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

(incorporated in the People's Republic of China as a joint stock company with limited liability)
(Stock Code: 995)

**Announcement of Interim Results for
the Six Months Ended 30 June 2019**

The board of directors (the “Board”) of Anhui Expressway Company Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 (the “Reporting Period”). The unaudited interim results were reviewed by the audit committee of the Company.

The unaudited condensed consolidated financial information prepared according to the Hong Kong Accounting Standards (“HKAS”) for the six months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018, are as follows:

I. FINANCIAL HIGHLIGHTS

(All amounts in Renminbi thousands unless otherwise stated)

Interim condensed consolidated income statement

For the six months ended 30 June 2019

(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	2019	2018
Revenue	3	1,965,648	1,760,879
Cost of sales		<u>(1,156,221)</u>	<u>(946,230)</u>
Gross profit		809,427	814,649
Other gains – net	12	41,348	40,053
Administrative expenses		(45,905)	(40,069)
Net impairment reversal/(losses) on financial assets		<u>922</u>	<u>(140)</u>
Operating profit		805,792	814,493
Finance costs	4	(61,089)	(64,795)
Share of profit of an associate		<u>12,961</u>	<u>12,390</u>
Profit before income tax		757,664	762,088
Income tax expenses	5	<u>(217,180)</u>	<u>(217,821)</u>
Profit for the period		<u>540,484</u>	<u>544,267</u>
Attributable to:			
Owners of the Company		543,667	551,381
Non-controlling interests		<u>(3,183)</u>	<u>(7,114)</u>
		<u>540,484</u>	<u>544,267</u>
Basic and diluted earnings per share			
(expressed in RMB per share)	6	<u>0.3278</u>	<u>0.3324</u>

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 June 2019
(All amounts in Renminbi thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2019	2018
Profit for the period	540,484	544,267
Other comprehensive income	—	—
Total comprehensive income for the period	<u>540,484</u>	<u>544,267</u>
Attributable to:		
Owners of the Company	543,667	551,381
Non-controlling interests	<u>(3,183)</u>	<u>(7,114)</u>
	<u>540,484</u>	<u>544,267</u>

Interim condensed consolidated balance sheet**As at 30 June 2019***(All amounts in Renminbi thousands unless otherwise stated)*

	<i>Note</i>	Unaudited 30 June 2019	Audited 31 December 2018
ASSETS			
Non-current assets			
Concession intangible assets	9	10,506,898	10,308,886
Land use rights	9	–	9,399
Right-of-use assets	9	8,866	–
Property, plant and equipment	9	901,686	958,059
Investment properties	9	355,973	364,868
Intangible assets	9	1,754	3,406
Investments in an associate		141,894	128,932
Deferred income tax assets		87,195	26,523
Financial assets at fair value through other comprehensive income ("Financial assets at FVOCI")		336,300	336,300
		12,340,566	12,136,373
Current assets			
Inventories		5,893	5,033
Other current assets		3,513	3,513
Financial assets at fair value through profit or loss ("Financial assets at FVPL")		250,656	–
Receivables and prepayments	10	176,110	171,562
Restricted cash		1,759	60,000
Cash and cash equivalents		2,565,607	2,453,475
		3,003,538	2,693,583
Total assets		15,344,104	14,829,956

	<i>Note</i>	Unaudited 30 June 2019	Audited 31 December 2018
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Ordinary share capital		1,658,610	1,658,610
Share premium		1,415,593	1,415,593
Other reserves		51,026	51,533
Retained earnings		7,122,459	6,992,938
		10,247,688	10,118,674
Non-controlling interests		865,815	510,433
Total equity		11,113,503	10,629,107
Non-current liabilities			
Long-term payables		422,165	1,079,788
Borrowings		1,821,547	1,562,897
Deferred income tax liabilities		26,696	98,049
Deferred income		27,497	28,583
		2,297,905	2,769,317
Current liabilities			
Trade and other payables	<i>11</i>	1,601,213	1,109,867
Current income tax liabilities		105,202	152,967
Provision		67,087	23,010
Borrowings		159,194	145,688
		1,932,696	1,431,532
Total liabilities		4,230,601	4,200,849
Total equity and liabilities		15,344,104	14,829,956

Interim condensed consolidated statement of changes in equity
For the six months ended 30 June 2019
(All amounts in Renminbi thousands unless otherwise stated)

	Attributable to equity holders of the Company					Non-controlling interests	Total
	Note	Ordinary share capital	Share premium	Other reserves	Retained earnings		
Balance at 31 December 2017 as originally presented (audited)		1,658,610	1,415,593	116,522	6,245,478	650,390	10,086,593
Change in accounting policy (audited)		–	–	(12,565)	12,565	–	–
Restated total equity at 1 January 2018 (audited)		<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>
Comprehensive income							
Profit/(loss) for the period (unaudited)		–	–	–	551,381	(7,114)	544,267
Other comprehensive income (unaudited)							
– Fair value change on financial assets at FVOCI, net of tax		–	–	–	–	–	–
Total comprehensive income/(loss) for the period ended 30 June 2018 (unaudited)		<u>–</u>	<u>–</u>	<u>–</u>	<u>551,381</u>	<u>(7,114)</u>	<u>544,267</u>
Others (unaudited)		–	–	(507)	507	–	–
Transactions with owners							
Dividends relating to 2017 (unaudited)		–	–	–	(381,480)	–	(381,480)
Dividends paid to a non-controlling interest of subsidiaries relating to 2017 (unaudited)		–	–	–	–	(127,255)	(127,255)
Difference between the carrying amount and undiscounted amount of interest free loan received from a non-controlling interest, net of tax (unaudited)		–	–	–	–	13,180	13,180
Balance at 30 June 2018 (unaudited)		<u><u>1,658,610</u></u>	<u><u>1,415,593</u></u>	<u><u>103,450</u></u>	<u><u>6,428,451</u></u>	<u><u>529,201</u></u>	<u><u>10,135,305</u></u>

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total
		Ordinary share capital	Share premium	Other reserves	Retained earnings		
Balance at 1 January 2019 (audited)		1,658,610	1,415,593	51,533	6,992,938	510,433	10,629,107
Comprehensive income							
Profit/(loss) for the period (unaudited)		-	-	-	543,667	(3,183)	540,484
Other comprehensive income (unaudited)							
– Fair value change on financial assets at FVOCI, net of tax		-	-	-	-	-	-
Total comprehensive income/(loss) for the period ended 30 June 2019 (unaudited)		-	-	-	543,667	(3,183)	540,484
Others (unaudited)		-	-	(507)	507	-	-
Transactions with owners							
Dividends relating to 2018 (unaudited)	7	-	-	-	(414,653)	-	(414,653)
Dividends paid to a non-controlling interest of subsidiaries relating to 2018 (unaudited)		-	-	-	-	(142,635)	(142,635)
Debt conversion (unaudited)		-	-	-	-	501,200	501,200
Balance at 30 June 2019 (unaudited)		1,658,610	1,415,593	51,026	7,122,459	865,815	11,113,503

Interim condensed consolidated cash flow statement**For the six months ended 30 June 2019***(All amounts in Renminbi thousands unless otherwise stated)*

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2019	2018
Cash flows from operating activities			
Cash generated from operations		642,938	656,102
Interest paid		(54,184)	(49,415)
Income tax paid		(279,281)	(319,592)
		<hr/>	<hr/>
Net cash generated from operating activities		309,473	287,095
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(3,478)	(430)
Purchase of intangible assets	9	–	(247)
Net decrease in restricted cash		58,241	–
Proceeds from disposal of financial assets at FVPL		453,042	–
Payments for purchase of financial assets at FVPL		(700,000)	–
Net decrease in financial products		–	310,000
Proceeds from sales of property, plant and equipment		273	179
Interest received		41,527	36,516
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(150,395)	346,018
Cash flows from financing activities			
Proceeds from borrowings		345,000	120,600
Repayments of borrowings		(72,844)	(28,100)
Repayments of long-term payables		(176,476)	–
Dividends paid to the non-controlling interests		(142,635)	(127,255)
		<hr/>	<hr/>
Net cash used in financing activities		(46,955)	(34,755)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		2,453,475	1,829,395
Exchange gains on cash and cash equivalents		9	19
		<hr/>	<hr/>
Cash and cash equivalents at end of the period		2,565,607	2,427,772

Notes:

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

(a) New standard, amendments and interpretation of HKFRS effective in 2019 adopted by the Group

The following new standard, amendments and interpretation 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”.

Other than the impact of the adoption of HKFRS 16 is disclosed below, the other amendments and interpretation did not have any impact on the Group’s condensed consolidated financial statements and did not require retrospective adjustment.

(i) *HKFRS 16 “Leases”*

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

The Group leases lands. Rental contracts are typically made for fixed periods but may have extension options as described below. 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, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases 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. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

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.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

Payments associated with short-term leases and 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 IT-equipment and small items of office furniture.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Group has adopted HKFRS 16 "Leases" from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening 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.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 (unaudited)	1 January 2019 (audited)
Land use rights	8,866	9,399

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

Right-of-use assets – increase by RMB 9,399 thousand

Land use rights – decrease by RMB 9,399 thousand

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

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of 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 HKFRIC 4 “Determining whether an Arrangement contains a Lease”.

(b) New standard and amendments of HKFRS 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 HKFRS 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 condensed consolidated interim 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 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. None of these is expected to have a significant impact on the consolidated financial statements of the Group.

3. REVENUE

	Unaudited	
	For the six months ended 30 June	
	2019	2018
Toll roads income, rental income and others	1,465,129	1,465,537
Revenue from construction or upgrade work under Service Concessions	498,147	293,371
Interest income from pawn loans to customers	2,372	1,971
	<u>1,965,648</u>	<u>1,760,879</u>

4. FINANCE COSTS

	Unaudited	
	For the six months ended 30 June	
	2019	2018
Interest expenses	64,621	68,360
Including: amortisation of long-term payables	12,031	18,196
Less: capitalised interest expenses (Note 9)	(3,532)	(3,565)
	<u>61,089</u>	<u>64,795</u>

5. TAXATION

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

	Unaudited	
	For the six months ended 30 June	
	2019	2018
Current taxation – CIT (a)	231,516	230,399
Deferred taxation credited to the consolidated income statement	(14,336)	(12,578)
	<u>217,180</u>	<u>217,821</u>

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

The Company and its subsidiaries, associated companies determine and pay the PRC CIT in accordance with the Enterprise Income Tax Law of the People’s Republic of China 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 for Anhui Expressway (H.K.) Limited (“安徽皖通高速公路股份(香港)有限公司”, “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%.

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. No diluted earnings per share is presented, as the Company has no dilutive potential shares.

	Unaudited	
	For the six months ended 30 June	
	2019	2018
Profit attributable to equity holders of the Company	543,667	551,381
Weighted average number of ordinary shares in issue (<i>thousand</i>)	1,658,610	1,658,610
Basic earnings per share (<i>expressed in RMB per share</i>)	0.3278	0.3324

7. DIVIDENDS

The final dividend in respect of 2018 of RMB 0.25 per share, amounting to a total dividend of RMB 414,653 thousand was approved at the Annual General Meeting in May 2019.

The directors did not recommend the payment of a dividend in respect of the six months ended 30 June 2019 (same period of 2018: nil).

8. COMMITMENTS

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

	30 June	31 December
	2019	2018
	(unaudited)	(audited)
Contracted but not provided for		
– Concession intangible assets	995,866	1,490,406
– Property, plant and equipment	133,912	102,031
	1,129,778	1,592,437

9. CAPITAL EXPENDITURES

	Concession intangible assets	Intangible assets	Property, plant and equipment	Investment properties	Land use rights	Right-of-use assets
Six months ended 30 June 2018						
Opening net book amount as at 1 January 2018 (audited)	10,002,807	7,065	999,705	331,878	10,464	–
Additions	293,371	247	430	–	–	–
Transfers	–	307	(31,204)	30,897	–	–
Disposals	–	–	(467)	–	–	–
Depreciation/amortisation	<u>(292,694)</u>	<u>(2,659)</u>	<u>(55,917)</u>	<u>(8,529)</u>	<u>(479)</u>	<u>–</u>
Closing net book amount as at 30 June 2018 (unaudited)	<u><u>10,003,484</u></u>	<u><u>4,960</u></u>	<u><u>912,547</u></u>	<u><u>354,246</u></u>	<u><u>9,985</u></u>	<u><u>–</u></u>
Six months ended 30 June 2019						
Opening net book amount as at 1 January 2019 (audited)	10,308,886	3,406	958,059	364,868	–	9,399
Additions	498,147	–	3,478	–	–	–
Transfers	–	188	(188)	–	–	–
Disposals	(230)	–	(4,380)	–	–	–
Depreciation/amortisation	<u>(299,905)</u>	<u>(1,840)</u>	<u>(55,283)</u>	<u>(8,895)</u>	–	<u>(533)</u>
Closing net book amount as at 30 June 2019 (unaudited)	<u><u>10,506,898</u></u>	<u><u>1,754</u></u>	<u><u>901,686</u></u>	<u><u>355,973</u></u>	<u><u>–</u></u>	<u><u>8,866</u></u>

Borrowing costs of RMB 3,532 thousand have been capitalised in the six months ended 30 June 2019 at an average annual interest rate of 1.20% (same period of 2018: RMB 3,565 thousand; 1.20%).

10. RECEIVABLES AND PREPAYMENTS

	30 June 2019 (unaudited)	31 December 2018 (audited)
Other receivables		
– Pawn loans to customers (a)	175,702	185,718
– Toll roads income receivable (b)	65,234	48,450
– Receivables for construction	30,051	30,051
– Interest receivable	7,655	12,828
– Receivables from management service of toll roads	1,105	–
– Others	20,940	20,280
	300,687	297,327
Less: Provision for impairment of pawn loans (a)	(122,708)	(123,864)
Provision for impairment of others (c)	(2,926)	(2,692)
	175,053	170,771
Prepayments		
– Prepaid expenses	1,057	791
	176,110	171,562

(a) Pawn loans to customers

As at 30 June 2019 and 31 December 2018, the analysis of pawn loans to customers is as follows:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Pawn loans to customers		
– Principal	175,702	185,718
– Interest	–	–
	175,702	185,718
Less: Impairment allowances	(122,708)	(123,864)
Pawn loans to customers, net	52,994	61,854

Pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are from two to six months and bore fixed interest rates ranging from 10.92% to 26.40% for the six months ended 30 June 2019 (2018: bore fixed interest rates ranging from 10.92% to 26.40%). The Group ceased interest accrual once pawn loans were over due.

As at 30 June 2019, the Group's pawn loans to certain third party customers with carrying amounts of RMB 600 thousand (31 December 2018: RMB 600 thousand) were secured by their trade receivables of RMB 7,510 thousand (31 December 2018: RMB 7,510 thousand), which were due from Anhui Transportation Construction Management Co., Ltd (“安徽省交控建設管理有限公司”, “ATCMC”, formerly named “Anhui Expressway Construction Headquarter”) who is subsidiary of Anhui Transportation Holding Group Co., Ltd. (“安徽省交通控股集團有限公司”, “ATHC”).

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

	For the six months ended 30 June	
	2019	2018
Beginning of the period (audited)	(123,864)	(121,528)
Reversed/(recognised) impairment losses (unaudited)	<u>1,156</u>	<u>(93)</u>
End of the period (unaudited)	<u><u>(122,708)</u></u>	<u><u>(121,621)</u></u>

(b) As at 30 June 2019, toll roads income receivable mainly represented receivable from Anhui Expressway Network Operations Co., Ltd. (“安徽高速公路聯網運營有限公司”, “AENO”) of RMB 60,602 thousand (31 December 2018: RMB 44,405 thousand) for uncollected toll roads income.

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

	For the six months ended 30 June	
	2019	2018
Beginning of the period (audited)	(2,692)	(2,316)
Impairment losses recognised (unaudited)	<u>(234)</u>	<u>(47)</u>
End of the period (unaudited)	<u><u>(2,926)</u></u>	<u><u>(2,363)</u></u>

As at 30 June 2019 and 31 December 2018, all other receivables balances were denominated in RMB.

As at 30 June 2019 and 31 December 2018, the fair values of the other receivables of the Group approximated their carrying amounts.

11. TRADE AND OTHER PAYABLES

	30 June 2019 (unaudited)	31 December 2018 (audited)
Payables on acquisition of concession intangible assets	627,490	704,907
Dividends payable	414,653	–
Current portion of long-term payables	349,745	240,078
Staff salaries and welfare	90,880	27,404
Deposits for construction projects	66,120	62,396
Other taxation payables	17,092	20,177
Interest payable	4,577	6,169
Service fee for the collection of toll roads income	4,054	5,101
Others	26,602	43,635
	<u>1,601,213</u>	<u>1,109,867</u>

As at 30 June 2019, trade and other payables of RMB 568,746 thousand were aged over one year (31 December 2018: RMB 467,652 thousand). These payables were mainly payables for construction projects which will be settled after project completion.

As at 30 June 2019 and 31 December 2018, all trade and other payables were denominated in RMB.

As at 30 June 2019 and 31 December 2018, the fair values of trade and other payables, except for staff salaries and welfare, approximated their carrying amounts.

12. OTHER GAINS – NET

	Unaudited	
	For the six months ended 30 June	
	2019	2018
Interest income	36,418	39,063
Gains from financial assets at FVPL	3,698	–
Amortisation of government grants relating to assets	1,086	1,086
Government grants relating to profits	60	–
Gains/(losses) from disposal of property, plant and equipment	44	(288)
Dividend income	–	200
Losses from disposal on concession intangible assets	(230)	–
Others	272	(8)
	<u>41,348</u>	<u>40,053</u>

II. INTERIM RESULTS AND DIVIDENDS

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group achieved a revenue of RMB 1,467,501 thousand (corresponding period in 2018: RMB 1,467,509 thousand). The total profit was RMB 763,349 thousand (corresponding period in 2018: RMB 767,788 thousand), representing a decrease of 0.58% compared with that of the corresponding period of last year. Unaudited net profit attributable to shareholders of the Company reached RMB 547,876 thousand (corresponding period in 2018: RMB 555,597 thousand), representing a decrease of 1.39% compared with that of the corresponding period of last year. Basic earnings per share was RMB 0.3303 (corresponding period in 2018: RMB 0.3350), representing a decrease of 1.40% compared with that of the corresponding period of last year.

In accordance with HKAS, the Group achieved a revenue of RMB 1,965,648 thousand (corresponding period in 2018: RMB 1,760,879 thousand), representing an increase of 11.63% compared with that of the corresponding period of last year; profit before income tax was RMB 757,664 thousand (corresponding period in 2018: RMB 762,088 thousand), representing a decrease of 0.58% compared with that of the corresponding period of last year; unaudited profit attributable to owners of the Company was RMB 543,667 thousand (corresponding period in 2018: RMB 551,381 thousand), representing a decrease of 1.40% compared with that of the corresponding period of last year; basic earnings per share was RMB 0.3278 (corresponding period in 2018: RMB 0.3324), representing a decrease of 1.38% compared with that of the corresponding period of last year.

The 2018 profit appropriation proposal of the Company was approved at the 2018 annual general meeting held by the Company on 17 May 2019 (the “Annual General Meeting”), details of which are as follows: To pay a final cash dividend of RMB 414,652.50 thousand on the basis of RMB 2.50 for every 10 shares (tax inclusive) based on the total number of 1,658,610,000 shares of the Company.

According to the authorization given by the Annual General Meeting, the Board published the voting results announcement of the 2018 Annual General Meeting on 18 May 2019 in the Shanghai Securities News, China Securities Journal and on 17 May 2019 on the website of The Stock Exchange of Hong Kong Limited (“SEHK”), and determined a final dividend for H shares of HK\$0.2872 (tax inclusive) per share, which was priced in RMB and paid in HK\$. The Company will pay dividends in respect of the H shares to the holders of H shares of the Company whose names appear in the register of members of the Company on 30 May 2019. Cheques for the H Share dividends were despatched by ordinary post to holders of H Shares at their own risk on or before 16 July 2019. On 8 July 2019, the Company published the 2018 profit appropriation implementation announcement in the Shanghai Securities News and China Securities Journal and determined that the domestic shareholders’ registration date was 15 July, the ex-dividend date was 16 July and the dividend payout date was 16 July.

The 2018 profit appropriation proposal of the Company has been implemented in July 2019.

The Board recommends that the Company will neither pay the dividends for the six months ended 30 June 2019 (six months ended 30 June 2018: nil) nor convert the capital reserve to share capital.

III. REPORT OF THE BOARD

1. Business Review (In accordance with the PRC Accounting Standards)

(1) Toll Expressway Business

During the Reporting Period, the Group achieved a total toll income of RMB 1,355,353 thousand (After tax) (corresponding period in 2018: RMB 1,335,380 thousand), representing an increase of 1.50% compared with that of the corresponding period of last year.

Economic development, policy exemption, the change of the highway network remain the principal factors which influenced the toll revenue of the Group.

In the first half of 2019, the economy of Anhui province improved steadily, with a total GDP of RMB 1,566.4 billion. Calculated at comparable prices, there is an increase of 8% over the same period last year (corresponding period in 2018: 8.3%).

During the Reporting Period, with various policies and measures of exemption being implemented continuously, the Group's amounts of exemption totaled RMB 491.62 million (corresponding period in 2018: RMB 483.53 million), increasing by 1.67% against the same period of the previous year, of which:

The amount of exemption in Green Channel was RMB 205.86 million (corresponding period in 2018: RMB 227.10 million), representing a decrease of 9.35% year on year, with over 570 thousand vehicles being exempted;

The exempted amount in the Spring Festival, Qing Ming Festival and the International Labor Day was RMB 167.16 million (corresponding period in 2018: RMB 150.22 million), representing an increase of 11.28%. The number of the exempted cars reached 3,887.4 thousand;

The exempted amount for Anhui transportation card holders was RMB 106.88 million (corresponding period in 2018: RMB 92.46 million), representing an increase of 15.60%. Among it, the amount of exemption of trucks with 15% discount was RMB 94.11 million (corresponding period in 2018: RMB 80.45 million), representing an increase of 16.98%.

The exempted amount under other exemption policies was RMB 11.72 million (corresponding period in 2018: RMB 13.75 million), representing a decrease of 14.76%.

In addition, the operating performance of the toll road is affected by changes in the surrounding competing or synergistic road network, linking or parallel road expansion and other factors. The impact varies according to each road project.

The operation details of each road section in the first half of 2019 are as follows:

Items	Interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB' 000)		
		First half of 2019	First half of 2018	Flux (%)	First half of 2019	First half of 2018	Flux (%)
		Hening Expressway	100%	24,390	26,650	-8.48	406,636
New Tianchang Section of National Trunk 205	100%	6,561	5,379	21.97	41,773	32,370	29.05
Gaojie Expressway	100%	18,749	17,966	4.36	349,070	331,888	5.18
Xuanguang Expressway	55.47%	26,767	26,847	-0.30	266,748	272,489	-2.11
Lianhuo Expressway							
Anhui Section	100%	17,183	14,489	18.59	153,400	120,209	27.61
Ninghuai Expressway							
Tianchang Section	100%	35,525	35,746	-0.62	52,550	53,995	-2.68
Guangci Expressway	55.47%	30,271	28,771	5.21	53,625	49,493	8.35
Ningxuanhang Expressway	51%	5,745	4,057	41.61	73,007	54,369	34.28

Items	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per kilometer per day (RMB)		
		First half of 2019	First half of 2018	First half of 2019	First half of 2018	Flux (%)
		Hening Expressway	100%	77:23	76:24	16,766
New Tianchang Section of National Trunk 205	100%	22:78	23:77	7,693	5,961	29.05
Gaojie Expressway	100%	63:37	64:36	17,532	16,669	5.18
Xuanguang Expressway	55.47%	76:24	77:23	17,545	17,922	-2.11
Lianhuo Expressway						
Anhui Section	100%	67:33	71:29	15,695	12,299	27.61
Ninghuai Expressway Tianchang Section	100%	84:16	81:19	20,754	21,308	-2.68
Guangci Expressway	55.47%	79:21	81:19	21,162	19,532	8.35
Ningxuanhang Expressway	51%	78:22	82:18	3,447	2,567	34.28

Notes:

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

During the Reporting Period, due to the continuous influence of the “four-lane to eight-lane” work of Hening Expressway, some passengers chose to travel via the railway or other roads, and vehicles traveling from/to Nanjing and surrounding cities consequently chose Hechaowu Expressway and Mawu Expressway instead of Hening Expressway. In addition, on December 20, 2018, the Chuhuai Expressway was opened to traffic, which also had a certain diversion effect on the traffic volume of the Hening Expressway. During the Reporting Period, the traffic volume of Hening Expressway decreased by 8.48% year on year, and the toll revenue decreased by 11.84% year on year.

During the Reporting Period, the Panjia Garden Toll Station and the Sanhe Toll Station, which are adjacent to the National Trunk 205 Toll Station, stopped collecting toll on June 1, 2018 and January 31, 2019 respectively, resulting in the return of trucks diverted by other highways to Tianchang Section of National Trunk 205; Since November 2018, the Huaian – Jiangdu Section of the Jinghu Expressway has been restricted to vehicles other than trucks of the fifth category due to expansion construction, which resulted in part of trucks from Lianyungang to Zhenjiang and Changzhou diverting their ways to travel through Tianchang section of National Trunk 205. Affected by the above factors, during the Reporting Period, the traffic volume of Tianchang Section of National Trunk 205 increased by 21.97% year on year and the toll revenue increased by 29.05% year on year.

Since the opening of Tianchang Section of Suyang Expressway, Tianchang Section of Ninghuai Expressway has been affected by continuous diversion. This together with the removal of the two toll stations at the parallel National Trunk 205 caused a significant diversion of traffic flow of trucks. Affected by this, during the Reporting Period, the traffic volume of Ninghuai Expressway decreased by 0.62% year on year and toll revenue decreased by 2.68% year on year.

During the Reporting Period, affected by the continuous warming of local area construction, the truck traffic volume of Anhui section of Lianhuo Expressway grew faster, the traffic volume increased by 18.59% year on year, and the toll revenue increased by 27.61% year on year.

Benefiting continuously from the opening of Tongnanxuan Expressway, Xuanguang Expressway and Ningxuanhang Expressway became connected with Yanjiang Expressway, which attracted vehicles from regions such as Zhejiang and Jiangsu to choose the routes through Anhui Province to Wuhan, Guangzhou and other places. As a result, the toll revenue of Gaojie Expressway increased by 5.18% year on year and the toll revenue of Guangci Expressway increased by 8.35% year on year. Ningxuanhang Expressway, with a newly opened section, is still in the period of rapid profit growth, with the toll revenue increasing by 34.28% year on year.

During the Reporting Period, commencement of operation of surrounding county roads following completion of upgrading and transformation caused large diversion of traffic flow of some sections of Xuanguang Expressway. The traffic police in the jurisdiction of expressway controlled the traffic flow of Xuanguang Expressway. In some time periods, trucks were prohibited from entering all toll gates except the main line of Anhui and Zhejiang, which has a direct impact on the truck traffic volume of Xuanguang Expressway. Affected by these factors, the traffic volume of Xuanguang Expressway decreased by 0.30% year on year and toll revenue decreased by 2.11% 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 RMB 150 million, accounting for 71.43% of its registered capital; Huatai Group invested RMB 60 million, accounting for 28.57% of its registered capital. In 2015, both shareholders reduced capital of Wantong Pawn by RMB 52.50 million by the same proportion, and the current registered capital of Wantong Pawn is RMB 157.50 million.

During the Reporting Period, Wantong Pawn has continued the disposal of underperforming loans while steadily advanced the business of personal real estate backed pawn loans. The company has collected a total of RMB 1.4708 million, and the actual mortgage loan business has actually granted 22 loans with a total amount of RMB 25.61 million. All newly processed projects pay interest on time and there is no significant risk signal.

During the Reporting Period, Wantong Pawn has reversed the provision for impairment of Wantong Pawn accrued for the previous year of RMB 0.9217 million, and the accumulated provision reached RMB 125 million. Achieving profitability as a result of the restart of its business, Wantong Pawn achieved a profit before income tax of RMB 1.61 million. The net profit was RMB 1.44 million, representing an increase of RMB 1.17 million against the same period of the previous year.

Analysis of main shares holding compares and joint stock companies

(Unit: RMB'000)

Name of company	Equity capital the Group possesses	Registered Capital	30 June 2019		The six months ended 30 June 2019		Main business
			Total assets	Net assets	Revenue	Net profit	
Xuanguang Company	55.47%	111,760	864,861	561,243	269,521	125,596	The construction, management and operation of Xuanguang Expressway
Ningxuanhang Company	51%	300,000	5,016,780	1,036,111	87,818	-150,579	Highway's construction, design, supervision, toll, maintenance, management, technology consultation and related advertisement service
Guangci Company	55.47%	56,800	231,832	223,478	52,963	32,153	The construction, management and operation of Guangci Expressway
Wantong Pawn	71.43%	157,500	75,062	71,579	2,372	1,437	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
AEHK	100%	1,981	1,910	1,863	0	-2	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
Expressway Media	38%	50,000	485,870	373,404	81,730	34,108	Design, making, publication of and agency for domestic advertisements
Xin'an Financial	6.62%	1,900,000	3,353,675	2,792,575	71,389	62,338	Financial investment, equity investment, management consulting
Xin'an Capital	6.62%	1,120,000	3,168,720	1,018,406	204,950	58,621	Internet financial services, network information services, pawn business, etc.
Wantong MicroCredit	10%	150,000	119,583	117,001	3,939	2,497	Distributing petty loans, small size enterprises management consulting and financial advisory
Anhui Transportation China Merchants Industrial Fund (Limited Partnership) ("China Merchants Fund")	6.64%	3,000,000	1,524,907	1,510,396	9,873	-4,977	Investment in transportation, services, energy conservation and environmental protection

Name of company	Equity capital the Group possesses	Registered Capital	30 June 2019		The six months ended 30 June 2019		Main business
			Total assets	Net assets	Revenue	Net profit	
Anhui Transportation Jinshi Merger and Acquisition Fund (Limited Partnership) (“Jinshi Merger and Acquisition Fund”)	6.64%	3,000,000	1,577,648	1,566,672	69,096	62,556	Investment in equity, asset management and investment consultation
Anhui Transportation China Merchants Investment Management Co., Ltd.	2.5%	30,000	37,014	34,803	13,379	5,889	Daily management and investment consultation of China Merchants Fund
Anhui Transportation Jinshi Fund Management Co., Ltd	2.5%	30,000	35,917	35,917	5,629	3,732	Daily management and investment consultation of Jinshi Merger and Acquisition Fund

2. Sheet of Variation Analysis of Related Subjects of Financial Statement (In accordance with the PRC Accounting Standards)

(Unit: yuan Currency: RMB)

Items	Current period	Last year	Flux (%)
Revenue	1,467,501,106.08	1,467,508,868.01	0.00
Cost of sales	640,586,269.08	634,300,406.56	0.99
Administration costs	45,862,494.68	40,041,314.49	14.54
Finance costs	24,713,716.05	25,760,768.07	-4.06
Cash flows from operating activities	935,505,582.63	851,049,193.72	9.92
Cash flows from investing activities	-722,234,293.93	-168,502,345.09	N/A
Cash flows from financing activities	-101,139,060.67	-84,169,495.33	N/A

Reason for a change of cost of sales: mainly because higher highway maintenance cost of the Company during the Reporting Period as compared with the same period of the previous year.

Reason for a change of administrative expenses: mainly because higher remuneration for management personnel during the Reporting Period as compared with the same period of the previous year.

Reason for a change of finance cost: mainly due to the decrease in the amortization amount of the long-term payable amortized cost for minority shareholders after the conversion of debts of Anhui Ningxuanhang Expressway Investment Company Limited (“Ningxuanhang Company”) to its capital reserves in the Reporting Period.

Reason for a change of net cash flows from operating activities: mainly due to the decrease in payment of taxes of the Company during the Reporting Period as compared with the same period of the previous year.

Reason for a change of net cash flows used in investing activities: mainly due to the increase in the balance of the Company’s structured bank deposit during the Reporting Period as compared with the same period of the previous year.

Reason for a change of net cash flows used in financing activities: mainly due to the increase in cash dividends paid by Xuanguang Company and Guangci Company during the Reporting Period as compared with the same period of the previous year.

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

(Unit: yuan Currency: RMB)

Principal businesses in terms of industries						
Industries	Revenue	Cost of sales	Gross profit rate (%)	Change in revenue (compared with the previous year) (%)	Change in cost of sales (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year) (%)
Toll highway business	1,371,710,345.37	569,626,591.43	58.47	1.53	6.75	A decrease of 2.03 percent
Pawn business	2,372,043.76	0	N/A	20.36	N/A	N/A

Principal businesses in terms of products						
Products	Revenue	Cost of sales	Gross profit rate (%)	Change in revenue (compared with the previous year) (%)	Change in cost of sales (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year) (%)
Hening Expressway	403,289,916.90	170,945,941.37	57.61	-11.50	5.51	A decrease of 6.84 percent
New Tianchang Section of National Trunk 205	39,783,974.77	20,245,543.54	49.11	29.05	5.46	An increase of 11.38 percent
Gaojie Expressway	344,512,109.27	93,139,610.01	72.96	5.10	10.64	A decrease of 1.36 percent
Xuanguang Expressway	258,979,109.63	75,776,160.92	70.74	-2.11	8.74	A decrease of 2.92 percent
Lianhuo Expressway Anhui Section	150,028,371.00	62,216,284.24	58.53	27.36	11.36	An increase of 5.96 percent
Ninghuai Expressway Tianchang Section	52,173,032.14	19,947,911.52	61.77	-2.61	1.64	A decrease of 1.59 percent
Guangci Expressway	52,063,391.02	9,620,232.27	81.52	8.35	0.80	An increase of 1.38 percent
Ningxuanhang Expressway	70,880,440.64	117,734,907.56	-66.10	34.28	3.74	An increase of 48.90 percent
Wantong Pawn	2,372,043.76	0	N/A	20.36	N/A	N/A
Total	1,374,082,389.13	569,626,591.43	58.54	1.56	6.75	A decrease of 2.02 percent

Regions	Principal businesses in terms of region			Change in	Change in	Change in
	Revenue	Cost of sales	Gross profit rate (%)	revenue (compared with the previous year) (%)	cost of sales (compared with the previous year) (%)	gross profit rate (compared with the previous year) (%)
Anhui Province	1,374,082,389.13	569,626,591.43	58.54	1.56	6.75	A decrease of 2.02 percent

(2) Employees remuneration and training

As at 30 June 2019, the Company and its main subsidiaries employed approximately 2,223 employees (as at 30 June 2018: 2,981 employees), which included 1,632 production staff, 128 technicians, 38 financial staff and 425 administrative staff (as at 30 June 2018, the numbers were 2,291, 158, 37 and 495 respectively).

The Company carried out a reform of the remuneration system with the introduction of broadband pay system. The system formulates remuneration scales for different positions, and makes different classifications according to the characteristics of each job. By making close connections among the labor remuneration of employees, value of positions, accumulated contributions, work performance and many others, it has built multiple channels of career development and pay promotion for employees. Through the establishment of pay promotion standards, the enthusiasm of employees has been mobilized and the incentive effect on the implementation of the remuneration system has been ensured.

During the Reporting Period, staff salaries totalled RMB 171,587.5 thousand (corresponding period in 2018: RMB 190,864.9 thousand). In strict compliance with the various social insurance policies of the PRC, the Company has arranged the old-age insurance, unemployment insurance, basic medical insurance, injury insurance and child-bearing insurance for the staff.

The Company constantly stepped up efforts in employee education and training and formulated an annual training plan based on the training needs survey at the beginning of the year to conduct various kinds of training orderly in accordance with the relevant system and training plan to drive continuous improvement in the training standard. During the Reporting Period, the Company and all departments, taking into account the actual needs of works and departmental business functions, conducted business trainings in various areas such as operational management to vigorously enhance the position-specific skills and expertise standard of employees. With respect to general management, the company held a management capacity improvement class for the mid-level management. With respect to online learning, the Company focused on encouraging autonomous learning by employees, promoted E-learning online study, and encouraged learning and communications using mobile phone applications and online interactions, etc.

IV. MAJOR EVENTS

1. Material litigation, Arbitration and Widespread Media Enquiry

The Company was not involved in any material litigation or arbitration or widespread media enquiry during the Reporting Period.

2. Bankruptcy or Reorganization

The Company was not involved in any bankruptcy or reorganization during the Reporting Period.

3. Assets Trading or Business Mergers

The Company was not involved in any assets trading or business mergers during the Reporting Period.

4. Implementation of Share Incentive Scheme

The Company has not implemented any share incentive scheme during the Reporting Period.

5. Major Related Party/Connected Transactions

Item overview	Indexes of announcements (being the date of uploading respective announcements on the website of the Company)
To provide expressway section entrusted management service	28 December 2018 “ <i>Announcement – Continuing Connected Transactions: Entrusted Management Agreements</i> ” 29 December 2018 “ <i>Announcement on related party transactions for providing commission management</i> ” 25 March 2019 “ <i>Anhui Expressway Announcement in relation to Contemplated 2019 Daily Related Party Transactions</i> ”
To receive expressway network toll settlement	28 December 2018 “ <i>Continuing Connected Transactions: Entering Into Network Services Agreement In Writing</i> ” 25 March 2019 “ <i>Anhui Expressway Announcement in relation to Contemplated 2019 Daily Related Party Transactions</i> ”
To receive construction management service	25 March 2019 “ <i>Anhui Expressway Announcement in relation to Contemplated 2019 Daily Related Party Transactions</i> ” 15 May 2019 “ <i>Announcement – Continuing Connected Transactions: 2019 Expressway Routine Maintenance, Snow Removal And Road Repair Works Contracts</i> ”;

Item overview	Indexes of announcements (being the date of uploading respective announcements on the website of the Company)
To receive supervisory service of project construction	25 March 2019 “ <i>Anhui Expressway Announcement in relation to Contemplated 2019 Daily Related Party Transactions</i> ”
To receive construction test service	25 March 2019 “ <i>Anhui Expressway Announcement in relation to Contemplated 2019 Daily Related Party Transactions</i> ”
To receive property management service	25 March 2019 “ <i>Anhui Expressway Announcement in relation to Contemplated 2019 Daily Related Party Transactions</i> ”
To provide the house rental services	25 March 2019 “ <i>Anhui Expressway Announcement in relation to Contemplated 2019 Daily Related Party Transactions</i> ”
To provide service area rental services	25 March 2019 “ <i>Anhui Expressway Announcement in relation to Contemplated 2019 Daily Related Party Transactions</i> ”
To provide gas stations rental services	25 March 2019 “ <i>Anhui Expressway Announcement in relation to Contemplated 2019 Daily Related Party Transactions</i> ” 29 March 2018 “ <i>Continuing Connected Transactions: Lease of Operating Rights of Gas Stations</i> ”
To receive material purchasing service	21 June 2018 “ <i>Announcement on the Change of the Subject of Related Transaction Contract</i> ” 20 June 2018 “ <i>Announcement-Continuing Connected Transactions: Supplemental Agreement to the Widening Work Agreement</i> ” 31 December 2016 “ <i>Related Transaction Announcement</i> ” 30 December 2016 “ <i>Announcement-Continuing Connected Transactions: Widening Work Agreement</i> ”
Conversion of debts into capital reserve of Ningxuanhang Company	28 December 2018 “ <i>Announcement-Disclosable Transaction And Connected Transactions: Agreement Relating To Conversion Of Debts Into Capital Reserve Of Ningxuanhang Company</i> ” 29 December 2018 “ <i>Anhui Expressway Announcement in relation to the conversion of Debts into Capital Reserve of Ningxuanhang Company and Related Party Transactions</i> ” 7 January 2019 “ <i>Supplemental Announcement-Disclosable Transaction And Connected Transactions: Agreement Relating To Conversion Of Debts Into Capital Reserve Of Ningxuanhang Company</i> ”

6. Material Contracts and their Implementation

(1) Material custody, subcontracting and leasing items

During the Reporting Period, the Company was not involved in any material custody, subcontracting and leasing.

(2) Implementation of guarantee

(RMB '00,000,000)

Total amount of guarantees provided by the Company (not including guarantees provided for its subsidiaries)

Guarantees provided by the Company for its subsidiaries

Total amount of guarantees provided for the subsidiaries by the Company during the Reporting Period	-0.03
Total balance of guarantees provided for the subsidiaries as at the end of the Reporting Period (B)	1.63

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

Total guarantee amount (A+B)	1.63
Total guarantee amount as a percentage of net asset value (%)	1.47
Thereinto:	
Amount of guarantee provided for shareholders, actual controllers and their affiliates (C)	0
Amount of debt guarantee directly or indirectly provided for the guaranteed objects with the ratio of liabilities to assets exceeding 70% (D)	0
Amount of guarantee that exceeds 50% of the net assets (E)	0
The total of the above three amount of guarantee (C+D+E)	0

Several and joint liability which may have to be borne on the outstanding guarantees

Clarification on guarantee

The Company provided a guarantee of RMB 500 million for the Company's subsidiary Ningxuanhang Company, which was approved at the 18th meeting of the fifth session of the Board held on 18 August 2010. As at the end of the Reporting Period, balance of guarantees provided by the Company amounted to RMB 0.163 billion.

7. Fulfillment of Commitments

The commitments for the Company's actual controllers, shareholders, related persons, purchasers and other related parties during the Reporting Period or lasting until the Reporting Period.

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

V. OTHER MAJOR EVENTS

Adjustment on the toll road truck tolls preferential policies

According to the “Implementation of Views on Further Reducing Enterprises’ Costs of People’s Government of Anhui Province” and the “Notice on Adjusting the Preferential Policies for Truck Tolls 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 October 25, 2018 “Adjustment of Preferential Period for Truck Toll” for details.

Unified policy of 5% discount offering for ETC users

In accordance with the Notice of Implementing the Policy of Discount Offering for Vehicles using ETC on Toll Roads (《關於落實收費公路ETC車輛通行費優惠政策的通知》) issued by Anhui Provincial Department of Transportation and Development and Reform Commission of Anhui Province, vehicles from other provinces that use toll roads in Anhui Province and pay with e-pay cards enjoy a preferential policy of 5% discount on the toll from 1 July 2019.

Conversion of debts into capital reserve of Ningxuanhang Company

In order to meet the capital needs of Ningxuanhang Company during the operation period, optimize the capital structure, improve the financing capacity, reduce credit risk and ensure the sustainable development of the company, at the 11th meeting of the 8th session of the Board held on December 28, 2018, the Board considered and approved the “proposal on converting the project capital debt of Ningxuanhang Company to capital reserve”. The Company, Anhui Transportation Group, Xuancheng Transportation (the “Shareholders”) and Ningxuanhang Company entered into the Ningxuanhang Company Debt-to-Capital Reserve Conversion Agreement (the “Debts Conversion Agreement”), pursuant to which the portion of project capital investment from the Shareholders to Ningxuanhang Company which was accounted as debts according to the audited financial statement for 2017 of Ningxuanhang Company as at 31 December 2017 will be converted to Ningxuanhang Company’s capital reserve. In addition, project capital investments from the Shareholders to Ningxuanhang Company after 1 January 2018 will be accounted as Ningxuanhang Company’s capital reserve. The four parties that signed the Debts Conversion Agreement performed their internal decision-making procedures in accordance with their respective requirements and discussed the matters in the agreement. The Debts Conversion Agreement shall come into force upon being jointly signed by the parties and the parties having obtained all necessary authorizations and approvals for the performance of the agreement.

This transaction has been considered and approved in the 2019 First Extraordinary General Meeting of the Company held on April 3, 2019.

Corporate Governance Code

During the Reporting Period, save and except that both the duties of the remuneration committee and the nomination committee are performed by the Company's Human Resources and Remuneration Committee (as the Company considers the long established mode 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 (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in order to maintain a high standard of corporate governance so as to improve the corporate transparency and protect the interests of the Company's shareholders.

Amendments to the Term of Reference of Human Resources and Remuneration Committee and the Work Rules and Procedures of the Audit Committee of the Company

In accordance with the Listing rules and Code on Corporate Governance revised by the SEHK and in light of the actual situation of the Company, corresponding amendments were made to the Term of Reference of Human Resources and Remuneration Committee and the Work Rules and Procedures of the Audit Committee of the Company. These amendments were considered and approved at the 12th meeting of the 8th session of the Board held on March 22, 2019.

Diversification Policy of the Members of the Board

According to the requirements of the CG Code, the Company has amended the work duties of the Human Resources and Remuneration Committee of the Board. The Company has also adopted a diversification policy of the board members, which was passed at the 20th meeting of the 6th session of the Board.

Liability Insurance for Directors and Supervisors

According to the CG Code, during the Reporting Period, the Company has selected insurance providers of liability insurance and completed insurance arrangements for directors, supervisors and senior executives in 2019, thereby providing protection for the directors, supervisors and senior executives in their performance of duties.

Audit Committee

From January 1, 2019 to the date of this announcement, the audit committee of the Company convened three meetings, during which it reviewed the 2018 annual report and financial statement prepared in accordance with PRC Accounting Standards and HKAS, the 2019 first quarterly financial statement, as well as the 2019 interim results announcement and 2019 interim unaudited financial statement prepared in accordance with PRC Accounting Standards and HKAS.

Independent Non-executive Directors

The Company has appointed enough independent non-executive directors with professional knowledge in accordance with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The 8th session of the Board contained 3 independent non-executive directors, two of whom are specialized in accounting or related financial management.

Model Code for Securities Transactions by Directors and Supervisors of the Company

For the six months ended 30 June 2019, the Company, with respect to securities transactions by directors and supervisors, has adopted a code of conducts on terms no less exacting than the provisions in the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code for Securities Transactions”) as set out in the Appendix 10 of the Listing Rules. After making specific enquiries, all directors and supervisors confirmed that they have fully complied with the Model Code for Securities Transactions during the six months ended 30 June 2019.

Purchase, Sale and Redemption of the Company’s Securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries and joint ventures purchased, sold or redeemed any of the Company’s listed securities.

VI. OUTLOOK

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

Changes in Macroeconomic Environment and Industry Policies

The toll road industry is sensitive to change in macro-economy. Macroeconomic changes directly affect the demand for highway transport, which in turn affects the traffic flow performance of all toll projects and results of operation of the Group. In the backdrop of increasing uncertainties and destabilizing factors in the external environment, China has maintained a momentum of steady economic growth, with a GDP growth of 6.3% for the first half of the year, while efforts are needed to strengthen the foundation for sustainable and sound economic development. For industry policies, the pace of reform for toll roads has been accelerated. While the Regulation on the Administration of Toll Roads has not been formally introduced, new policies to cancel the highway boundary toll stations between provinces, accelerate the development of the ETC and change the way of charging truck tolls have been issued. These measures will improve the efficiency of toll roads in the long run, though they will result in increasing amount of toll exemption for vehicles using expressways and rising cost in the short and medium term, which are expected to have an impact on the Company’s operating results.

Measures to be taken: Protect the interests of the Company and its investors to the greatest extent possible through analysis and research on adjustment to relevant industry policies and active communication and coordination with government authorities; analyze the characteristics of change in traffic volume and vehicle structure in the road network, improve the management model for emergency toll collection, enhance the capacity of traffic and lower the management costs and expenses for executing the policies through fine management. We will make thorough efforts to cancel the highway boundary toll stations between provinces by strengthening efforts to study the policies on discontinuation of highway boundary toll stations between provinces, understanding the changes of operation and management model and the effects and participating in setting charging standards.

The Growth Space of the Main Business Revenue Narrowed

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. Most highway sections of the Company have been open to traffic for a long time and have entered the mature stage, with increasingly serious damage to road condition and increasing road maintenance cost in the later stage. The road network effect has not yet been developed on the newly opened road sections, the amount of various policy exemptions continues to rise and diversified modes of travel such as bullet trains and high-speed railways emerged. All of them have had an impact on the operating performance of toll road projects of the Group.

Measures to be taken: All road sections of the Group were the trunk highways across the Anhui region. The Group will keep abreast of the network planning and project construction so as to conduct a special analysis of the highway network in advance and put a reasonable forecast for the impact of the relevant projects on the existing traffic flow of the Company. We will make full use of regional traffic advantage in Anhui province and, through the improvement of road signs, expand the promotion of the routing publicity. We will continuously improve our operation, management and maintenance by developing a safe, green and intelligent expressway system. We will also push forward the expansion project of Hening Expressway from Longxi Overpass to Zhouzhuang with both safety and quality in mind to ensure opening of the section during the year.

The Risk of the Expiry of Franchise

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

Measures to be taken: The Group will harness the opportunity created by the full line operation of Ningxuanhang Expressway, and make good efforts to link construction and management. We will capture the opportunities arising from the national strategy of Yangtze River Delta integration to accelerate our efforts in connecting the areas without means of transportation across the provinces, so as to give full use of synchronized effect and minimize the negative impact of the project on the Company's performance. The Group will explore the achievement of extension in the operation period of high quality road assets through reconstruction and expansion of its own road sections to enhance the Company's continuous profitability. The Group will pay attention to the connotative development, make good use of its own resources, explore the inherent growth potential. The Group will take appropriate measures to participate in investment of emerging industry and start from small-scale and small proportion of equity purchase, taking the initiative to cultivate new profit growth.

By Order of the Board
安徽皖通高速公路股份有限公司
Auhui Expressway Company Limited
Qiao Chuanfu
Chairman

Hefei, Auhui, the PRC
23 August 2019

As at the date of this announcement, the Board comprises: Qiao Chuanfu (chairman), Chen Dafeng, Xu Zhen, Xie Xinyu, being the executive directors; Yang Xudong and Du Jian, being the non-executive directors; and Kong Yat Fan, Jiang Jun and Liu Hao, being the independent non-executive directors.

This announcement is originally prepared in Chinese. If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.