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 2020

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 2020 (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 2020 together with the unaudited comparative figures for the corresponding period in 2019, 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 2020
(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	**2020**	2019
Revenue	*3*	**871,025**	1,965,648
Cost of sales		**(725,021)**	(1,156,221)
Gross profit		**146,004**	809,427
Other gains – net	*12*	**38,769**	41,348
Administrative expenses		**(40,392)**	(45,905)
Net impairment reversal on financial assets		**1,171**	922
Operating profit		**145,552**	805,792
Finance costs	*4*	**(60,289)**	(61,089)
Share of profit of associates		**10,693**	12,961
Profit before income tax		**95,956**	757,664
Income tax expenses	*5*	**(65,333)**	(217,180)
Profit for the period		**30,623**	540,484
Attributable to:			
Owners of the Company		**108,200**	543,667
Non-controlling interests		**(77,577)**	(3,183)
		30,623	540,484
Basic and diluted earnings per share			
(expressed in RMB per share)	*6*	**0.0652**	0.3278

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 June 2020
(All amounts in Renminbi thousands unless otherwise stated)

	Unaudited Six months ended 30 June	
	2020	2019
Profit for the period	**30,623**	540,484
Other comprehensive income	**–**	–
Total comprehensive income for the period	**30,623**	540,484
Attributable to:		
Owners of the Company	**108,200**	543,667
Non-controlling interests	**(77,577)**	(3,183)
	30,623	540,484

Interim condensed consolidated balance sheet
As at 30 June 2020
(All amounts in Renminbi thousands unless otherwise stated)

	Note	**Unaudited 30 June 2020**	Audited 31 December 2019
ASSETS			
Non-current assets			
Concession intangible assets	*9*	**10,973,314**	11,219,787
Right-of-use assets	*9*	**7,877**	8,334
Property, plant and equipment	*9*	**1,073,571**	1,126,224
Investment properties	*9*	**374,665**	381,919
Intangible assets	*9*	**2,295**	3,812
Investments in associates		**146,235**	135,542
Deferred income tax assets		**42,384**	34,686
Financial assets at fair value through other comprehensive income (“Financial assets at FVOCI”)		**315,531**	315,531
		12,935,872	13,225,835
Current assets			
Inventories		**5,575**	5,678
Other current assets		**4,988**	3,213
Financial assets at fair value through profit or loss (“Financial assets at FVPL”)		**1,105,472**	422,317
Receivables and prepayments	*10*	**273,985**	206,163
Restricted cash		**221,827**	201,792
Cash and cash equivalents		**1,536,079**	1,905,261
		3,147,926	2,744,424
Total assets		**16,083,798**	15,970,259

	Note	Unaudited 30 June 2020	Audited 31 December 2019
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		**34,729**	35,040
Retained earnings		**7,396,087**	7,669,056
		10,505,019	10,778,299
Non-controlling interests		**611,910**	831,105
Total equity		**11,116,929**	11,609,404
LIABILITIES			
Non-current liabilities			
Long-term payables		**507,426**	392,500
Borrowings		**1,799,345**	1,812,698
Deferred income tax liabilities		**22,157**	25,747
Deferred income		**27,090**	26,409
		2,356,018	2,257,354
Current liabilities			
Trade and other payables	*11*	**1,899,872**	1,611,403
Current income tax liabilities		**61,998**	157,785
Provision		**82,275**	39,114
Borrowings		**566,706**	295,199
		2,610,851	2,103,501
Total liabilities		**4,966,869**	4,360,855
Total equity and liabilities		**16,083,798**	15,970,259

Interim condensed consolidated statement of changes in equity
For the six months ended 30 June 2020
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company					
		Ordinary share capital	Share premium	Other reserves	Retained earnings	Non-controlling interests	Total
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 (unaudited)		–	–	–	–	–	–
Total comprehensive income/(loss) (unaudited)		–	–	–	543,667	(3,183)	540,484
Others (unaudited)		–	–	(507)	507	–	–
Transactions with owners							
Dividends relating to 2018 (unaudited)		–	–	–	(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

	Note	Ordinary share capital	Share premium	Other reserves	Retained earnings	Non-controlling interests	Total
		Attributable to equity holders of the Company					
Balance at 1 January 2020 (audited)		**1,658,610**	**1,415,593**	**35,040**	**7,669,056**	**831,105**	**11,609,404**
Comprehensive income							
Profit/(loss) for the period (unaudited)		–	–	–	108,200	(77,577)	30,623
Other comprehensive income (unaudited)							
– Fair value change on financial assets at FVOCI, net of tax (unaudited)		–	–	–	–	–	–
Total comprehensive income/(loss) (unaudited)		–	–	–	108,200	(77,577)	30,623
Others (unaudited)		–	–	(311)	311	–	–
Transactions with owners							
Dividends relating to 2019 (unaudited)	*7*	–	–	–	(381,480)	–	(381,480)
Dividends paid to a non-controlling interest of subsidiaries relating to 2019 (unaudited)		–	–	–	–	(141,618)	(141,618)
Balance at 30 June 2020 (unaudited)		1,658,610	1,415,593	34,729	7,396,087	611,910	11,116,929

Interim condensed consolidated cash flow statement
For the six months ended 30 June 2020
(All amounts in Renminbi thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	**2020**	2019
Cash flows from operating activities			
Cash generated from operations		**210,080**	642,938
Interest paid		**(51,792)**	(54,184)
Income tax paid		**(172,408)**	(279,281)
Net cash (used in)/generated from operating activities		**(14,120)**	309,473
Cash flows from investing activities			
Purchase of property, plant and equipment	*9*	**(11,774)**	(3,478)
Purchase of intangible assets	*9*	**(5)**	–
Net (increase)/decrease in restricted cash		**(20,035)**	58,241
Proceeds from disposal of financial assets at fair value through profit or loss		**2,161,635**	453,042
Payments for purchase of financial assets at fair value through profit or loss		**(2,820,000)**	(700,000)
Proceeds from sales of property, plant and equipment		**59**	273
Interest received		**23,879**	41,527
Dividend received from associates		**22,080**	–
Dividend received from financial assets at FVOCI		**14,575**	–
Net cash used in investing activities		**(629,586)**	(150,395)
Cash flows from financing activities			
Proceeds from borrowings		**295,000**	345,000
Proceeds from long-term payables		**125,428**	–
Repayments of borrowings		**(36,846)**	(72,844)
Repayments of long-term payables		**(79,320)**	(176,476)
Dividends paid to the non-controlling interests		**(29,785)**	(142,635)
Net cash generated from/(used in) financing activities		**274,477**	(46,955)
Net (decrease)/increase in cash and cash equivalents		**(369,229)**	112,123
Cash and cash equivalents at beginning of the period		**1,905,261**	2,453,475
Exchange gains on cash and cash equivalents		**47**	9
Cash and cash equivalents at end of the period		**1,536,079**	2,565,607

Notes:

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 standards, amendments and interpretation of HKFRSs effective in 2020 adopted by the Group

The following new amendments have been adopted by the Group for the first time for its financial period beginning on 1 January 2020:

– Amendments to HKAS 1 and HKAS 8 regarding definition of material

– Amendments to HKFRS 3 regarding definition of a business

– Amendments to HKFRS 7, IFRS HKFRS 9,and IAS HKAS 39 regarding interest rate benchmark reform

– Revised Conceptual Framework for Financial Reporting

All the above amendments did not have any impact on the Group's condensed consolidated financial statements and did not require retrospective adjustment.

(b) New standard and amendments of HKFRSs issued but are not yet effective for the financial period beginning on 1 January 2020 and have not been early adopted by the Group

A number of new standard and amendments of HKFRSs which are relevant to the Group's operations are effective for the financial year beginning after 1 January 2020 and have not been applied in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standard and amendments. These new standard and amendments are set out below:

– HKFRS 17 "Insurance Contracts". The standard was originally intended to be effective for annual accounting periods beginning on or after 1 January 2021 but extended to 1 January 2023.

– Amendments to HKFRS 16 regarding Covid-19-related rent concessions, effective for annual accounting periods beginning on or after 1 June 2020

- Amendments to HKAS 1 regarding classification of liabilities as current or non-current, effective for annual accounting periods beginning on or after 1 January 2022

- Amendments to HKAS 16 regarding proceeds before intended use of property, plant and equipment, effective for annual accounting periods beginning on or after 1 January 2022

- Amendments to HKFRS 3 regarding reference to the conceptual framework, effective for annual accounting periods beginning on or after 1 January 2022

- Amendments to HKAS 37 regarding cost of fulfilling a onerous contracts, effective for annual accounting periods beginning on or after 1 January 2022

- Annual Improvements to HKFRS Standards 2018-2020, effective for annual accounting periods beginning on or after 1 January 2022

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

The Group is assessing the full impact of these new standard and amendments. 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	
	2020	2019
Toll roads income, rental income and others	**817,172**	1,465,129
Revenue from construction or upgrade work under Service Concessions	**52,157**	498,147
Interest income from pawn loans to customers	**1,696**	2,372
	871,025	1,965,648

4. FINANCE COSTS

	Unaudited For the six months ended 30 June 2020	2019
Interest expenses	**60,289**	64,621
Including: amortisation of long-term payables	**4,893**	12,031
Less: capitalised interest expenses *(Note 9)*	**–**	(3,532)
	60,289	61,089

5. TAXATION

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

	Unaudited For the six months ended 30 June 2020	2019
Current taxation – CIT *(a)*	**76,621**	231,516
Deferred taxation credited to the consolidated income statement	**(11,288)**	(14,336)
	65,333	217,180

(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 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 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	
	2020	2019
Profit attributable to equity holders of the Company	**108,200**	543,667
Weighted average number of ordinary shares in issue *(thousand)*	**1,658,610**	1,658,610
Basic earnings per share *(expressed in RMB per share)*	**0.0652**	0.3278

7. DIVIDENDS

A final dividend in respect of 2019 of RMB0.23 per share, amounting to a total dividend of RMB381,480 thousand was approved at the Annual General Meeting in May 2020.

The directors recommend no payment of a dividend in respect of the six months ended 30 June 2020 (same period of 2019: nil).

8. COMMITMENTS

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

	30 June 2020 (unaudited)	31 December 2019 (audited)
Contracted but not provided for		
– Property, plant and equipment	**125,777**	90,875

9 CAPITAL EXPENDITURES

	Concession intangible assets	Intangible assets	Property, plant and equipment	Investment properties	Right-of-use assets
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	(299,905)	(1,840)	(55,283)	(8,895)	(533)
Closing net book amount as at 30 June 2019 (unaudited)	10,506,898	1,754	901,686	355,973	8,866
Six months ended 30 June 2020					
Opening net book amount as at 1 January 2020(audited)	**11,219,787**	**3,812**	**1,126,224**	**381,919**	**8,334**
Additions	**52,157**	**5**	**11,774**	**–**	**–**
Transfers	**–**	**–**	**(2,249)**	**2,249**	**–**
Disposals	**–**	**–**	**(421)**	**–**	**–**
Depreciation/amortisation	**(298,630)**	**(1,522)**	**(61,757)**	**(9,503)**	**(457)**
Closing net book amount as at 30 June 2020 (unaudited)	**10,973,314**	**2,295**	**1,073,571**	**374,665**	**7,877**

No borrowing costs has been capitalised in the six months ended 30 June 2020 (same period of 2019: RMB3,532 thousand at an average annual interest rate of 1.20%).

10. RECEIVABLES AND PREPAYMENTS

	30 June 2020 (unaudited)	31 December 2019 (audited)
Other receivables		
– Toll roads income receivable *(a)*	**173,362**	75,667
– Pawn loans to customers *(b)*	**131,070**	142,398
– Receivables for construction	**30,051**	30,051
– Receivables for toll road service sectors rental income	**4,371**	–
– Receivables from management service of toll roads	**4,218**	–
– Interest receivable	**2,525**	6,697
– Dividends receivable	**–**	34,663
– Others	**26,439**	16,272
	372,036	305,748
Less: Provision for impairment of pawn loans *(b)*	**(96,428)**	(97,690)
Provision for impairment of others *(c)*	**(2,833)**	(2,742)
	272,775	205,316
Prepayments		
– Prepaid expenses	**1,210**	847
	273,985	206,163

(a) As at 30 June 2020, 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 RMB171,180 thousand (31 December 2019: RMB73,863 thousand) for uncollected toll roads income.

(b) ***Pawn loans to customers***

As at 30 June 2020 and 31 December 2019, the analysis of pawn loans to customers is as follows:

	30 June 2020 (unaudited)	31 December 2019 (audited)
Pawn loans to customers		
– Principal	**131,070**	142,398
– Interest	**–**	–
	131,070	142,398
Less: Impairment allowances	**(96,428)**	(97,690)
Pawn loans to customers, net	**34,642**	44,708

Pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are from one to six months and bore fixed interest rates ranging from 10.80% to 15.00% for the six months ended 30 June 2020 (2019: bore fixed interest rates ranging from 10.80% to 15.00%). The Group ceased interest accrual once pawn loans were over due.

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

	For the six months ended 30 June 2020	2019
Beginning of the period (audited)	**(97,690)**	(123,864)
Impairment losses reversed (unaudited)	**1,262**	1,156
End of the period (unaudited)	**(96,428)**	(122,708)

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

	For the six months ended 30 June 2020	2019
Beginning of the period (audited)	**(2,742)**	(2,692)
Impairment losses recognised (unaudited)	**(91)**	(234)
End of the period (unaudited)	**(2,833)**	(2,926)

As at 30 June 2020 and 31 December 2019, all other receivables balances were denominated in RMB.

As at 30 June 2020 and 31 December 2019, the fair values of the other receivables of the Group approximated their carrying amounts.

11. TRADE AND OTHER PAYABLES

	30 June 2020 (unaudited)	31 December 2019 (audited)
Payables on acquisition of concession intangible assets	**1,059,801**	1,290,824
Dividends payable	**493,313**	–
Current portion of long-term payables	**104,687**	168,612
Staff salaries and welfare	**82,014**	31,932
Deposits for construction projects	**63,169**	65,414
Other taxation payables	**15,666**	16,325
Interest payable	**15,489**	6,325
Service fee for the collection of toll roads income	**9,670**	3,488
Others	**56,063**	28,483
	1,899,872	1,611,403

As at 30 June 2020, trade and other payables of RMB405,036 thousand were aged over one year (31 December 2019: RMB477,554 thousand). These payables were mainly payables for construction projects which will be settled after project completion and current portion of long-term payables.

As at 30 June 2020 and 31 December 2019, all trade and other payables were denominated in RMB.

As at 30 June 2020 and 31 December 2019, 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	
	2020	2019
Gains from financial assets at FVPL	**24,790**	3,698
Interest income	**15,830**	36,418
Dividend income	**1,992**	–
Amortisation of government grants relating to assets	**1,085**	1,086
Government grants relating to profits	**728**	60
(Losses)/gains from disposal of property, plant and equipment	**(362)**	44
Donations	**(5,000)**	–
Losses from disposal on concession intangible assets	**–**	(230)
Others	**(294)**	272
	38,769	41,348

II. INTERIM RESULTS AND DIVIDENDS

During the Reporting Period, in accordance with the PRC Accounting Standards, the Group achieved a revenue of RMB818,868 thousand (corresponding period in 2019: RMB1,467,501 thousand), representing a decrease of 44.20% compared with that of the corresponding period of last year. The total profit was RMB97,916 thousand (corresponding period in 2019: RMB763,349 thousand), representing a decrease of 87.17% compared with that of the corresponding period of last year. Unaudited net profit attributable to shareholders of the Company reached RMB109,670 thousand (corresponding period in 2019: RMB547,876 thousand), representing a decrease of 79.98% compared with that of the corresponding period of last year. Basic earnings per share was RMB0.0661 (corresponding period in 2019: RMB0.3303), representing a decrease of 79.99% compared with that of the corresponding period of last year.

In accordance with HKAS, the Group achieved a revenue of RMB871,025 thousand (corresponding period in 2019: RMB1,965,648 thousand), representing a decrease of 55.69% compared with that of the corresponding period of last year; profit before income tax was RMB95,956 thousand (corresponding period in 2019: RMB757,664 thousand), representing a decrease of 87.34% compared with that of the corresponding period of last year; unaudited profit attributable to owners of the Company was RMB108,200 thousand (corresponding period in 2019: RMB543,667 thousand), representing a decrease of 80.10% compared with that of the corresponding period of last year; basic earnings per share was RMB0.0652 (corresponding period in 2019: RMB0.3278), representing a decrease of 80.10% compared with that of the corresponding period of last year.

The 2019 profit appropriation proposal of the Company was approved at the 2019 annual general meeting held by the Company on 22 May 2020 (the "Annual General Meeting"), details of which are as follows: To pay a final cash dividend of RMB381,480.30 thousand on the basis of RMB2.30 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 2019 Annual General Meeting on 23 May 2020 in the Shanghai Securities News, China Securities Journal and on 22 May 2020 on the website of The Stock Exchange of Hong Kong Limited ("SEHK"), and determined a final dividend for H shares of HK$0.2513 (tax inclusive) per share, which was priced in RMB and paid in HK$. 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 4 June 2020. Cheques for the H Share dividends were despatched by ordinary post to holders of H Shares at their own risk on or before 22 July 2020. On 13 July 2020, the Company published the 2019 profit appropriation implementation announcement in the Shanghai Securities News and China Securities Journal and determined that the domestic shareholders' registration date was 21 July, the ex-dividend date was 22 July and the dividend payout date was 22 July.

The 2019 profit appropriation proposal of the Company has been implemented in July 2020.

The Board recommends that the Company will neither pay the dividends for the six months ended 30 June 2020 (six months ended 30 June 2019: 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

In the first half of 2020, the COVID-19 epidemic had a significant impact on the production and operation activities of the Group. According to the national requirements, the toll-free policy for small passenger vehicles continued to be implemented during the Chinese New Year holidays. The toll-free period for small passenger cars was extended for a total of 16 days from 24 January to 24:00 on 8 February 2020. Due to the need for containment of the COVID-19 disease, the Ministry of Transport further required that from 0:00 midnight on 17 February 2020 to the end of containment measures (0:00 midnight on 6 May), all vehicles legally passing tolled roads are exempted from tolls, with the toll-free period totaling 79 days. In addition, the implementation of new toll calculation method and standard and the increase in the number of ETC users entitled to enjoy a discount of toll fees since 2020 both caused a certain impact on the toll revenue of each project of the Group. Given the combined effects from the above factors, the toll revenue of the Group decreased significantly on a year-on-year basis during the reporting period.

During the Reporting Period, the Group achieved a total toll income of RMB704,096 thousand (After tax) (corresponding period in 2019: RMB1,355,353 thousand), representing a decrease of 48.05% 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.

During the Reporting Period, in face of the severe challenges brought by the COVID-19 epidemic and the complex and ever-changing domestic and foreign environments, China's government coordinated efforts towards facilitating both the prevention and control of the epidemic and the economic and social developments. Accordingly, the gross domestic product (GDP) saw a turnaround from negative to positive and recorded a year-on-year growth of 3.2% in the second quarter of 2020, with a year-on-year decrease of 1.6% for the first half of the year. The economic and social operations were basically in order and stable. In the first half of the year, Anhui Province's GDP amounted to RMB1,755.11 billion, representing a year-on-year increase of 0.7%.

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 2020 are as follows:

		Toll income (RMB' 000)		
Items	**Interests**	**First half of 2020**	First half of 2019	Flux (%)
Hening Expressway	**100%**	**256,587**	406,636	-36.90
New Tianchang Section of National Trunk 205	**100%**	**22,395**	41,773	-46.39
Gaojie Expressway	**100%**	**163,941**	349,070	-53.03
Xuanguang Expressway	**55.47%**	**130,976**	266,748	-50.90
Lianhuo Expressway Anhui Section	**100%**	**66,080**	153,400	-56.92
Tianchang Section of Ninghuai Expressway	**100%**	**28,170**	52,550	-46.39
Guangci Expressway	**55.47%**	**26,460**	53,625	-50.66
Ningxuanhang Expressway	**51%**	**31,040**	73,007	-57.48

Items	Interests	Converted average daily traffic volumes for entire journey (vehicle) First half of 2020	First half of 2019	Flux (%)	Toll income per kilometer per day (RMB) First half of 2020	First half of 2019	Flux (%)
Hening Expressway	**100%**	**27,583**	24,390	13.09	**17,730**	16,766	5.75
New Tianchang Section of National Trunk 205	**100%**	**5,822**	6,561	-11.26	**6,912**	7,693	-10.15
Gaojie Expressway	**100%**	**17,358**	18,749	-7.42	**13,800**	17,532	-21.29
Xuanguang Expressway	**55.47%**	**22,366**	26,767	-16.44	**14,437**	17,545	-17.71
Lianhuo Expressway Anhui Section	**100%**	**16,468**	17,183	-4.16	**11,331**	15,695	-27.81
Tianchang Section of Ninghuai Expressway	**100%**	**41,691**	35,525	17.36	**18,631**	20,754	-10.23
Guangci Expressway	**55.47%**	**25,348**	30,271	-16.26	**17,500**	21,162	-17.30
Ningxuanhang Expressway	**51%**	**4,019**	5,745	-30.04	**2,456**	3,447	-28.75

Notes:

1. Except Tianchang Section of Ninghuai Expressway, The data of converted average daily traffic volumes for entire journey does not include the data on small passenger vehicles insofar as the same were free from toll for 16 days from 0:00 a.m. on 24 January to 24:00 on 8 February 2020, and the data on all vehicles insofar as the same were free from toll for 79 days from 0:00 a.m. on 17 February to 24:00 on 5 May 2020, as a result of the continuation of toll-free policy for small passenger vehicles during the Chinese New Year holidays and due to the need for containment of the COVID-19 disease, respectively.

2. The traffic data mentioned above is provided by AENO. In 2020, freight cars will be charged according to models instead of by weight, and the change of road network charging method caused a certain difference in the statistical model of traffic volume compared with last year, which is only for investors' reference.

3. The toll income data above are tax included.

With the orderly recovery of the economy, the regional road transportation and logistics demand resumed in general. For the period from resumption of collection of toll fees on 6 May to 30 June 2020, the average daily traffic volume of and toll revenue from each expressway operated by the Group both showed an upward trend on a quarter-on-quarter basis.

Hening Expressway

During the reporting period, after completion of the "four-lane to eight-lane" expansion project, Hening Expressway witnessed a steadily rising trend in both traffic volume and toll revenue.

Since the resumption of collection of toll fees on 6 May, the work and production have resumed in a larger scale and at a quicker speed in Hefei than those in the neighboring cities. The continuing recovery of local economy has stimulated the recovery of passenger transport, logistics and other sectors closely related to the transportation. Due to the effect from this factor, the toll revenue from Hening Expressway increased by 23.93% and 37.41%, year-on-year, in May and June, respectively.

New Tianchang Section of National Trunk 205

National Trunk 205 is an ordinary north-south bypass road. With the removal of two neighboring toll stations in the south and north in 2018 and 2019 respectively, the traffic volumes and toll income are relatively stable.

Gaojie Expressway

After the completion of the "four-lane to eight-lane" project of Fangxing Avenue-Mayan Section of Hean Expressway, some vehicles returned back, which had a positive impact on the benefits of relevant sections of the north-south transit passage.

Xuanguang Expressway

During the reporting period, some sections of Xuanguang Expressway were affected by diversion because the surrounding county roads were opened to traffic after upgrading and reconstruction. The traffic police in Xuanguang Expressway area controlled the traffic flow of Xuanguang Expressway, and enforced the prohibition of truck traffic at the entrance of all toll stations in Xuanguang Expressway area in some time periods, which had a certain impact on the truck flow of Xuanguang Expressway.

Lianhuo Expressway Anhui Section

Due to the opening to traffic of Xiao County Section of National Trunk 310 and National Trunk 311 upon completion of vast maintenance thereof at the end of 2019, some trucks chose to pass through national highways instead of Lianhuo Expressway Xuzhou-Henan Section. With the higher national regulatory requirements on environmental protection of enterprises, mines and mining factories in areas surrounding Xiao County ceased production altogether, which resulted in a remarkable decrease in the truck traffic volume.

Tianchang Section of Ninghuai Expressway

Ninghuai Expressway is one of the major passages in south and north of Jiangsu. Its traffic volume tends to flow back and grow after the impact from the opening to traffic of Suyang Expressway has been stabilized. Due to the preferential policy of differentiated charging for trucks implemented for networked expressways in Jiangsu that trucks with more than six axles are charged with reference to the charging standards for Type 6 trucks, some trucks were attracted to choose to pass through Ninghuai Expressway. As such, toll revenue therefrom increased by 6.75% and 13.13%, year-on-year, in May and June, respectively.

Ningxuanhang Expressway

During the Reporting Period, Xuanning Section of Ningxuanhang Expressway was continuously affected by the diversion of Lining Expressway, some vehicles chose to go to Shanghai, Zhejiang and other places on the section of Lining Expressway.

(2) General achievements of the pawn business

In June 2012, the Company and Hefei Huatai Group Corporation Limited ("Huatai Group") jointly set up Hefei Wantong Pawn Company Limited ("Wantong Pawn"), in which the Company injected capital in the sum of RMB150 million, accounting for 71.43% of its registered capital; Huatai Group invested RMB60 million, accounting for 28.57% of its registered capital. In 2015, both shareholders reduced capital of Wantong Pawn by RMB52.50 million by the same proportion, and the current registered capital of Wantong Pawn is RMB157.50 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 RMB1.7893 million (To pay for a house), and the actual mortgage loan business has actually granted 13 loans with a total amount of RMB13.46 million. All newly processed projects were 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 RMB1.1714 million, and the accumulated provision reached RMB99 million. Because of the continuous and steady operation, the total profit was RMB1.6624 million, the net profit was RMB1.6624 million, representing an increase of RMB0.2259 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 2020 Total assets	30 June 2020 Net assets	The six months ended 30 June 2020 Revenue	The six months ended 30 June 2020 Net profit	Main business
Xuanguang Company	55.47%	111,760	873,220	464,998	141,347	28,778	The construction, management and operation of Xuanguang Expressway
Ningxuanhang Company	51%	300,000	4,737,497	621,531	47,111	-196,574	Highway's construction, design, supervision, toll, maintenance, management, technology consultation and related advertisement service
Guangci Company	55.47%	56,800	217,589	203,721	26,546	12,254	The construction, management and operation of Guangci Expressway
Expressway Media	38%	50,000	477,233	376,501	64,490	27,874	Design, making, publication of and agency for domestic advertisements
Xin'an Financial	6.62%	1,900,000	335,506	255,933	9,186	4,270	Financial investment, equity investment, management consulting

Name of company	Equity capital the Group possesses	Registered Capital	30 June 2020 Total assets	Net assets	The six months ended 30 June 2020 Revenue	Net profit	Main business
Xin'an Capital	6.62%	1,120,000	198,694	112,110	46,758	2,030	Internet financial services, network information services, pawn business, etc.
Wantong Pawn	71.43%	157,500	85,943	74,733	1,696	1,662	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
Wantong MicroCredit	10%	150,000	119,289	117,088	3,136	2,061	Distributing petty loans, small size enterprises management consulting and financial advisory
AEHK	100%	1,981	1,969	1,904	0	27	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 (Limited Partnership) ("China Merchants Fund")	6.64%	3,000,000	1,646,396	1,616,236	11,713	-3,070	Investment in transportation,services, energy conservation and environmental protection
Anhui Transportation Jinshi Merger and Acquisition Fund (Limited Partnership) ("Jinshi Merger and Acquisition Fund")	6.64%	3,000,000	1,554,244	1,542,364	-1,484	-13,795	Investment in equity, asset management and investment consultation
Anhui Transportation China Merchants Private Investment Management Co., Ltd.	2.5%	30,000	38,513	34,156	11,554	2,919	Daily management and investment consultation of China Merchants Fund
Anhui Transportation Jinshi Private Fund Management Co., Ltd	2.5%	30,000	59,057	57,423	11,097	8,358	Daily management and investment consultation of Jinshi Merger and Acquisition Fund
Anhui Transportation Information Industry Co., Ltd.	10%	60,000	39,681	31,647	12,473	1,008	Construction, operation and service of traffic charging system; Computer software development; Information system integration services and so on

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	818,868,119.89	1,467,501,106.08	-44.20
Cost of sales	663,472,914.27	640,586,269.08	3.57
Administration costs	40,392,214.40	45,862,494.68	-11.93
Finance costs	44,459,292.57	24,713,716.05	79.90
Profit arising from fair value changes	24,790,127.84	3,698,287.68	570.31
Cash flows from operating activities	320,895,649.05	935,505,582.63	-65.70
Cash flows from investing activities	-912,763,489.36	-722,234,293.93	26.38
Cash flows from financing activities	222,685,452.57	-101,139,060.67	N/A

Reason for a change of revenue:mainly due to a large decrease in the toll revenue as a result of COVID-19 during the Reporting Period as compared with the same period of the previous year.

Reason for a change of cost of sales: The reconstruction and expansion project of Hening Expressway has been completed in late 2019. This Reporting Period begins to carry out depreciation and amortization for it.

Reason for a change of administration costs: mainly due to the decrease in the number of the Company's management personnel during the Reporting Period.

Reason for a change of finance costs: The main reason is that the income from the purchase of floating rate structured deposits during the Reporting Period is included in the account of profit arising from fair value changes.

Reasons for a change of profit arising from fair value changes: The main reason is that the income from the purchase of floating rate structured deposits during the Reporting Period is included in this item.

Reason for a change of cash flows from operating activities: mainly due to a large decrease in the toll revenue 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 the short term bank loans 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	720,535,731.45	584,157,328.67	18.93	-47.47	2.55	A decrease of 39.54 percent
Pawn business	1,695,965.05	0	N/A	-28.50	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	257,661,401.93	186,052,028.61	27.79	-36.11	8.84	A decrease of 29.82 percent
New Tianchang Section of National Trunk 205	21,328,727.80	21,733,543.29	-1.90	-46.39	7.35	A decrease of 51.01 percent
Gaojie Expressway	164,797,059.00	80,719,063.22	51.02	-52.17	-13.34	A decrease of 21.94 percent
Xuanguang Expressway	127,158,636.28	76,002,121.65	40.23	-50.90	0.3	A decrease of 30.51 percent
Lianhuo Expressway Anhui Section	65,246,470.88	61,136,544.50	6.30	-56.51	-1.74	A decrease of 52.23 percent
Tianchang Section of Ninghuai Expressway	28,518,611.26	17,792,176.43	37.61	-45.34	-10.81	A decrease of 24.16 percent
Guangci Expressway	25,689,042.65	9,909,504.91	61.43	-50.66	3.01	A decrease of 20.09 percent
Ningxuanhang Expressway	30,135,781.65	130,812,346.06	-334.08	-57.48	11.11	A decrease of 267.98 percent
Wantong Pawn	1,695,965.05	0	N/A	-28.50	N/A	N/A
Total	722,231,696.50	584,157,328.67	19.12	-47.44	2.55	A decrease of 39.42 percent

Principal businesses in terms of region

Regions	**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) (%)**
Anhui Province	722,231,696.50	584,157,328.67	19.12	-47.44	2.55	A decrease of 39.42 percent

(2) Employees remuneration and training

As at 30 June 2020, the Company and its main subsidiaries employed approximately 2,098 employees (as at 30 June 2019: 2,223 employees), which included 1,487 production staff, 120 technicians, 36 financial staff and 455 administrative staff (as at 30 June 2019, the numbers were 1,632, 128, 38 and 425 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 RMB158,511.3 thousand (corresponding period in 2019: RMB171,587.5 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. In the aspect of comprehensive management, the training was focused on the pertinence. In combination with the social situation, the Company has held special training on "first aid and health-related knowledge". In addition, in consideration of COVID-19, the Company encourages employees to increase online learning communication focusing on autonomous learning and promote the use of mobile phone clients and online interaction.

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	31 December 2019 "***Announcement – Continuing Connected Transactions: Entrusted Management Agreements***", 30 March 2020 "***Announcement in relation to Contemplated 2020 Daily Related Party Transactions***"
To receive expressway network toll settlement	31 December 2019 "***Continuing Connected Transactions: Entering Into Network Services Agreement In Writing***", 30 March 2020 "***Announcement in relation to Contemplated 2020 Daily Related Party Transactions***"
To receive construction management service	30 March 2020 "***Announcement in relation to Contemplated 2020 Daily Related Party Transactions***", 29 April 2020 "***Announcement – Continuing Connected Transactions: 2020-2021 Expressway Maintenance and engineering Works Contracts***";
To receive supervisory service of project construction	30 March 2020 "***Announcement in relation to Contemplated 2020 Daily Related Party Transactions***"
To receive construction test service	30 March 2020 "***Announcement in relation to Contemplated 2020 Daily Related Party Transactions***"
To receive property management service	30 March 2020 "***Announcement in relation to Contemplated 2020 Daily Related Party Transactions***"
To provide the house rental services	30 March 2020 "***Announcement in relation to Contemplated 2020 Daily Related Party Transactions***"
To provide service area rental services	30 March 2020 "***Announcement in relation to Contemplated 2020 Daily Related Party Transactions***"
To provide gas stations rental services	30 March 2020 "***Announcement in relation to Contemplated 2020 Daily Related Party Transactions***", 29 March 2018 "***Continuing Connected Transactions: Lease of Operating Rights of Gas Stations***"

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)	1.57
Total amount of guarantees provided by the Company (including guarantees provided for its subsidiaries)	
Total guarantee amount (A+B)	1.57
Total guarantee amount as a percentage of net asset value (%)	1.42
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 RMB500 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 RMB0.157 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 Expressway Holding Group in the future and focus on the protection of shareholders' interests as always.	13 February 2006, long-term effective	No	Yes
	other	Anhui Transportation Group, China Merchants Highway Network Technology Holding Company Limited ("China Merchants Highway")	After the completion of the split-equity reforming, the Board of Directors are recommended to develop a long-term incentive plan with equity incentive structure included. In accordance with the relevant provisions of the State, the Board of Directors or after approved at the General Meeting of Shareholders, the long-term incentive plan shall be implemented.	13 February 2006, long-term effective	No	Yes
Commitment related to IPO	Solve the competition within the industry	Anhui Transportation Group	Promise not to participate in any of the Company's actual businesses or other business activities from time to time which may constitute direct or indirect competition to the Company.	12 October 1996, long-term effective	No	Yes

V. OTHER MAJOR EVENTS

Adjustment to Calculation Method and Standard of Toll Payment

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

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

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

On 15 February 2020, according to the requirements of the "Notice on Exemption of Toll Payment for Vehicles Using Toll Roads During the Containment Period of Novel Coronavirus Disease" (Jiao Gong Lu Ming Fa [2020] No. 62) issued by the Ministry of Transport,, with effect from 00:00 midnight on 17 February 2020 until 00:00 midnight on 6 May 2020, a toll-free policy was implemented for all vehicles using toll highways according to the laws. The government will study and promulgate related supporting policies separately to coordinate and protect the legitimate interests of the users, creditors, investors and operators of the toll highways. As of the disclosure date of this announcement, the related supporting policies have not been issued. The Group will actively communicate with the transportation authorities to minimize the negative impacts of the epidemic.

Application for Approval of Toll Collection Period of Hening Expressway

The expansion of Hening Expressway has been completed and opened to traffic at the end of 2019. On 1 April 2020, the Company has received the "Official Reply for the Operation of the Reconstruction and Expansion of the Expressway Anhui Section from Hefei to Nanjing" (Wan Zheng Mi [2020] No.62) issued by the People's Government of Anhui Province, which agreed that the toll collection period for the Reconstruction and Expansion of Hening Expressway Anhui Section be tentatively fixed at five years from the expiry date of toll collection period of Hening Expressway Anhui Section. The formal period for toll collection shall be determined according to assessment and relevant provisions. For details, please refer to the "Announcement in relation to the operation of the Reconstruction and Expansion of the Expressway Anhui Section from Hefei to Nanjing" (Lin 2020-010) published by the Company.

Adjustment of Preferential Period for Truck Toll

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

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.

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.

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

Liability Insurance for Directors and Supervisors

According to the requirements of 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 2020, thereby providing protection for the directors, supervisors and senior executives in their performance of duties.

Audit Committee

From January 1, 2020 to the date of this announcement, the audit committee of the Company convened three meetings, during which it reviewed the 2019 annual report and financial statement prepared in accordance with PRC Accounting Standards and HKAS, the 2020 first quarterly financial statement, as well as the 2020 interim results announcement and 2020 interim unaudited financial statement prepared in accordance with PRC Accounting Standards and HKAS.

Independent Non-executive Directors

The Company has appointed sufficient 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 9th session of the Board contained 3 independent non-executive directors, one of whom has expertise 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 2020, 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 2020.

Purchase, Sale and Redemption of the Company's Securities

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries and joint ventures purchased, sold or redeemed any of the Company's listed securities.

VI EVENTS AFTER THE REPORTING PERIOD

Unless disclosed in this announcement, from the date of 30 June 2020 to the date of this announcement there is no events that have a significant impact on the Group.

VII. 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. Against the background of the impact of the COVID-19, China's economy slowed down and then recovered in the first half of 2020. In the second quarter, economic growth turned from negative to positive, with a growth rate of 3.2%. The economic operation was steadily recovering, but there remained greater uncertainty. The 2020 National Transportation Working Conference pointed out that China's transportation development this year will continue to maintain a steady progress and improvement, but the situation is more severe and the tasks more difficult. During the epidemic, the Ministry of Transport has successively issued policies such as toll free during the epidemic to ensure the smooth passage of vehicles with emergency materials for epidemic prevention and control, which provided strong support for supporting enterprises to resume work and production and stabilize the overall economic and social condition. The implementation of this policy has had a greater impact on the performance of expressway companies. In addition, the implementation of policies such as national road network connection switching, increased ETC utilization rate, and toll billing methods adjustment of truck will help improve the efficiency of toll roads in the long run, but in the short and medium term, the amount of highway toll exempted and cost input will continue to increase, which is expected to have an impact on the Company's business performance.

Responding measures: The Group analyzes and researches on relevant policies, actively communicates and coordinates with government authorities, minimizes the negative impact of the epidemic, and tries its best to protect the interests of the Company and investors; The Group actively faces the changes in operation management, and carefully studies and judges the characteristics of traffic flow and vehicle model structure changes on 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.

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. In addition, the total length of high-speed railway in Anhui province has entered the first tier in China, the integration of private cars and urban and rural passenger transport has also developed rapidly, the substitution of and diversion from highway passenger transport is serious, and the diversification of freight has a negative impact on the Company. At present, Most highway sections of the Group 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, and the amount of various policy exemptions continues to rise. All of them have had an impact on the operating performance of toll road projects of the Group.

Responding measures: All road sections of the Group were trunk highways across the Anhui region. The Group will strengthen communication with the government and major shareholders, and keep abreast of the network planning and project construction schedule 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, turn passive to active use of the advantages of informationization to carry out segment marketing.

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

Responding measures: The Group will seize the national strategic opportunity of the integration of the Yangtze River Delta, accelerate the promotion of opening the "missing links" across the provincial boundary, and improve the negative impact of the project on the Company's performance. After the epidemic, the country has accelerated the construction of 5G, data center and other new infrastructure, which has set off a new round of infrastructure investment boom nationwide and provided new development opportunities for the Company to carry out related diversified development.

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

Hefei, Auhui, the PRC
28 August 2020

As at the date of this announcement, the Board comprises: Xiang Xiaolong (chairman), Yang Xiaoguang, Tang Jun, Xie Xinyu, being the executive directors; Yang Xudong and Du Jian, being the non-executive directors; and Liu Hao, Zhang Jianping and Fang Fang 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.