) – related to investments held at the end of the year	12,583	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.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 13 Financial assets at FVPL

	As at 31 December	
	2019	2018
Structural deposits	422,317	–

As at 31 December 2019, financial assets at FVPL are mainly structured deposits with guaranteed principal and floating interest, which are presented as current assets since they are expected to be collected within 1 year from 31 December 2019.

### (a) Amounts recognised in profit or loss

During the year, the following gains were recognised in “other gains – net” of profit or loss:

	Year ended 31 December	
	2019	2018
Fair value gains on debt instruments at FVPL (Note 28)	11,891	–

## 14 Receivables and prepayments

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

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 14 Receivables and prepayments (continued)

### (a) Pawn loans to customers

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

	As at 31 December	
	2019	2018
Pawn loans to customers		
– Principal	142,398	185,718
– Interest	–	–
	<u>142,398</u>	<u>185,718</u>
Less: Impairment allowances	(97,690)	(123,864)
Pawn loans to customers, net	<u>44,708</u>	<u>61,854</u>

Pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are from two to six months and bore fixed interest rates ranging from 10.80% to 15.00% for the year ended 31 December 2019 (2018: bore fixed interest rates ranging from 10.92% to 26.40%). The Group ceased interest accrual once pawn loans were over due.

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

	Year ended 31 December	
	2019	2018
Beginning of the year	(123,864)	(121,528)
Impairment loss reversed/(recognised) (Note 30)	3,174	(2,336)
Pawn loans written-off as uncollectible	23,000	–
End of the year	<u>(97,690)</u>	<u>(123,864)</u>

- (b) As at 31 December 2019, toll roads income receivables mainly represented receivable from AENO of RMB73,863 thousand (31 December 2018: RMB44,405 thousand) for uncollected toll roads income.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 14 Receivables and prepayments (continued)

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

	Year ended 31 December	
	2019	2018
Beginning of the year	(2,692)	(2,316)
Impairment loss recognised (Note 30)	(336)	(376)
Other receivables written-off as uncollectible	286	–
End of the year	<u>(2,742)</u>	<u>(2,692)</u>

(d) In 2019, dividends of RMB22,080 thousand and RMB12,583 thousand was declared by AEAC and AXFG respectively. As at 31 December 2019, the dividends was not received.

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

As at 31 December 2019 and 2018, the fair values of the other receivables of the Group approximated their carrying amounts.

## 15 Inventories

	As at 31 December	
	2019	2018
Materials for toll road maintenance	<u>5,678</u>	<u>5,033</u>

## 16 Cash and cash equivalents and restricted cash

	As at 31 December	
	2019	2018
Cash at bank and on hand	2,107,053	2,513,475
Less: restricted cash	(201,792)	(60,000)
Cash and cash equivalents	<u>1,905,261</u>	<u>2,453,475</u>

The weighted average interest rate per annum on cash at bank in 2019 was approximately 3.30% (2018: 3.26%).

As at 31 December 2019 and 2018, the restricted cash was bank deposit with maturities over three months.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 16 Cash and cash equivalents and restricted cash (continued)

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

	As at 31 December	
	2019	2018
RMB	<b>2,104,680</b>	2,511,148
HKD (RMB equivalents)	<b>2,373</b>	2,327
	<b><u>2,107,053</u></b>	<u>2,513,475</u>

## 17 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 2018	1,165,600	493,010	1,658,610	1,415,593	3,074,203
Changes in the year	–	–	–	–	–
At 31 December 2018	1,165,600	493,010	1,658,610	1,415,593	3,074,203
Changes in the year	–	–	–	–	–
At 31 December 2019	<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 RMB1 per share. All issued shares are fully paid.

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of shares issued, net of transaction cost.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 18 Other reserves

	Capital surplus	Statutory surplus reserve fund (Note 36(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 financial assets at FVOCI, net of tax	Total
<b>Balance at 1 January 2018</b>	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)
<b>Balance at 31 December 2018</b>	<b>2,243</b>	<b>955,881</b>	<b>658</b>	<b>48,255</b>	<b>(186,362)</b>	<b>(710,116)</b>	<b>(59,026)</b>	<b>51,533</b>
Usage of enterprise safety fund	-	-	-	(916)	-	-	-	(916)
Changes in fair value of financial assets at FVOCI, net of tax (Note 12)	-	-	-	-	-	-	(15,577)	(15,577)
<b>Balance at 31 December 2019</b>	<b>2,243</b>	<b>955,881</b>	<b>658</b>	<b>47,339</b>	<b>(186,362)</b>	<b>(710,116)</b>	<b>(74,603)</b>	<b>35,040</b>

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 2.28.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 18 Other reserves (continued)

- (a) The merger reserve as at 31 December 2019 and 2018 represented the excess of consideration over the Company's share of paid-in capital of Guangci acquired under common control (Note 10(c)).

	<b>As at 31 December 2019 and 2018</b>
The Company's share of paid-in capital of Guangci	28,968
Less: consideration paid to the then equity owner for acquisition of Guangci under common control	<u>(215,330)</u>
Merger reserve	<u><u>(186,362)</u></u>

- (b) The reserve of excess of the consideration over carrying amount of the non-controlling interests acquired represented RMB699,147 thousand arising from acquisition of 49% equity interests of Gaojie Expressway in 2006 and RMB10,969 thousand arising from acquisition of 4.47% equity interests of Guangci in 2012.

## 19 Deferred income

	<b>As at 31 December</b>	
	<b>2019</b>	2018
Government grants	<u><u>26,409</u></u>	<u><u>28,583</u></u>

Deferred income represents government grants relating to assets and is amortised over 16 to 25 years (Note 2.22).

Amortisation of RMB2,174 thousand (2018: RMB2,174 thousand) has been charged in "other gains – net" (Note 28).



# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 20 Trade and other payables

	As at 31 December	
	2019	2018
Trade payables – payables on acquisition of concession intangible assets	<b>1,290,824</b>	704,907
Current portion of long-term payables (Note 23)	<b>168,612</b>	240,078
Deposits for construction projects	<b>65,414</b>	62,396
Staff salaries and welfare	<b>31,932</b>	27,404
Other taxation payables	<b>16,325</b>	20,177
Interest payable	<b>6,325</b>	6,169
Service fee payable for collection of toll roads income	<b>3,488</b>	5,101
Others	<b>28,483</b>	43,635
	<b><u>1,611,403</u></b>	<u>1,109,867</u>

As at 31 December 2019, trade and other payables of RMB477,554 thousand (31 December 2018: RMB467,652 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 2019 and 2018, all trade and other payables were denominated in RMB.

As at 31 December 2019 and 2018, 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 2019  
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## 21 Borrowings

	As at 31 December 2019		As at 31 December 2018	
	Interest rate per annum	Amount	Interest rate per annum	Amount
<b>Long-term bank borrowings</b>				
Denominated in RMB				
– guaranteed (a)	4.41%-4.90%	538,043	4.41%-4.90%	942,658
– unsecured (a)	4.41%	160,304	4.41%	165,927
– pledged (b)	1.20%-4.90%	1,409,550	1.20%	600,000
		<u>2,107,897</u>		<u>1,708,585</u>
<b>Less: current portion</b>				
Denominated in RMB				
– guaranteed (a)	4.41%-4.90%	(110,409)	4.41%-4.90%	(120,065)
– unsecured (a)	4.41%	(115,630)	4.41%	(5,623)
– pledged (b)	1.20%-4.90%	(69,160)	1.20%	(20,000)
		<u>(295,199)</u>		<u>(145,688)</u>
<b>Non-current borrowings</b>		<u>1,812,698</u>		<u>1,562,897</u>

- (a) The bank borrowings of RMB205,671 thousand were guaranteed by XCIC, a non-controlling interest of subsidiaries; RMB332,372 thousand were guaranteed by the ATHC; and RMB160,304 thousand were guaranteed by the Company as at 31 December 2019 (31 December 2018: RMB281,900 thousand were guaranteed by XCIC; RMB660,758 thousand were guaranteed by the ATHC; and RMB165,927 thousand were guaranteed by the Company).
- (b) As at 31 December 2019, the bank borrowings of RMB580,000 thousand was pledged by estimated future toll roads cash inflow from the completion of reform and expansion of Hening Expressway (31 December 2018: RMB600,000 thousand), and the bank borrowings of RMB829,550 thousand was pledged by estimated future toll roads cash inflow from Ningxuanhang Expressway Liqiao to Xuancheng Section (31 December 2018: nil).

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 21 Borrowings (continued)

As at 31 December 2019 and 2018, the Group's borrowings are repayable as follows:

	As at 31 December	
	2019	2018
Within 1 year	295,199	145,688
Between 1 and 2 years	231,742	280,699
Between 2 and 5 years	627,228	654,731
Over 5 years	953,728	627,467
	<u>2,107,897</u>	<u>1,708,585</u>

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

	As at 31 December	
	2019	2018
Expiring within one year	<u>1,649,890</u>	<u>5,544,890</u>

The exposure of the Group's bank borrowings to interest rate changes and the contractual repricing dates at the end of reporting period are as follows:

	As at 31 December	
	2019	2018
Within 1 year	<u>2,107,897</u>	<u>1,708,585</u>

As at 31 December 2019 and 2018, the fair values of current and non-current borrowings approximated their carrying amounts as the discounting impact is not significant.

## 22 Provision – maintenance/resurfacing obligations (Note 4(b))

Balance at 31 December 2018	23,010
Addition of provision	195,951
Utilisation of provision	<u>(179,847)</u>
Balance at 31 December 2019	<u>39,114</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 23 Long-term payables

	Year ended 31 December	
	2019	2018
<b>Long-term payables to XCIC (Note 10(a)(b))</b>		
Beginning of the year	<b>300,388</b>	309,660
Additions – interest-bearing loans	–	5,400
Repayments	<b>(33,355)</b>	(32,952)
Debt conversion (Note 10(b)(i))	<b>(78,123)</b>	–
Amortisation – charged to income statement (Note 32)	<b>13,782</b>	18,280
End of the year	<b>202,692</b>	300,388
<b>Long-term payables to ATHC (Note 10(b))</b>		
Beginning of the year	<b>1,019,478</b>	876,028
Additions	–	125,627
– interest-free loans	–	4,267
– interest-bearing loans	–	121,360
Repayments	<b>(360,110)</b>	–
Debt conversion (Note 10(b)(i))	<b>(305,388)</b>	–
Amortisation – charged to income statement (Note 32)	<b>4,440</b>	17,823
End of the year	<b>358,420</b>	1,019,478
<b>Long-term payables – total</b>	<b>561,112</b>	1,319,866
Less: current portion of long-term payables (Note 20)	<b>(168,612)</b>	(240,078)
	<b>392,500</b>	1,079,788

As at 31 December 2019, the interest rate of interest bearing long-term loans ranged from 4.41% to 5.84% (31 December 2018: 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	
	2019	2018	2019	2018
Long-term payables to ATHC	<b>358,420</b>	1,019,478	<b>358,420</b>	1,063,505
Long-term payables to XCIC	<b>202,692</b>	300,388	<b>206,155</b>	317,645
	<b>561,112</b>	1,319,866	<b>564,575</b>	1,381,150

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 23 Long-term payables (continued)

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 2019 (31 December 2018: 4.90%).

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

	As at 31 December	
	2019	2018
Long-term payables to ATHC	358,420	1,398,457
Long-term payables to XCIC	222,248	429,943
	<u>580,668</u>	<u>1,828,400</u>

## 24 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	
	2019	2018
Deferred tax assets:		
– Deferred tax to be realised after more than 12 months	46,714	95,944
– Deferred tax to be realised within 12 months	15,915	13,330
	<u>62,629</u>	<u>109,274</u>

	As at 31 December	
	2019	2018
Deferred tax liabilities:		
– Deferred tax to be settled after more than 12 months	(45,047)	(166,395)
– Deferred tax to be settled within 12 months	(8,643)	(14,405)
	<u>(53,690)</u>	<u>(180,800)</u>

# Notes to the consolidated financial statements

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## 24 Deferred tax assets and liabilities (continued)

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		Accrued bonus	Accounting for interest bearing shareholder's loans	Fair value change of financial assets at FVOCI	Provision for impairment of other receivables	Tax loss carried forward	Total
<b>Deferred income tax assets</b>								
<b>Balance at 1 January 2018</b>	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
<b>Balance at 31 December 2018</b>	7,147	5,753	6,341	17,098	19,675	38	53,222	109,274
Deferred taxation (debited)/ credited to income statement	(544)	2,596	–	(655)	–	(12)	(53,222)	(51,837)
Deferred taxation credited to other comprehensive income	–	–	–	–	5,192	–	–	5,192
<b>Balance at 31 December 2019</b>	<u>6,603</u>	<u>8,349</u>	<u>6,341</u>	<u>16,443</u>	<u>24,867</u>	<u>26</u>	<u>–</u>	<u>62,629</u>

	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 financial assets at FVPL	Others	Total
<b>Deferred income tax liabilities</b>							
<b>Balance at 1 January 2018</b>	(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)
<b>Balance at 31 December 2018</b>	(16,791)	(2,611)	(134,872)	(25,751)	–	(775)	(180,800)
Deferred taxation credited/(debited) to income statement	2,163	345	4,822	2,396	(579)	274	9,421
Deferred taxation credited to equity (Note 10(b)(i))	–	–	117,689	–	–	–	117,689
<b>Balance at 31 December 2019</b>	<u>(14,628)</u>	<u>(2,266)</u>	<u>(12,361)</u>	<u>(23,355)</u>	<u>(579)</u>	<u>(501)</u>	<u>(53,690)</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 24 Deferred tax assets and liabilities (continued)

- (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 23), 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 2019, the Group did not recognise deferred income tax assets of RMB133,986 thousand (2018: RMB77,206 thousand) in respect of loss amounting to RMB535,944 thousand (2018: RMB308,766 thousand) that can be carried forward against future taxable income. Carrying forward of these tax loss will expire, if unused, between 2020 and 2024.

Offsetting of deferred tax assets and liabilities:

	As at 31 December	
	2019	2018
Deferred tax assets	(27,943)	(82,751)
Deferred tax liabilities	<u>27,943</u>	<u>82,751</u>

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

	As at 31 December	
	2019	2018
Deferred tax assets	34,686	26,523
Deferred tax liabilities	<u>(25,747)</u>	<u>(98,049)</u>

## 25 Retirement benefit obligations

The Group is required to pay RMB230 every month to certain retired employees. As at 31 December 2019, the retired employees of the Group were 59 (31 December 2018: 59). Management assessed that there was no material impact to the consolidated financial statement from above retirement benefit obligations.





# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 27 Revenue

	Year ended 31 December	
	2019	2018
Toll income from toll roads operation	<b>2,752,083</b>	2,694,252
Revenue from construction or upgrade work under Service Concessions	<b>1,694,008</b>	908,854
Service income from management of toll roads (Note 39(b))	<b>119,944</b>	188,708
Rental income (Note 39(b))	<b>51,107</b>	52,306
– from toll gas stations (a)	<b>23,534</b>	25,823
– from toll road service sectors (b)	<b>10,726</b>	10,170
– from other investment properties	<b>16,847</b>	16,313
Service income from roads emergency assistance	<b>15,026</b>	22,135
Interest income from pawn loans to customers	<b>4,226</b>	6,354
Others	<b>4,037</b>	3,194
	<b><u>4,640,431</u></b>	<b><u>3,875,803</u></b>

- (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 RMB25,890 thousand. The lease period will be terminated by 31 March 2021.

Pursuant to a lease agreement with AEPC, Ningxuanhang’s gas station was leased to AEPC with annual rental fee of RMB1,207 thousand. The lease period will be terminated by 31 December 2020.

- (b) Pursuant to a lease agreement with Anhui Yida Toll Road Service Sector Management Co., Ltd. (“安徽省驛達高速公路服務區經營管理有限公司”, “YTMC”), a subsidiary of ATHC, the Company’s toll road service sectors were leased to YTMC with annual rental fee of RMB8,446 thousand starting from year 2017, which will increase by 2% each year. The lease period was from 1 January 2017 to 31 December 2019.

Pursuant to a lease agreement with YTMC, Guangci’s toll road service sectors were leased to YTMC with annual rental fee of RMB1,800 thousand. The lease period was from 1 August 2009 to 20 July 2029.

Pursuant to a lease agreement with YTMC, Ningxuanhang’s toll road service sectors was leased to YTMC with annual rental fee of RMB20 thousand. The lease period was from 1 January 2018 to 31 December 2020.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 28 Other gains – net

	Year ended 31 December	
	2019	2018
Interest income	68,587	81,485
Dividend income (Note 11, 12)	34,663	21,335
Fair value gains on financial assets at FVPL (Note 13)	11,891	–
Amortisation of government grants relating to assets (Note 19)	2,174	2,174
Government grants relating to profits	461	305
Net losses from disposal of property, plant and equipment	(58)	(31)
Losses from disposal of concession intangible assets	(230)	–
Others	4,422	550
	<u>121,910</u>	<u>105,818</u>

## 29 Expenses by nature

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

	Year ended 31 December	
	2019	2018
Costs payable to vendors for construction or upgrade work under the Service Concessions (Note 2.7)	1,694,008	908,854
Depreciation and amortisation expenses (Notes 5, 6, 7, 8, 9)	726,166	734,043
Employee benefit expenses (Note 31)	340,001	394,647
Repair expenses	195,951	135,433
Taxes related to revenue (a)	23,820	24,648
Auditor's remuneration		
– Annual audit services	2,100	2,100
Others	117,769	115,301
	<u>3,099,815</u>	<u>2,315,026</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 29 Expenses by nature (continued)

### (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.

## 30 Net impairment reversal/(losses) on financial assets

	Year ended 31 December	
	2019	2018
Impairment reversal/(losses) for pawn loans to customers (Note 14(a))	3,174	(2,336)
Impairment losses for other receivables (Note 14(c))	(336)	(376)
	<u>2,838</u>	<u>(2,712)</u>

## 31 Employee benefit expenses

	Year ended 31 December	
	2019	2018
Salaries and wages	240,561	286,497
Supplementary pension insurance	15,186	4,484
Other welfares	84,254	103,666
	<u>340,001</u>	<u>394,647</u>

As at 31 December 2019, the number of employees of the Group was 2,181 (31 December 2018: 3,085).

### (a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for 2019 include two executive directors, one supervisor and two chief executives (2018: two executive directors, one supervisor and two chief executives), whose emoluments are reflected in Note 42.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 32 Finance costs

	Year ended 31 December	
	2019	2018
Interest expenses	125,903	137,427
Including: amortisation of long-term payables (Note 23)	18,222	36,103
Less: capitalised interest expenses (Note 5)	(7,071)	(7,150)
	<u>118,832</u>	<u>130,277</u>

## 33 Taxation

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

	Year ended 31 December	
	2019	2018
Current taxation – CIT (a)	455,764	456,770
Deferred taxation debited/(credited) to the consolidated income statement (Note 24)	42,416	(8,721)
	<u>498,180</u>	<u>448,049</u>

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

The Company and its subsidiaries, associated companies determine and pay the PRC Corporate Income Tax (“CIT”) in accordance with the CIT Law as approved by the National People’s Congress on 16 March 2007. Under the CIT Law, the CIT rate applicable to the Company and its subsidiaries (except AEHK), associated companies is 25%. And the CIT rate applicable to AEHK is 16.5%.

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

Pursuant to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation, where the Company declares dividend in or after 2008 and beyond out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders are exempted from WHT; For dividend which arises from the Company’s profit earned after 1 January 2008, WHT is levied on the foreign institute shareholders. Pursuant to the new CIT law and the detailed implementation regulations, foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from 1 January 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. The Company has fulfilled the obligation of WHT for dividends related to 2018 which was paid to foreign shareholders during 2019.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 33 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	
	2019	2018
Profit before income tax	<u>1,550,142</u>	<u>1,537,528</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	387,536	384,382
Expenses not deductible for tax purpose	157	249
Income not subject to income tax	(18,743)	(15,494)
Tax adjustment made after tax filing by tax bureau	244	1,234
Deductible temporary differences not recognised as deferred tax assets during the year	1,558	472
Utilisation of deductible temporary differences not recognised as deferred tax assets during previous years	(6,558)	–
Tax losses not recognised as deferred tax assets during the year	<u>133,986</u>	<u>77,206</u>
Tax charges	<u><u>498,180</u></u>	<u><u>448,049</u></u>

## 34 Earnings per share

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

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company	1,089,855	1,115,361
Weighted average number of ordinary shares in issue (thousand)	1,658,610	1,658,610
Basic earnings per share (expressed in RMB per share)	<u><u>0.6571</u></u>	<u><u>0.6725</u></u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 35 Dividends

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

	Year ended 31 December	
	2019	2018
Proposed final dividend of RMB0.23 (2018: RMB0.25) per ordinary share	<u>381,480</u>	<u>414,653</u>

## 36 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 2019 in accordance with the PRC Company Law.

### (b) Dividends distribution

According to the Articles of Association of the Company, the dividends distribution by the Company to its shareholders is based on the lower of the retained earnings in the Company's statutory financial statements and in the Company's financial statements prepared in accordance with HKFRSs. As at 31 December 2019, the retained earnings in the Company's financial statements prepared in accordance with HKFRSs amounted to RMB7,546,568 thousand, which was lower than the retained earnings reflected in the Company's statutory financial statements.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 37 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	
	2019	2018
Profit before income tax	<u>1,550,142</u>	<u>1,537,528</u>
Adjustments for:		
Settlement of revenue in form of concession intangible assets	(1,108,091)	(994,426)
Amortisation of concession intangible assets (Note 5)	600,617	593,212
Depreciation of property, plant and equipment (Note 7)	103,406	117,007
Depreciation of investment property (Note 8)	17,784	17,407
Amortisation of right-of-use assets (Note 6)	1,065	–
Amortisation of land use rights (Note 6)	–	1,065
Amortisation of intangible assets (Note 9)	3,294	5,352
Impairment (reversal)/losses for pawn loans to customers (Note 30)	(3,174)	2,336
Impairment losses for other receivables (Note 30)	336	376
Loss on disposal of property, plant and equipment (Note 28)	58	31
Loss on disposal of concession intangible assets (Note 28)	230	–
Share of profit of associates (Note 11)	(3,610)	(3,922)
Dividend income (Note 28)	(34,663)	(21,335)
Fair value gains on financial assets at FVPL (Note 28)	(11,891)	–
Interest income (Note 28)	(68,587)	(81,485)
Interest expenses (Note 32)	118,832	130,277
Operating profit before working capital changes	<u>1,165,748</u>	<u>1,303,423</u>
(Increase)/decrease in inventories	(645)	2,369
Decrease/(increase) in receivables and prepayments	20,055	(26,341)
(Decrease)/increase in trade and other payables	(35,757)	6,361
Increase/(decrease) in provision	16,104	(11,555)
Cash generated from operating activities	<u>1,165,505</u>	<u>1,274,257</u>

### Non-cash transaction

Non-cash transaction refers to the settlement of revenue in form of concession intangible assets.

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 37 Notes to consolidated cash flow statement (continued)

### (b) Net debts reconciliation

	Year ended 31 December	
	2019	2018
Cash and cash equivalents	1,905,261	2,453,475
Borrowings – repayable within 1 year	(295,199)	(145,688)
Borrowings – repayable after 1 year	(1,812,698)	(1,562,897)
Long-term payables – repayable within 1 year	(168,612)	(240,078)
Long-term payables – repayable after 1 year	(392,500)	(1,079,788)
Net debts	<u>(763,748)</u>	<u>(574,976)</u>
Cash and cash equivalents	1,905,261	2,453,475
Gross debt – fixed interest rate	(580,000)	(600,000)
Gross debt – floating interest rate	(1,891,717)	(1,832,515)
Gross debt – interest free	(197,292)	(595,936)
Net debts	<u>(763,748)</u>	<u>(574,976)</u>

	Cash and cash equivalents	Borrowings due within 1 year	Borrowings due after 1 year	Long-term payables due within 1 year	Long-term payables due after 1 year	Total
<b>Net debts as at 1 January 2018</b>	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)
<b>Net debts as at 31 December 2018</b>	<u>2,453,475</u>	<u>(145,688)</u>	<u>(1,562,897)</u>	<u>(240,078)</u>	<u>(1,079,788)</u>	<u>(574,976)</u>
Net cash flows	(548,266)	145,688	(545,000)	193,355	200,110	(554,113)
Foreign exchange adjustments	52	–	–	–	–	52
Other non-cash movements	–	(295,199)	295,199	(121,889)	487,178	365,289
<b>Net debts as at 31 December 2019</b>	<u>1,905,261</u>	<u>(295,199)</u>	<u>(1,812,698)</u>	<u>(168,612)</u>	<u>(392,500)</u>	<u>(763,748)</u>



# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 38 Commitments

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

	As at 31 December	
	2019	2018
Contracted but not provided for		
– Property, plant and equipment	90,875	102,031
– Concession intangible assets	–	1,490,406
	<u>90,875</u>	<u>1,592,437</u>

## 39 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
YTMC	Subsidiary of ATHC
WTMC	Subsidiary of ATHC
AENO	Subsidiary of ATHC
ATCIM	Subsidiary of ATHC
ATCD	Subsidiary of ATHC
ATZFM	Significantly influenced by ATHC
ATGFM	Significantly influenced by ATHC
XCIC	Non-controlling interest of Xuan Guang, Ningxuanhang and Guangci
AEAC	Associate
ATII	Associate

**39 Related party transactions (continued)****(a) Name of related party and relationship (continued)**

<b>Name</b>	<b>Relationship with the Group</b>
Anhui Transportation Construction Management Co., Ltd. ("安徽省交控建設管理有限公司", "ATCMC")	Subsidiary of ATHC
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 Qixing Project Testing Co., Ltd. ("安徽省七星工程測試有限公司", "AQPT")	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 Jingong 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 2019  
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## 39 Related party transactions (continued)

### (b) Related party transactions

Save as disclosed elsewhere in these financial statements, during the years ended 31 December 2019 and 2018, the Group had the following significant transactions with related parties:

#### (i) Service income from management of toll roads

	Year ended 31 December	
	2019	2018
ATHC	82,192	131,809
AYEC	11,662	18,518
ALGEC	11,067	10,141
AAEBC	10,295	15,572
AWQEC	4,728	12,668
	<u>119,944</u>	<u>188,708</u>

#### (ii) Rental income

	Year ended 31 December	
	2019	2018
AEPC	21,626	25,347
YTMC	10,878	9,372
ATHC	6,469	6,495
ALEC	557	557
ATCMC	476	476
AWFC	421	421
ATCIM	329	329
WTMC	212	212
ATII	126	–
ATZFM	100	100
ATGFM	100	83
BNMC	27	27
AWQEC	5	–
AGCC	–	617
AHEC	–	63
AYHEC	–	8
	<u>41,326</u>	<u>44,107</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 39 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	
	2019	2018
AGCC	56,444	35,811
AHHCD	31,070	18,593
AQPT	5,398	3,212
AZPMC	4,681	5,793
BNMC	3,058	2,985
ATCD	2,775	5,371
AERC	1,644	5,520
AJCG	1,238	1,641
ATII	264	–
AXLMT	–	15,840
AEAC	–	2,961
	<u>106,572</u>	<u>97,727</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	
	2019	2018
XCIC	<u>500</u>	<u>500</u>

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

	Year ended 31 December	
	2019	2018
AENO	<u>2,670,759</u>	<u>2,606,561</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
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## 39 Related party transactions (continued)

### (b) Related party transactions (continued)

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

	Year ended 31 December	
	2019	2018
AENO	<u>12,503</u>	<u>13,035</u>

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

	Year ended 31 December	
	2019	2018
ATHC	<u>33,234</u>	<u>35,268</u>
XCIC	<u>1,783</u>	<u>1,520</u>
	<u>35,017</u>	<u>36,788</u>

#### (viii) Guarantee received

The long-term bank borrowings of RMB205,671 thousand and RMB332,372 thousand were guaranteed by XCIC and ATHC respectively (Note 21).

#### (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	
	2019	2018
Salaries and other short-term employee benefits	<u>3,707</u>	<u>3,241</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 39 Related party transactions (continued)

### (c) Related party balances

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

	As at 31 December 2019		As at 31 December 2018	
	Book value	Provision for impairment	Book value	Provision for impairment
AENO	73,863	(54)	44,405	(74)
AEAC	22,080	(16)	–	–
YTMC	55	–	213	–
ATCMC	–	–	134	–
AEPC	–	–	104	–
	<u>95,998</u>	<u>(70)</u>	<u>44,856</u>	<u>(74)</u>

#### (ii) Trade payables

	As at 31 December	
	2019	2018
AGCC	36,177	13,663
AHHCD	7,122	9,948
AZPMC	2,142	1,903
ATCD	1,909	1,157
AERC	1,828	4,069
BNMC	829	4
AQPT	784	480
ATII	280	–
AEAC	41	298
	<u>51,112</u>	<u>31,522</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 39 Related party transactions (continued)

### (c) Related party balances (continued)

#### (iii) Other payables

	As at 31 December	
	2019	2018
YTMC	8,019	1,211
AEPC	5,354	6
ATHC	3,782	1,299
AENO	3,488	5,101
AGCC	2,035	1,441
AQPT	1,636	–
ATCD	1,527	1,394
XCIC	265	–
ALEC	203	135
ATCIM	146	86
AZPMC	120	100
WTMC	100	156
ATGFM	28	17
BNMC	24	22
AWQEC	2	–
AWFC	–	110
AEAC	–	2
	<u>26,729</u>	<u>11,080</u>

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

	As at 31 December	
	2019	2018
ATHC	358,420	1,019,478
XCIC	202,692	300,388
	<u>561,112</u>	<u>1,319,866</u>

As at 31 December 2019 and 2018, amounts due from and due to the related parties as aforementioned, except for long-term payables to XCIC and ATHC as disclosed in Note 23, 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.

## 40 Events after the balance sheet date

- (a) Pursuant to a resolution of the Board of Meeting on 27 March 2020, a cash dividend of RMB381,480 thousand was proposed for the year ended 31 December 2019. Please refer to Note 35 for details.
- (b) Following the outbreak of Coronavirus Disease 2019 (“the COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements.

According to “the Notice on Extending Period of Toll Roads Going Toll-Free for Small Passenger Vehicles During Spring Festival of 2020” and following notice issued by the Ministry of Transport of the People’s Republic of China (“the MOT”), the Group will extend the deadline of toll-free period for small passenger vehicles from 30 January 2020 to 8 February 2020. According to “the Notice on Toll Roads Going Toll-Free During the Period of Precautionary and Control in Relation to the COVID-19 Outbreak” issued by the MOT, the expressways operated by the Group will be toll-free from 17 February 2020 onwards until the end of the precautionary and control measures relating to the COVID-19 outbreak. In the corresponding period of February 2019 and March 2019, the Group’s toll income from toll roads operation amounted to RMB197,086 thousand and RMB231,818 thousand respectively.

The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.



# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 41 Balance sheet and reserves movements of the Company

	As at 31 December	
	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Concession intangible assets	6,542,531	5,393,723
Right-of-use assets	8,334	–
Land use rights	–	9,399
Property, plant and equipment	734,391	570,962
Investment properties	309,348	289,270
Intangible assets	2,210	2,961
Investments in subsidiaries	1,462,521	1,143,015
Loans to subsidiaries	1,628,662	1,929,911
Investment in associates	21,999	18,999
Deferred income tax assets	25,715	–
Financial assets at FVOCI	315,531	336,300
	<u>11,051,242</u>	<u>9,694,540</u>
<b>Current assets</b>		
Inventories	2,794	2,661
Receivables and prepayments	160,060	186,458
Financial assets at FVPL	422,317	–
Restricted cash	200,000	60,000
Cash and cash equivalents	1,728,154	2,210,336
	<u>2,513,325</u>	<u>2,459,455</u>
<b>Total assets</b>	<u><u>13,564,567</u></u>	<u><u>12,153,995</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Ordinary share capital	1,658,610	1,658,610
Share premium	1,415,593	1,415,593
Other reserves (a)	866,356	882,849
Retained earnings (a)	7,546,568	6,720,482
	<u>11,487,127</u>	<u>10,677,534</u>
<b>Total equity</b>	<u>11,487,127</u>	<u>10,677,534</u>

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 41 Balance sheet and reserves movements of the Company (continued)

	As at 31 December	
	2019	2018
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	540,000	580,000
Deferred income tax liabilities	–	9,785
Deferred income	26,409	28,583
	<u>566,409</u>	<u>618,368</u>
<b>Current liabilities</b>		
Trade and other payables	1,298,485	688,333
Current income tax liabilities	142,783	127,015
Provisions	29,763	22,745
Borrowings	40,000	20,000
	<u>1,511,031</u>	<u>858,093</u>
<b>Total liabilities</b>	<u>2,077,440</u>	<u>1,476,461</u>
<b>Total equity and liabilities</b>	<u>13,564,567</u>	<u>12,153,995</u>

The balance sheet of the Company was approved by the Board of Directors on 27 March 2020 and was signed on its behalf by:

\_\_\_\_\_  
Director (項小龍)

\_\_\_\_\_  
Director (許振)

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 41 Balance sheet and reserves movements of the Company (continued)

### (a) Reserves movements of the Company

	Retained earnings	Other reserves
<b>Balance at 1 January 2018</b>	5,871,594	935,273
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)
	<u>6,720,482</u>	<u>882,849</u>
<b>Balance at 31 December 2018</b>		
Profit for the year	1,239,823	–
Dividends paid relating to 2018	(414,653)	–
Usage of enterprise safety fund	916	(916)
Changes in fair value of financial assets at FVOCI, net of tax	–	(15,577)
	<u>7,546,568</u>	<u>866,356</u>
<b>Balance at 31 December 2019</b>		

# Notes to the consolidated financial statements

For the year ended 31 December 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 42 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 2019:

Name	Fees	Salaries	Contribution to retirement benefit scheme	Other benefits	Total
<b>Executive directors</b>					
Mr. Qiao Chuanfu (i)	–	–	–	–	–
Mr. Chen Dafeng	–	–	–	–	–
Mr. Xu Zhen*	–	532	72	–	604
Mr. Xie Xinyu*	–	507	66	–	573
<b>Non-executive directors</b>					
Mr. Du Jian	–	–	–	–	–
Mr. Yang Xudong	–	–	–	–	–
<b>Independent directors</b>					
Mr. Jiang Yifan	120	–	–	–	120
Mr. Jiang Jun	80	–	–	–	80
Mr. Liu Hao	80	–	–	–	80
<b>Supervisors</b>					
Mr. Jiang Yue	–	–	–	–	–
Mr. Dai Hui	–	507	66	–	573
Ms. Chen Yuping	–	–	–	–	–
<b>Chief executives</b>					
Mr. Li Huimin	–	507	66	–	573
Mr. Chen Jiping	–	507	66	–	573
Ms. Dong Huihui	–	464	67	–	531
	<b>280</b>	<b>3,024</b>	<b>403</b>	<b>–</b>	<b>3,707</b>

(i) Mr. Qiao Chuanfu resigned from the position on 12 December 2019.

\* In 2019, 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 2019  
(All amounts in Renminbi thousand unless otherwise stated)

## 42 Benefits and interests of directors (continued)

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

For the year ended 31 December 2018:

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

\* In 2018, 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 2019 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 2018.

## **42 Benefits and interests of directors (continued)**

### **(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 2019 and 2018, 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 2019 and 2018, 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: Xiang Xiaolong

The date of the approval of the board: 27 March 2020

## 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 -Supplemental Announcement – Disclosable Transaction and Connected Transactions: Agreement Relating To Conversion of Debts into Capital Reserve of Ningxuanhang Company		7 January 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>
	H Share Announcement – Delay in Despatch of Circular		21 January 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement – Further Delay in Despatch of Circular		1 February 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement – Notice of Extraordinary General Meeting		15 February 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2019-001	Announcement of The Notice of The 2019 First Extraordinary General Meeting*	China Securities Journal, The Shanghai Securities News	16 February 2019	Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement -Date of Board Meeting		6 March 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement – 2018 Annual Results Announcement		24 March 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>



## Section XII Documents Available for Inspection

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date	Website Designated For Disclosure Of Reports
2019-002	The Resolutions of The 12th Meeting of The 8th Board*	China Securities Journal, The Shanghai Securities News	25 March 2019	Website of The Shanghai Stock Exchange: www.sse.com.cn, Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2019-003	Announcement of The Resolutions of The 8th Meeting of The 8th Supervisory Committee*	China Securities Journal, The Shanghai Securities News	25 March 2019	Website of The Shanghai Stock Exchange: www.sse.com.cn, Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2019-004	The Announcement of Estimating Daily Connected Transactions of 2019*	China Securities Journal, The Shanghai Securities News	25 March 2019	Website of The Shanghai Stock Exchange: www.sse.com.cn, Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement – Notice of The 2018 Annual General Meeting		29 March 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2019-005	Announcement of The Notice of 2018 Annual General Meeting*	China Securities Journal, The Shanghai Securities News	29 March 2019	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		1 April 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement -Voting Results at The Extraordinary General Meeting Held on 3 April 2019		3 April 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2019-006	Announcement of The Resolutions of The 2020 First Extraordinary General Meeting*	China Securities Journal, The Shanghai Securities News	4 April 2019	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
2019-007	Announcement of completion of Private equity investment fund registration of Anhui Transportation Jinshi Merger and Acquisition Fund*	China Securities Journal, The Shanghai Securities News	4 April 2019	Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement – 2019 First Quarterly Report		26 April 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2019-008	The Resolutions of The 13th Meeting of The 8th Board*	China Securities Journal, The Shanghai Securities News	27 April 2019	Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement – Continuing Connected Transactions: 2019 Expressway Routine Maintenance, Snow Removal and Road Repair Works Contracts		15 May 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>
	H Share Announcement – Voting Results at Annual General Meeting Held on 17 May 2019		17 May 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2019-009	Announcement of The Resolutions of The 2018 Annual General Meeting*	China Securities Journal, The Shanghai Securities News	18 May 2019	Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement – Continuing Connected Transactions: Construction Contracts for Implementation of Replacement of Road Marking Lines		17 June 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>

## Section XII Documents Available for Inspection

Number	Items	Newspapers Designated For Publishing Reports	Publishing Date	Website Designated For Disclosure Of Reports
2019-010	Announcement of Implementation of 2018 Equity Allocation*	China Securities Journal, The Shanghai Securities News	8 July 2019	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 August 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement – Announcement of Interim Results for the Six Months Ended 30 June 2019		25 August 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement -Date of Board Meeting		14 October 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement – 2019 Third Quarterly Report		29 October 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement -Resignation of Director and Nomination of Candidate for New Director		13 December 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement – Proposed Election of Director		13 December 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
	H Share Announcement – Notice of The 2020 First Extraordinary General Meeting		13 December 2019	Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2019-011	Announcement of the Chairman’s Resignation*	China Securities Journal, The Shanghai Securities News	14 December 2019	Website of The Shanghai Stock Exchange: www.sse.com.cn, Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2019-012	Announcement of The Notice of The 2020 First Extraordinary General Meeting*	China Securities Journal, The Shanghai Securities News	14 December 2019	Website of The Shanghai Stock Exchange: www.sse.com.cn, Website of The Stock Exchange of Hong Kong Limited: www.hkex.com.hk
2019-013	The Resolutions of The 16th Meeting of The 8th Board*	China Securities Journal, The Shanghai Securities News	14 December 2019	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
	H Share Announcement-Joint Announcement Connected Transaction: Formation of Joint Venture		23 December 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2019-014	Announcement of Participation in the establishment of a consortium to jointly purchase overseas assets and related transactions*	China Securities Journal, The Shanghai Securities News	24 December 2019	Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
	H Share Announcement-Continuing Connected Transaction: Entering into Network Services Agreement in Writing		31 December 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>
	H Share Announcement- Continuing Connected Transactions: Operating Rights Lease Agreement		31 December 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a> Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a>
	H Share Announcement- Continuing Connected Transactions: Entrusted Management Agreements		31 December 2019	Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2019-015	The Resolutions of The 18th Meeting of The 8th Board*	China Securities Journal, The Shanghai Securities News	2 January 2020	Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2019-016	Announcement of Provision of entrusted management of road sections*	China Securities Journal, The Shanghai Securities News	2 January 2020	Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>
2019-017	Announcement of adjustment of toll charging method and charging standard*	China Securities Journal, The Shanghai Securities News	2 January 2020	Website of The Shanghai Stock Exchange: <a href="http://www.sse.com.cn">www.sse.com.cn</a> , Website of The Stock Exchange of Hong Kong Limited: <a href="http://www.hkex.com.hk">www.hkex.com.hk</a>

\* only available in Chinese

## Appendix:

### 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	8	10	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	5	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	3	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:

- 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.
- 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 eight-lane expressway owned by the Company in Anhui Province linking Dashushan and Zhouzhuang. This expressway forms an integral part of the “Two Verticals and Two Horizontals” National Trunk Highway from Shanghai to Chengdu in Sichuan Province, which also forms part of the National Trunk 312 linking Shanghai and Yining in Xinjiang. It is currently a major source of profit and cash flow for the Company.

### **The New Tianchang Section of National Trunk 205**

The New Tianchang Section of National Trunk 205 is a dual carriageway four-lane vehicular highway of Class 1 standard of 30km long situated in Tianchang in Anhui Province. Tianchang Section is a part of National Trunk 205, which starts in Shanhaiguan, Hebei Province and ends in Guangzhou, Guangdong Province. This national trunk also forms part of the highway linking Lianyungang and Nanjing in Jiangsu Province.

### **Ninghuai Expressway Tianchang Section**

Ninghuai Expressway Tianchang Section is an important road section of Ninghuai Expressway, with a whole length of 13.989km, and has the standard of dual carriageway six-lane expressway. It was completed and opened to traffic on 18 December 2006. The road runs through Tianchang city east of Anhui Province, starting from the terminal of the Jiangsu Nanjing Section of Ninghuai Expressway in Tianchang city, and ending at the Jiangsu Huaian Section of the Ninghuai Expressway. It is an important part in the key highway and national “7918” expressway network from Changchun to Shenzhen and an important highway driving 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 Hulong, 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 Jiezdun Expressway, with a length of approximately 110km, is a 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 Hefei-Anqing Highway and terminates at the border between Hunan and Anhui at Jiezdun, 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. The 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 Nyalam 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 southern region 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 in Jiangsu and Korgas in Xinjiang. 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 is a 117km long dual carriage four-lane expressway with asphalt concrete road surface, which starts at Jinshankou at the border between Anhui and Jiangsu, passing through Xuancheng and Ningguo, terminates at Qianqiuguan at the boarder between Anhui and Zhejiang. 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 be constructed by three sections, the first is Xuancheng to Ningguo section with a total length of 46 km, the second is Gaochun to Xuancheng section with a total length of 31 km and the third is Ningguo to Qianqiuguan section with a total length of 40 km.

## II. Toll Rates for Expressways

### (I) Toll Rates for Expressways(Ninghuai Expressway Tianchang Section excluded)

#### 1. Toll Rates for Passenger Vehicles

Use the current toll rates for passenger vehicles. In accordance with the relevant regulations on the classification of passenger vehicles in "Vehicle classification of the toll for highway", the 8 and 9 passenger vehicles had been adjusted from "type 2" to "type 1", and had implemented the charging standard of class 1 buses.

Passenger Vehicles type	Vehicles classification	Approved passengers capacity	Toll rates (RMB / vehicle km)
Type 1	Microbus, minibus	≤9	0.45
	medium bus	10-19	
Type 2	passenger/car trailer combination	—	0.8
Type 3		≤39	1.1
Type 4	motorbus	≥40	1.3

#### 2. Toll Rates for Goods vehicles

Vehicle type classification	JT/T489-2019 Standard of Classification	Toll rates (RMB / km)
Type 1	With 2 axles, the vehicles length is less than 6000mm and the maximum allowable total mass is less than 4500kg	0.45
Type 2	With 2 axles, the vehicles length is not less than 6000mm or the maximum allowable total mass is not less than 4500kg	0.90
Type 3	With 3 axles	1.35
Type 4	With 4 axles	1.70
Type 5	With 5 axles	1.85
Type 6	With 6 axles	2.20

For goods vehicles with more than six axles, on the basis of the toll rates for goods vehicles of type 6, the toll rates shall be determined according to a factor of 1.1 for each additional axle; the toll rates for goods vehicles with 10 axles and above shall be implemented according to the toll rates for goods vehicles with 10 axles.



### 3. Toll Rates for Special Motor Vehicle

The toll rates for expressway special motor vehicle shall be charged according to the toll rates for the same type of goods vehicles.

## (II) Toll Rates for Ninghuai Expressway Tianchang Section (charged according to the toll rates of Jiangsu Province)

### 1. Toll Rates for Passenger vehicles

Passenger Vehicles type	Approved passengers capacity	Toll rates (RMB / vehicle km)
Type 1	≤9	0.45
Type 2	10-19	0.675
Type 3	20-39	0.90
Type 4	≥40	0.90

### 2. Toll Rates for Goods vehicles

Goods vehicles type	Total axles (including suspension axle)	Length and maximum allowable total mass	Toll rates (RMB / vehicle km)
Type 1	2	The vehicle length is less than 6000mm and the maximum allowable total mass is less than 4500kg	0.45
Type 2	2	The vehicle length is not less than 6000mm or the maximum allowable total mass is not less than 4500kg	1.05
Type 3	3		1.57
Type 4	4		1.90
Type 5	5		1.94
Type 6	6		2.32

### III. Toll Rates for Standard Highways

#### 1. Toll Rates for Passenger Vehicles of the New Tianchang Section of National Trunk 205

Passenger Vehicles	Vehicles classification	Approved passengers capacity	Toll rates (RMB / vehicle km)
Type 1	Microbus, minibus	≤9	10
	medium bus	10-19	
Type 2	passenger/car trailer combination	—	12
Type 3	motorbus	≤39	24
Type 4		≥40	

#### 2. Toll Rates for Goods vehicles of the New Tianchang Section of National Trunk 205

Vehicle type classification	JT/T489-2019 Standard of Classification	Toll rates (RMB/ vehicle per trip)
Type 1	With 2 axles, the vehicle length is less than 6000mm and the maximum allowable total mass is less than 4500kg	10
Type 2	With 2 axles, the vehicle length not be less than 6000mm or the maximum allowable total mass not be less than 4500kg	20
Type 3	With 3 axles	30
Type 4	With 4 axles	40
Type 5	With 5 axles	50
Type 6	With 6 axles	60

For goods vehicles with more than six axles, on the basis of the toll rates for goods vehicles of type 6, the toll rates shall be RMB10 per vehicle per trip; the toll rates for goods vehicles with 10 axles and above shall be implemented according to the toll rates for goods vehicles with 10 axles.

#### IV. The Additional Toll Rates Applicable to Lixuan Expressway (effective from 0:00 a.m 1 January 2020)

The toll rates of Lixuan Expressway shall be the toll standard prescribed under the “Notices on Adjusting the Toll Rates method of Toll Road in Anhui Province” (Wan Jiao Lu [2019] No. 144) issued by the Department of Transportation of Anhui Province, Anhui Provincial Development and Reform Committee and Anhui Provincial Finance Department 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(charged according to vehicle (axle) type classification)**

Vehicle type classification	JT/T489-2019 Standard of Classification		Additional Toll Rates (RMB/vehicle per trip)	
	Passenger Vehicles (Vehicles classification and Approved passengers capacity)			Goods vehicles
	Type 1	Microbus minibus		≤9
Type 2	medium bus passenger/ car trailer combination	10-19	With 2 axles, the vehicle length is not less than 6000mm or the maximum allowable total mass is not less than 4500kg	15
Type 3	motorbus	≤39	With 3 axles	20
Type 4		≥40	With 4 axles	25
Type 5	–	–	With 5 axles	30
Type 6	–	–	With 6 axles	30

Goods vehicles of type 5 or above shall be implemented to charge according to the additional toll rates for type 5.

Note: Additional toll will be collected from extra-large bridges or tunnels, namely 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 by reference to the type of vehicle and the proportion of the travel distance of the vehicle on the expressway to the total length of the expressway.

# National Trunk Highways



- Two Verticals and Two Horizontals
- Remaining Eight National Trunk Highways

# The Map of the Highway Network of Anhui Province



## Legend

- Anhui Transportation Holding Group Co., Ltd
- - - Anhui Transportation Holding Group Co., Ltd
- Existing Expressways (Company)
- - - Expressways under Construction or to be Constructed (Company)
- Existing Expressways (Others)
- - - Expressways under Construction or to be Constructed (Others)
- Expressways to be opened soon
- Provincial Administrative Center
- Municipal Administrative Center
- ⊙ County Administrative Center



**Anhui Expressway Company Limited**

