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 with limited liability as a joint stock company)

(Stock code: 995)

2017 Annual Results Announcement

The board of directors (the "Board") of Anhui Expressway Company Limited (the"Company") is pleased to present the audited results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2017 prepared in accordance with Hong Kong Financial Reporting Standards, together with the comparative figures of 2016. They are as follows. The audit committee of the Company has reviewed the annual results for the financial year 2017:

I. Financial highlights

(All amounts in Renminbi thousand unless otherwise stated)

Consolidated income statement
For the year ended 31 December 2017
(All amounts in Renminbi thousand unless otherwise stated)

	Note	Year ended 31 December	
		2017	**2016**
Revenue	2	4,308,759	3,063,632
Cost of sales		(2,668,061)	(1,686,456)
Gross profit		1,640,698	1,377,176
Other gains - net		65,140	60,770
Administrative expenses		(104,143)	(107,659)
Operating profit		1,601,695	1,330,287
Finance costs	3	(92,475)	(109,168)
Share of profit of an associate		20,419	13,803
Profit before income tax		1,529,639	1,234,922
Income tax expenses	4	(451,948)	(334,032)
Profit for the year		1,077,691	900,890
Attributable to:			
Owners of the Company		1,083,235	925,075
Non-controlling interests		(5,544)	(24,185)
		1,077,691	900,890
Basic and diluted earnings per share			
(expressed in RMB per share)	5	0.6531	0.5577

Consolidated statement of comprehensive income
For the year ended 31 December 2017
(All amounts in Renminbi thousand unless otherwise stated)

		Year ended 31 December	
	Note	**2017**	**2016**
Profit for the year		1,077,691	900,890
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
Change in value of available-for-sale financial assets, net of tax		(10,051)	10,406
Total comprehensive income for the year		1,067,640	911,296
Attributable to:			
Owners of the Company		1,073,184	935,481
Non-controlling interests		(5,544)	(24,185)
		1,067,640	911,296

Consolidated balance sheet

As at 31 December 2017

(All amounts in Renminbi thousand unless otherwise stated)

	Note	As at 31 December 2017	2016
ASSETS			
Non-current assets			
Concession intangible assets		10,002,807	9,236,927
Land use rights		10,464	10,493
Property, plant and equipment		999,705	954,173
Investment properties		331,878	338,391
Intangible assets		7,065	3,548
Investment in an associate		125,010	104,591
Deferred income tax assets		12,313	55,995
Available-for-sale ("AFS") financial assets		404,846	235,000
		11,894,088	10,939,118
Current assets			
Inventories		7,402	5,276
Trade and other receivables	9	503,418	260,073
Restricted cash		—	110,000
Cash and cash equivalents		1,829,395	1,900,812
		2,340,215	2,276,161
Total assets		14,234,303	13,215,279

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

	Note	As at 31 December 2017	2016
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		116,522	127,587
Retained earnings		6,245,478	5,542,709
		9,436,203	8,744,499
Non-controlling interests		650,390	740,743
Total equity		10,086,593	9,485,242
Liabilities			
Non-current liabilities			
Long-term payables		1,130,609	960,837
Borrowings		1,666,585	1,649,833
Deferred income tax liabilities		105,303	140,281
Deferred income		30,757	32,931
		2,933,254	2,783,882
Current liabilities			
Trade and other payable		999,273	671,382
Current income tax liabilities		157,370	124,083
Provision		34,565	22,069
Borrowings		23,248	128,621
		1,214,456	946,155
Total liabilities		4,147,710	3,730,037
Total equity and liabilities		14,234,303	13,215,279

Notes:

1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of AFS financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

1.1 Changes in accounting policies and disclosures

(a) Amendments of HKFRS effective in 2017 adopted by the Group

The following amendments of HKFRS have been adopted by the Group for the first time for its financial year beginning on 1 January 2017:

- Amendments to HKAS 12 "Income Taxes"
- Amendments to HKAS 7 "Statement of Cash Flows"
- Amendments to HKFRS 12 "Disclosure of Interests in Other Entities"

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

(b) New standards, amendments and interpretations of HKFRS issued but are not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group

A number of new standards, amendments and interpretations of HKFRS which are relevant to the Group's operations are effective for the financial year beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standards, amendments and interpretations. These new standards, amendments and interpretations are set out below:

- HKFRS 9 "Financial Instruments", effective for annual accounting periods beginning on or after 1 January 2018 (i)
- HKFRS 15 "Revenue from Contracts with Customers", effective for annual accounting periods beginning on or after 1 January 2018 (ii)
- Amendments to HKFRS 2 regarding classification and measurement of share-based payment transactions, effective for annual accounting periods beginning on or after 1 January 2018
- Amendments to HKFRS 4 on applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts", effective for annual accounting periods beginning on or after 1 January 2018
- Amendments to HKFRS 1 "First-time Adoption of HKFRS", effective for annual accounting periods beginning on or after 1 January 2018

- Amendments to HKAS 28 “Investments in Associates and Joint Ventures”, effective for annual accounting periods beginning on or after 1 January 2018

- Amendments to HKAS 40 regarding transfer of investment property, effective for annual accounting periods beginning on or after 1 January 2018

- HK (IFRIC) 22 “Foreign Currency Transactions and Advance Consideration”, effective for annual accounting periods beginning on or after 1 January 2018

- HKFRS 16 “Leases”, effective for annual accounting periods beginning on or after 1 January 2019 (iii)

- HK (IFRIC) 23 “Uncertainty over Income Tax Treatments”, effective for annual accounting periods beginning on or after 1 January 2019

- Amendments to HKFRS 10 and HKAS 28 regarding sale or contribution of assets between an investor and its associate or joint venture. The amendments were originally intended to be effective for annual accounting periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

The Group is assessing the full impact of these new standards, amendments and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 9, 15 and 16 stated below which may give rise to some impact, none of the these is expected to have a significant impact on the consolidated financial statements of the Group:

(i) HKFRS 9 “Financial Instruments”

Nature of change

HKFRS 9 “Financial Instruments” addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The major equity investments held by the Group are currently classified as AFS financial assets, which a fair value through other comprehensive income (“FVOCI”) election is available. The debt instruments currently classified as loan and receivables and measured at amortised cost meet the conditions for classification at amortised cost under HKFRS 9. Accordingly, the Group does not expect the new standard to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

(ii) HKFRS 15 "Revenues from Contracts with Customers"

Nature of change

The HKICPA issued HKFRS 15 as a new standard for the recognition of revenue to replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The Group assessed the impact of the adoption of HKFRS 15 by analysing the Group's key revenue streams against the 5-step approach and does not expect the adoption would have a material impact to the Group's results of operations and financial position except for expanded disclosure requirements and changes in presentation.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(iii) HKFRS 16 "Leases"

Nature of change

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

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB 500 thousand. The Group estimates that all of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

Accordingly, the Group does not expect the new standard to have a significant impact on the Group's results of operations and financial position.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 Revenue

	Year ended 31 December	
	2017	**2016**
Toll income from toll roads operation	2,645,780	2,423,267
Revenue from construction or upgrade work under Service Concessions	1,447,348	564,496
Service income from management of toll roads	150,040	14,814
Rental income	49,587	48,646
– from toll gas stations (a)	22,996	22,951
– from toll road service sectors (b)	9,679	9,768
– from other investment properties	16,912	15,927
Service income from roads emergency assistance	14,026	10,589
Interest income from pawn loans to customers	698	—
Others	1,280	1,820
	4,308,759	3,063,632

(a) Pursuant to a lease agreement with Anhui Expressway Petrochemical Co., Ltd. ("安徽省高速石化有限公司", "AEPC"), a subsidiary of the holding company, the Company's gas stations were leased to AEPC with annual rental fee of RMB 25,890 thousand. The lease period will be terminated by 31 March 2018.

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

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

3 Finance costs

	Year ended 31 December	
	2017	**2016**
Interest expenses	127,271	127,457
Including: amortisation of long-term payables	36,562	35,986
Less: capitalised interest expenses	(34,796)	(18,289)
	92,475	109,168

4 Taxation

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

	Year ended 31 December	
	2017	**2016**
Current taxation - CIT (a)	445,551	374,412
Deferred taxation debited/(credited) to the consolidated income statement	6,397	(40,380)
	451,948	334,032

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

The Company and its subsidiaries, associated companies determine and pay the PRC Corporate Income Tax ("CIT") in accordance with the CIT Law as approved by the National People's Congress on 16 March 2007. Under the CIT Law, the CIT rate applicable to the Company and its subsidiaries (except AEHK), associated companies is 25%. And the CIT rate applicable to AEHK is 16.5%.

(b) ***Withholding tax ("WHT") for dividend paid to foreign investors***

Pursuant to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation, where the Company declares dividend in or after 2008 and beyond out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders are exempted from WHT; For dividend which arises from the Company's profit earned after 1 January 2008, WHT is levied on the foreign institute shareholders. Pursuant to the new CIT law and the detailed implementation regulations, foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from 1 January 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. The Company has fulfilled the obligation of WHT for dividends related to 2016 which was paid to foreign shareholders during 2017.

(c) ***The tax on the Group's profit before tax differs from the theoretical amount that would arise using the CIT rate for companies in the PRC as follows:***

	Year ended 31 December	
	2017	**2016**
Profit before income tax	1,529,639	1,234,922
Tax calculated at domestic tax rates applicable to profits in the respective countries	382,410	308,731
Expenses not deductible for tax purpose	176	358
Income not subject to income tax	(15,136)	(20,845)
Tax adjustment made after tax filing by tax bureau	(233)	4,005
Utilisation of tax losses not recognised as deferred tax assets in the previous years	—	(10)
Deductible temporary differences not recognised as deferred tax assets during the year	31,187	—
Tax losses not recognised as deferred tax assets during the year	53,544	41,793
Tax charges	451,948	334,032

5 Earnings per share

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

	Year ended 31 December	
	2017	**2016**
Profit attributable to equity holders of the Company	1,083,235	925,075
Weighted average number of ordinary shares in issue (thousand)	1,658,610	1,658,610
Basic earnings per share (expressed in RMB per share)	0.6531	0.5577

6 Dividends

The dividends paid during the years ended 31 December 2017 and 2016 were RMB 381,480 thousand (RMB 0.23 per share) and RMB 381,480 thousand (RMB 0.23 per share) respectively. A final dividend in respect of 2017 of RMB 0.23 per share, amounting to a total dividend of RMB 381,480 thousand will be proposed at the Annual General Meeting in May 2018. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2017	**2016**
Proposed final dividend of RMB 0.23 (2016: RMB 0.23) per ordinary share	381,480	381,480

7 Appropriation

(a) Statutory surplus reserve fund

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

The balance of statutory surplus reserve has reached 50% of the Company's share capital. As a result, the Company did not appropriate statutory surplus reserve fund in 2017 in accordance with the PRC Company Law.

(b) Dividends distribution

According to the Articles of Association of the Company, the dividends distribution by the Company to its shareholders is based on the lower of the retained earnings in the Company's statutory financial statements and in the Company's financial statements prepared in accordance with HKFRS. As at 31 December 2017, the retained earnings in the Company's financial statements prepared in accordance with HKFRS amounted to RMB 5,859,029 thousand, which was lower than the retained earnings reflected in the Company's statutory financial statements.

8 Commitments

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

	As at 31 December	
	2017	**2016**
Contracted but not provided for		
– Concession intangible assets	2,209,369	2,806,213
– Property, plant and equipment	60,911	—
	2,270,280	2,806,213

9 Trade and other receivables

	As at 31 December	
	2017	**2016**
Financial products	360,000	130,000
Pawn loans to customers (a)	148,601	175,573
Toll roads income receivable (b)	43,870	41,725
Receivables for construction	30,051	—
Interest receivable	8,313	7,813
Receivables from management service of toll roads	8,062	—
Others	28,365	19,688
	627,262	374,799
Less: Provision for impairment of pawn loans (a)	(121,528)	(112,732)
Provision for others (c)	(2,316)	(1,994)
	503,418	260,073

(a) Pawn loans to customers

At 31 December 2017 and 2016, the analysis of pawn loans to customers is as follows:

	As at 31 December	
	2017	**2016**
Pawn loans to customers		
– Principal	148,601	175,573
– Interest	—	—
	148,601	175,573
Less: Impairment allowances		
– Individually assessed	(97,839)	(93,250)
– Collectively assessed	(23,689)	(19,482)
	(121,528)	(112,732)
Pawn loans to customers, net	27,073	62,841

Pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are from two to six months and bore fixed interest rates ranging from 22.32% to 26.40% for the year ended 31 December 2017 (2016: bore fixed interest rates ranging from 21.60% to 26.40%). The Group ceased interest accrual once pawn loans were over due.

As at 31 December 2017, the Group's pawn loans to certain third party customers with carrying amounts of RMB 1,774 thousand (31 December 2016: RMB 20,143 thousand) were secured by their trade receivables of RMB 14,080 thousand (31 December 2016: RMB 83,230 thousand), which were due from Anhui Transportation Construction Management Co., Ltd. ("安徽省交控建設管理有限公司", ATCMC, formerly named "Anhui Expressway Construction Headquarter") who is subsidiary of ATHC.

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

	Year ended 31 December	
	2017	**2016**
Beginning of the year	(112,732)	(97,119)
Impairment loss recognised	(8,796)	(15,613)
End of the year	(121,528)	(112,732)

(b) As at 31 December 2017, toll roads income receivables mainly represented receivable from AENO of RMB 39,559 thousand (31 December 2016: RMB 39,713 thousand) for uncollected toll roads income.

(c) As at 31 December 2017, other receivables of RMB 2,871 thousand (31 December 2016: RMB 3,008 thousand) were impaired. The amount of the provision for bad debts was RMB 2,316 thousand (31 December 2016: RMB 1,994 thousand). The ageing of these receivables is as follows:

	As at 31 December	
	2017	**2016**
Up to 1 year	182	373
1 to 2 years	155	461
2 to 3 years	424	2,174
Over 3 years	2,110	—
	2,871	3,008

Reconciliation of provision account for bad debt impairment on other receivables is as follows:

	Year ended 31 December	
	2017	**2016**
Beginning of the year	(1,994)	(1,617)
Impairment loss recognised	(322)	(377)
End of the year	(2,316)	(1,994)

(d) As at 31 December 2017 and 2016, the ageing analysis of the trade and other receivables is as follows:

	As at 31 December	
	2017	**2016**
Up to 1 year	473,017	193,359
1 to 2 years	514	19,818
2 to 3 years	1,057	39,651
Over 3 years	152,674	121,971
	627,262	374,799

As at 31 December 2017 and 2016, all trade and other receivables balances were denominated in RMB. Except for pawn loans to customers and other related receivables which are analysed in Note 9 (a) and (c), all trade and other receivables balances were fully performing.

As at 31 December 2017 and 2016, the fair values of the trade and other receivables of the Group, except for the prepayments which are not financial assets, approximated their carrying amounts.

II. Final dividend

The Board proposes to declare a final dividend of RMB 0.23 per share (taxation included) for the year ended 31 December 2017 to all shareholders.

The final dividend is subject to the approval of shareholders at the 2017 annual general meeting and will be distributed on or before 19 July, 2018.

III. Suspension of registration of H share

In order to ascertain the shareholders eligible to attend the 2017 annual general meeting ("AGM"), the register of the holders of H shares of the Company will be closed from 18 April 2018 (Wednesday) to 18 May 2018 (Friday) (both days inclusive), during which period no transfer of H shares of the Company will be registered. In order for the holders of H shares to qualify for attending the meeting, all share certificates with completed transfer forms must be lodged with the Company's H share registrar, Hong Kong Registrars Limited, at Shop 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. (Hong Kong time) on 17 April 2018 (Tuesday).

The register of the holders of H shares of the Company will also be closed from 26 May 2018 (Saturday) to 31 May 2018 (Thursday) (both days inclusive), during which period no transfer of H shares of the Company will be registered. Dividends for H shares will be paid to the holders of H shares whose names are on the register of member on 31 May 2018 (Thursday). If the resolution regarding the Company's 2017 profit appropriation plan is passed at the AGM, the dividends shall be distributed in Hong Kong Dollar at the average closing price of the exchange rate of RMB against Hong Kong Dollar announced by The People's Bank of China 5 working days prior to the AGM, and the cheque for the dividends shall be mailed to holders of H shares on or before 17 July 2018 (Tuesday). In order for the holders of H shares to be entitled to receive the dividends for the year, all share certificates with completed transfer forms must be lodged with the Company's H share registrar, Hong Kong Registrars Limited, at Shop 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. (Hong Kong time) on 25 May 2018 (Friday). The details regarding the registration date for holders of A shares and the method and time of distribution of the dividends shall be announced separately.

IV. Business review

(The figures below were computed in accordance with the PRC Accounting Standards unless otherwise stated.)

(I) Results summary (In accordance with the PRC Accounting Standards)

During the reporting period, the Group achieved an operating income of RMB 2,861,411 thousand (2016: RMB 2,499,136 thousand), representing an increase of 14.50% over the corresponding period of the previous year; total profit of RMB 1,540,423 thousand (2016: RMB 1,245,920 thousand), representing a decrease of 23.64% over the corresponding period of the previous year; net profit attributable to shareholders of the Company of RMB 1,091,343 thousand (2016: RMB 933,258 thousand), representing a decrease of 16.94% over the corresponding period of the previous year; basic earnings per share of RMB 0.6580 (2016: RMB 0.5627), representing a decrease of 16.94% over the corresponding period of the previous year.

The main reason for the increase in net profit is the increase in toll income.

(Unit: RMB)

Principal businesses in terms of industries

In terms of products	Operating income	Operating cost	Gross profit rate (%)	Change in operating income (compared with the previous year) (%)	Change in operating cost (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year)
Toll highway business	2,674,849,221.28	1,036,154,010.73	61.26	8.99	0.26	An increase of 3.37 percent point
Pawn business	698,266.40	0	N/A	N/A	N/A	N/A

Principal businesses in terms of products

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

Principal businesses in terms of regions

In terms of products	Operating income	Operating cost	Gross profit rate (%)	Change in operating income (compared with the previous year) (%)	Change in operating cost (compared with the previous year) (%)	Change in gross profit rate (compared with the previous year)
Anhui Province	2,675,547,487.68	1,036,154,010.73	61.27	9.02	0.26	An increase of 3.38 percent point

(II) Operations of toll highways

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

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

In 2017, China's gross domestic product ("GDP") amounted to RMB 82,712.2 billion, exceeding RMB 80,000 billion for the first time, representing an increase of 6.9% and an acceleration of 0.2 percentage points year on year, achieving the first increase in economic growth since 2010. Anhui province's GDP in 2017 amounted to RMB 2,751. 87 billion, representing an increase of 8.5% year on year.

In addition, starting from 12 July 2016, truck drivers holding an Anhui transportation card to travel via the expressways in the province would be entitled to 15% discount in toll, which attracted some truck drivers to choose to travel via expressway; starting from 21 September 2016, control measures on overloaded trucks travelling within the province had become effective, causing impacts on the expressway truck traffic. The mode of transport gradually changed from "single-run transport exceeding load limits" into "multi-run transport in a lawful manner", and the truck traffic increased continuously.

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

During the reporting period, with various policies and measures of exemption being implemented continuously, the Group's amounts of exemption continued to increase rapidly. The amounts of exemption totaled RMB 885 million (2016: RMB 719 million), increasing by 23.09% against the same period of the previous year, of which:

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

The amount of exemption on holidays was RMB 244 million (2016: RMB 218 million), representing an increase of 11.93% year on year, with over 5,680 thousand vehicles being exempted;

In response to the demand for the national reform on "supply-side", our province launched a preferential policy which offers a 15% discount for tracks with Anhui transportation card and the discounted amount regarding Anhui transportation card increased rapidly. The amount of Anhui transportation card discounts for the year is approximately RMB 164 million (for 2016: RMB 74 million), representing an increase of 121.62% year on year;

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

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

Details of the operation of toll highways in 2017 were as follows:

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

Items	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per kilometer per day (RMB)		
		2016	2015	2016	2015	Change(%)
Hening Expressway	100%	74:26	74:26	19,902	19,179	3.77
New Tianchang Section of National Trunk 205	100%	24:76	31:69	5,708	5,269	8.32
Gaojie Expressway	100%	60:40	61:39	15,723	13,991	12.38
Xuanguang Expressway	55.47%	75:25	75:25	16,485	14,809	11.32
Lianhuo Expressway Anhui Section	100%	68:32	71:29	13,085	11,075	18.15
Ninghuai Expressway Tianchang Section	100%	79:21	80:20	23,670	21,168	11.82
Guangci Expressway	55.47%	78:22	79:21	17,612	15,367	14.61
Ningxuanhang Expressway	51%	77:23	79:21	2,052	1,742	17.80

Notes:

1、 Lixuan Section of Ningxuanhang Expressway was officially open to traffic on 30 December 2017.

2、 The traffic volume data above do not include the data on small passenger vehicles insofar as the same were free from toll on holidays.

3、 The toll income data above are tax included.

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

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

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

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

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

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

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

(III) General achievements of the pawn business

In June 2012, the Company and Huatai Group jointly set up Hefei Wantong Pawn Company Limited ("Wantong Pawn"), in which the Company injected capital in the sum of 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 RMB 52.5 million of Hefei Wantong Pawn Company Limited in proportion to their respective capital contribution, and the current registered capital of the company is 157.50million.

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

(IV) Analysis of main shares holding companies and joint stock companies

Unit: RMB'000

Name of company	Equity capital the Group possesses	Registered Capital	31 December 2017 Total assets	Net assets	2017 Operating income	Net profit	Main business
Xuanguang Company	55.47%	111,760	1,052,714	669,200	511,998	234,233	The construction, management and operation of Xuanguang Expressway
Ningxuanhang Company	51%	300,000	5,231,888	533,086	116,201	-249,186	Highway's construction, design, supervision, toll, maintenance, management, technology consultation and related advertisement service
Guangci Company	55.47%	56,800	250,213	242,595	89,175	51,540	The construction, management and operation of Guangci Expressway
Expressway Media	38%	50,000	430,051	328,973	162,269	62,850	Design, making, publication of and agency for domestic advertisements
Xin'an Financial	6.62%	1,900,000	3,852,777	2,711,934	270,503	61,981	Financial investment, equity investment, management consulting
Xin'an Capital	6.62%	1,120,000	2,194,503	1,169,698	43,742	-45,313	Internet financial services, network information services, pawn business, etc.
Wantong Pawn	71.43%	157,500	73,392	69,708	698	-38,051	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
Wantong MicroCredit	10%	150,000	115,591	113,680	5,147	-16,350	Distributing petty loans, small size enterprises management consulting and financial advisory
AEHK	100%	1,981	1892	1840	0	-165	Highway enterprises; its business covers relevant consultation and technology service for building, investment and operation of road abroad, and currently, the operation has yet to begin
Anhui Transportation China Merchants Industrial Fund	6.64%	3,000,000	1,496,449	1,496,181	14,203	-3,819	Investment in energy conservation and environmental protection in transportation services
Anhui Transportation Jinshi Buyout Fund	6.64%	3,000,000	1,500,000	1,500,000	0	0	The company is not yet operational at present

Name of company	Equity capital the Group possesses	Registered Capital	31 December 2017 Total assets	Net assets	2017 Operating income	Net profit	Main business
Anhui Transportation China Merchants Investment Management Co., Ltd.	2.5%	30,000	32,858	27,519	16,968	12,519	Daily management and investment consultation of Anhui Transportation China Merchants Industrial Fund
Anhui Transportation Jinshi Fund Management Co., Ltd.	2.5%	30,000	15,000	15,000	0	0	Daily management and investment consultation of Anhui Transportation Jinshi Buyout Fund and it is not yet operational at present

(V) Information on principal customers and suppliers

Because the Group's main customers of the toll business were the users of the tollways and usually there were no big purchases related to the daily operation, thus there were no principal customers or suppliers to be further disclosed.

(VI) Investment Analysis

Overall analysis of external equity investments of the Company

During the reporting period, the Company has additional equity investment of RMB200 million (2016: nil).

On 17 March 2017, the Resolution on the Investment in Fund Management company and Establishment of Anhui Transportation China Merchants Industrial Investment Fund was considered and approved at the 22nd meeting of the Seventh Session of the Board of the Company at which the senior management was also authorized to manage, revise and sign related legal document(s). The amount of investment responsible by the Company is RMB200 million. As at the end of the reporting period, the Company has contributed a total of RMB100 million.

On 22 September 2017, the Resolution on the Participation and Investment in Fund Management Company and Establishment of Anhui Transportation Goldstone M&A Fund was considered and approved at the 3rd meeting of the Eighth Session of the Board of the Company by way of electronic communication at which the senior management was also authorized to manage, revise and sign related legal document(s). The amount of investment responsible by the Company is RMB200 million. As at the end of the reporting period, the Company has contributed a total of RMB100 million.

(1) Material equity investments

During the reporting period, there was no equity investment of the Company.

(2) Material non-equity investments

Unit: '00,000,000 Currency: RMB

Name of project	Basic information of the project	Project amount	Progress of the project	Amount of Investment for the year	Aggregate actual amount of investment	Revenue from the project
Ningxuanhang Expressway Liqiao-Xuancheng Section	about 31 km in length	21.33	The project began to open in the end of 2017.	6.5	13.31	Opened to traffic on 30 December 2017
the construction project to expand Hening Expressway	about 87 km in length	63.75	The construction of the project began In November 2016.	7.7	10.4	under construction
Total		85.08	/	14.2	23.71	/

(3) Material disposal of assets and equity interest

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

V. Material Litigation and Arbitration

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

VI. Guarantee

(RMB' 00,000,000)

Guarantees provided by the Company and its subsidiaries for its subsidiaries	
Total amount of guarantees provided for its subsidiaries by the Company during the reporting period	-0.03
Total balance of guarantees provided for the subsidiaries as at the end of the reporting period	1.71
Total amount of guarantees provided by the Company (including guarantees provided for its subsidiaries)	
Total guarantee amount	1.71
Total guarantee amount as a percentage of net asset value of the Company (%)	1.72

VII. Entrusted Investment

1. Overall Entrusted Investment

(RMB'0,000)

Tye	Source of funds	Amount incurred	Undue balance	Overdue unrecovered amount
Bank investment products	Self-owned funds	50,000	36,000	0

Note: The "Proposal Regarding Purchase of Bank Investment Products with Self-owned Pool of Funds" was considered and approved at the 2nd Meeting of the Eighth Session of the Board of the Company held on August 25, 2017. Pursuant to the resolution, on the premise of ensuring the fund safety, the Company was permitted to purchase in the next year bank wealth management investment products with low risks and high earnings, provided that the balance at any time shall not exceed RMB 0.5 billion, and the senior management of the Company was authorized to deal with the above matters.

2. Single Entrusted Wealth Management Investments

Unit: 0,000 Currency: RMB

Trustee	Type of entrusted wealth management products	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Source of funds	Investment of funds	Method to determine return	Annualized rate of return	Expected return (if any)	Real income or loss	Real recovery	Through a legal procedure or not
China CITIC Bank, Hefei Branch	Principal and returns guaranteed	5,000	19 January 2017	23 February 2017	Self-owned funds	Fixed income portfolio	by agreement	3.650%	17.50	17.50	All due and redeemed	Yes
China CITIC Bank, Hefei Branch	Principal and returns guaranteed	5,000	2 March 2017	5 April 2017	Self-owned funds	Fixed income portfolio	by agreement	3.650%	17.50	17.50	All due and redeemed	Yes
Bank of China, Hefei Changfeng South Road Sub-branch	Principal and returns guaranteed	5,000	1 March 2017	31 March 2017	Self-owned funds	Fixed income portfolio	by agreement	3.300%	13.56	13.56	All due and redeemed	Yes
Industrial and Commercial Bank of China, Changjiang East Road Sub-branch	Principal and returns guaranteed	20,000	24 January 2017	24 July 2017	Self-owned funds	Fixed income portfolio	by agreement	3.000%	295.89	295.89	All due and redeemed	Yes
Industrial and Commercial Bank of China, Changjiang East Road Sub-branch	Principal and returns guaranteed	20,000	31 July 2017	5 September 2017	Self-owned funds	Fixed income portfolio	by agreement	3.700%	70.96	70.96	All due and redeemed	Yes
Bank of China, Xinqiao Sub-branch	Principal and returns guaranteed	5,000	7 March 2017	30 June 2017	Self-owned funds	Fixed income portfolio	by agreement	3.500%	55.14	55.14	All due and redeemed	Yes
Bank of China, Xinqiao Sub-branch	Principal and returns guaranteed	5,000	27 July 2017	30 September 2017	Self-owned funds	Fixed income portfolio	by agreement	4.000%	35.62	35.62	All due and redeemed	Yes
Industrial Bank, Ma'an Shan Road Branch	Principal and returns guaranteed	5,000	9 February 2017	10 April 2017	Self-owned funds	Fixed income portfolio	by agreement	3.700%	30.41	30.41	All due and redeemed	Yes
Industrial Bank, Ma'an Shan Road Branch	Principal and returns guaranteed	5,000	11 April 2017	11 June 2017	Self-owned funds	Fixed income portfolio	by agreement	4.100%	33.70	33.70	All due and redeemed	Yes

Industrial Bank, Ma'an Shan Road Branch	Principal and returns guaranteed	6,000	10 July 2017	10 October 2017	Self-owned funds	Fixed income portfolio	by agreement	4.500%	68.05	68.05	All due and redeemed	Yes
Industrial Bank, Ma'an Shan Road Branch	Principal and returns guaranteed	6,000	13 October 2017	15 January 2018	Self-owned funds	Fixed income portfolio	by agreement	4.200%	64.90	64.90	All are not due	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	5,900	19 January 2017	31 March 2017	Self-owned funds	Fixed income portfolio	by agreement	3.650%	41.30	41.30	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	9,000	20 April 2017	25 May 2017	Self-owned funds	Fixed income portfolio	by agreement	3.800%	32.79	32.79	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	9,000	25 May 2017	30 June 2017	Self-owned funds	Fixed income portfolio	by agreement	3.800%	32.79	32.79	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	5,000	11 July 2017	10 October 2017	Self-owned funds	Fixed income portfolio	by agreement	4.350%	54.23	54.23	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	4,000	20 July 2017	11 October 2017	Self-owned funds	Fixed income portfolio	by agreement	4.450%	40.48	40.48	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	5,000	16 October 2017	14 December 2017	Self-owned funds	Fixed income portfolio	by agreement	4.600%	37.18	37.18	All due and redeemed	Yes
Bank of Jiujiang, Hefei Branch	Principal and returns guaranteed	5,000	12 October 2017	29 December 2017	Self-owned funds	Fixed income portfolio	by agreement	4.200%	44.30	44.30	All due and redeemed	Yes
Bank of China, High-tech Sub-branch	Principal and returns guaranteed	4,000	7 March 2017	31 March 2017	Self-owned funds	Fixed income portfolio	by agreement	3.300%	9.04	9.04	All due and redeemed	Yes
Bank of China, High-tech Sub-branch	Principal and returns guaranteed	11,000	18 April 2017	16 May 2017	Self-owned funds	Fixed income portfolio	by agreement	3.300%	27.85	27.85	All due and redeemed	Yes
Bank of China, High-tech Sub-branch	Principal and returns guaranteed	11,000	24 May 2017	30 June 2017	Self-owned funds	Fixed income portfolio	by agreement	3.500%	39.03	39.03	All due and redeemed	Yes
Bank of China, High-tech Sub-branch	Principal and returns guaranteed	20,000	6 September 2017	9 October 2017	Self-owned funds	Fixed income portfolio	by agreement	3.900%	70.52	70.52	All due and redeemed	Yes

Bank of China, High-tech Sub-branch	Principal and returns guaranteed	10,000	7 July 2017	30 September 2017	Self-owned funds	Fixed income portfolio	by agreement	4.000%	93.15	93.15	All due and redeemed	Yes
Bank of China, High-tech Sub-branch	Principal and returns guaranteed	20,000	11 October 2017	11 January 2018	Self-owned funds	Fixed income portfolio	by agreement	4.200%	211.73	211.73	All are not due	Yes
HSBC, Hefei Branch	Principal and returns guaranteed	5,000	4 December 2017	4 January 2018	Self-owned funds	Fixed income portfolio	by agreement	3.800%	16.36	16.36	All are not due	Yes
HSBC, Hefei Branch	Principal and returns guaranteed	5,000	12 October 2017	12 January 2018	Self-owned funds	Fixed income portfolio	by agreement	4.100%	51.25	51.25	All are not due	Yes

VIII. Entrusted Loans

1. General entrusted loans

Unit: '0,000 Currency: RMB

Type	Sources of funds	Amount incurred	Undue balance	Overdue unrecovered amount
Bank	Self-owned funds	111,416.23	111,416.23	0

Note: in order to meet the capital transactions compliance requirements among enterprise legal persons, for those parts in total investment of Ningxuanhang Company and project capital balance 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 has invested RMB 1.114 billion by way of entrusted loans.

2. Single 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 todetermine 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	13 January 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	159.24	159.24	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	1,887	16 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	116.05	116.05	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	2,300	23 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	141.45	141.45	Undue	Yes
Everbright Bank Hefei Daoxianglou Branch	Bank	199	23 April 2015	29 August 2024	Self-owned funds	Ningxuanhang Company	Collect interest quarterly and return principal at maturity	6.15%	12.24	12.24	Undue	Yes

Everbright Bank Hefei Daoxianglou Branch	Bank	3,570	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	4,769	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	5,534	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
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

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

During the reporting period, neither the Company, its subsidiaries or joint ventures has purchased, sold or repurchased any listed securities of the Company.

X. Corporate Governance Code

The board of directors confirmed that, save with one exception, the Company had been in compliance with the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited during the period under review and strived in maintaining a corporate governance system of high standard to enhance transparency and protect the interests of shareholders. The exception is the functions of the remuneration committee and the nomination committee were both carried out by the Human Resources Management and Remuneration Committee. This arrangement was in place because the company believes that this arrangement has always been effective and it suits the needs of the company better. Members of the Human Resources Management and Remuneration Committee are independent non-executive directors. Such composition of the committee can effectively protect the interests of the shareholders.

In order to fully protect the interests of investors and further standardize and improve the corporate governance structure, according to "Guiding Opinions on Deepening the Reform of State-owned Enterprises" issued by the CPC Central Committee and the State Council, the CSRC Guidelines on the Articles of Association of Listed Companies (Revised 2016), Rules for the General Assemblies of Shareholders of Listed Companies (Revised 2016) and other relevant provisions of laws and regulations, and combining with the actual situation of the Company, the Company proposes to incorporate the work of Party construction into its Articles of Association, and to revise the relevant articles thereof involving the small and medium sized investors' separate vote and dividend policy. The amendment to the Articles of Association has been considered and approved at the Sixth Session of the Eighth Board held in March 23, 2018, and will be submitted to the Company's shareholders for consideration and approval at the 2017 annual general meeting.

XI. Audit Committee

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

As at 31 December 2017, the audit committee of the Company composed of Mr. Liu Hao (chairman), Mr. Du Jian and Mr. Jiang Jun, one of them being a non-executive director and two of them being independent non-executive directors.

In the year 2017, the audit committee of the Company held 4 meetings. Details of attendance of the meetings of the audit committee are as follows:

Member's name	Attendance at meetings (times)	Number of meeting during the term (times)	Attendance rate
Liu Hao (appointed on 17 August 2017)	2	2	100%
Du Jian	4	4	100%
Jiang Jun	4	4	100%
Yang Mianzhi (retired on 16 August 2017)	2	2	100%

The audit committee of the Company held 4 meetings during the reporting period and had ample communication with the Company and the auditors. It reviewed the 2016 annual, 2017 first quarterly, interim and third quarterly financial statements of the Company. It submitted the 2017 audited report and, the internal control and self evaluation report for the Board's approval and submitted its recommendation of re-appointing PricewaterhouseCoopers Zhong Tian LLP (A-share) and PricewaterhouseCoopers (H-share) as the audit institution in the forthcoming year for the Board's consideration. Moreover, it also reviewed and opined on the Company's expected daily connected transactions of 2018. Please refer to the 2017 Report on How the Audit Committee Discharged its Duties for details of the Audit Committee's work.

XII. major events during the reporting period

Participation in establishment of fund management companies and funds

In order to implement the Company's diversified development strategy, enhance the capital operation ability and cultivate new profit growth point, promote the Company to do stronger and better and promote healthy sustainable development of the Company, the Company proposed to invest RMB 200 million in: (i) establishment of Anhui Transportation China Merchants Investment Management Co., Ltd. and establishment of Anhui Transportation China Merchants Industrial Fund (Limited Partnership); and (ii) establishment of Anhui Transportation Jinshi Fund Management Co., Ltd. and establishment of Anhui Transportation Jinshi Buyout Fund (Partnership), respectively. The above proposals had been considered and approved respectively at the 22nd meeting of the Seventh Session of the Board of the Company held on 17 March 2017 and at the third meeting of the Eighth Session of the Board of the Company held on 22 September 2017, and the senior management was authorized to manage, revise and sign related legal document(s) involved in the investment.

During the reporting period, Anhui Transportation China Merchants Investment Management Co., Ltd. and Anhui Transportation China Merchants Industrial Fund (Limited Partnership) have completed business registration procedures, and as of the end of the reporting period, the Company invested a total of RMB100 million. In January 2018, the fund completed the filing procedures of the private investment fund in China Securities Investment Fund Industry Association.

During the reporting period, Anhui Transportation Jinshi Fund Management Co., Ltd. and Anhui Transportation Jinshi Buyout Fund (Partnership) has completed business registration procedures, and as of the end of the reporting period, the Company invested a total of RMB100 million. As of the releasing date of this report, the fund is still in the filing process of private investment fund in Chinese Securities Investment Fund Association.

XIII. Prospects and Outlook

1. Broad room for industry development and increasingly apparent policy direction

As stated in the Report of the 19th CPC National Congress, China's economy has been transitioning from a phase of rapid growth to a stage of high-quality development. As the promotion and realization of the "ensuring growth, making structural adjustment, promoting reform, improving people's well-being and forestalling risks" policies, the macro economy in China will gradually stabilize, and the economic growth will be more steady, more sustainable and of higher quality. As the speed of economic growth is a key determining factor for growth in transportation demands, there is still plenty of rooms and opportunities for the future development of the highway industry. In terms of social efficiency, as transportation remains an important anchor for national economic growth, there will be no material change in the national policies in relation to construction of transport infrastructure. In terms of investment efficiency, it is expected that in-vestments 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 domestic expressway costs about RMB100 million per km at present.), while the standards in relation to safety monitoring facilities, environmental protection, road conditions, etc. continued to increase, leading to a continuous rise in operation and maintenance costs; thirdly, most of the quality roads have been in operation for a long time, and the road maintenance cost was high, while the cultivation period of the newly-built section was long, and the road network effect was poor, the depreciation amortization and interest costs affected the performance of the enterprise; fourthly, the amount of exemption of various types of policies continued to rise, while the management costs for implementation of green channel policy and major holiday payment free policy were also increasing; fifthly, the growing popularity of railways, highspeed rails, air transport and other means of transport and the changes in road network structure continued to affect the diversion of traffic away from road sections.

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

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

In recent years, the level of informatization of China's highways kept strengthening. In September 2015, China have basically achieved an electronic toll collecetion ("ETC") network. The national high-speed ETC traffic accounted for 26% in first half of 2017, which showed a steady upward trend. With the continuous strengthening of the degree of informatization in the industry, the trend of industrialization of information based on technologies such as big data and cloud computing has been established, and the exploration of information and expansion in application is widening and deepening.

Apart from the growth in volume, future development of ETC will present new trends including realization of ETC pre-installation, strengthened data integration and multidimensional applications, and leading vehicle networking applications. In addition, it is expected that the proposed entry of electronic payment platforms (such as Alipay) into the ETC field will have positive effect on the popularization and application of the ETC. With the development of highway networking toll collection and networking surveillance, network data will become increasingly huge, and how to integrate existing data and conduct in-depth data mining to provide customers with more useful information prediction becomes the focus and breakthrough for the next stage of development of highway informatization.

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

By order of the Board
Qiao Chuanfu
Chairman

Hefei, the PRC, 23 March 2018

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

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