齐鲁高速
Qilu Expressway

Qilu Expressway Company Limited
齊魯高速公路股份有限公司

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

Stock Code: 1576

2018
ANNUAL REPORT

Contents

Definitions and Glossary of Technical Terms

"2018 AGM"	the annual general meeting of our Company to be convened and held on Monday, 10 June 2019 or the adjournment thereof
"2018 Final Dividend"	the final dividend proposed by the Board to be paid to the Shareholders in the form of a cash dividend of RMB0.1287 (tax inclusive) per Share
"Advertisement Business"	our business in relation to the leasing of advertisement billboards built along the Jihe Expressway and the provision of the advertisement publication services on those advertisement billboards
"Articles of Association"	the articles of association of our Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"Changqing University Science Park Interchange Project"	the improvement project of our Company for the construction of a new interchange on Jihe Expressway with a ramp connecting to the Changqing University Science Park. Please refer to the sub-section headed "Business – Upgrade of the Jihe Expressway" in the Prospectus for details
"class 1"	truck of 2 tons or less and passenger vehicle with 7 seats or less
"class 2"	truck of 2 to 5 tons (including 5 tons) and passenger vehicle with 8 to 19 seats
"class 3"	truck of 5 to 10 tons (including 10 tons) and passenger vehicle with 20 to 39 seats
"class 4"	truck of 10 to 15 tons (including 15 tons), 20-foot container vehicle and passenger vehicle with 40 seats or above
"class 5"	truck of 15 tons or above and 40-foot container vehicle
"Company" or "our Company"	Qilu Expressway Company Limited (齊魯高速公路股份有限公司), a joint stock company incorporated in the PRC with limited liability on 6 December 2016 pursuant to the Reorganisation of the Jihe Expressway Company
"Company Law"	Company Law of the People's Republic of China (《中華人民共和國公司法》)
"Concession Agreement"	the concession agreement in respect of the Jihe Expressway project entered into between the Shandong Provincial Traffic Transport Department (山東省交通運輸廳) (as authorised by the Shandong Provincial People's Government (山東省人民政府)) and our Company on 26 September 2004

"Concession Rights"	the rights to (i) design and construct the Jihe Expressway and its ancillary facilities; and (ii) to maintain, operate and manage the Jihe Expressway and its ancillary facilities (including but not limited to the rights in relation to the repair and maintenance of the Jihe Expressway and the toll collection of vehicles thereon) pursuant to the Concession Agreement
"Continuing Operations"	the business operations carried out by our Group in relation to the Expressway Business and the Advertisement Business
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
''COSCO SHIPPING (Hong Kong)''	COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司), a company incorporated in Hong Kong with limited liability on 3 September 1992
"Director(s)"	director(s) of our Company
"Discontinued Operations"	the business operations carried out by Jihe Service, and Jihe Petroleum prior to the Reorganisation, namely (i) the provision of services including vehicle parking, vehicle repair, catering services and supermarket operations and (ii) operation of petroleum and gas refill stations along the Jihe Expressway and the sales of petroleum and gas-related products, respectively
"Domestic Share(s)"	ordinary Share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
"Domestic Shareholder(s)"	holder(s) of the Domestic Share(s)
"Expressway Business"	our business in relation to the construction, maintenance, operation and management of the Jihe Expressway
"Global Offering"	the offer of our Company's H Shares for subscription by the public in Hong Kong and outside the United States in offshore transactions, details of which can be found in the Prospectus
"Group", "our Group", "us" or "we"	our Company and, except where the context otherwise requires, its subsidiary
"H Share(s)"	overseas listed foreign invested ordinary Share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which was listed and traded on the Stock Exchange
"H Shareholder(s)"	holders of the H Share(s)
"HK$" or "Hong Kong dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKAS(s)"	Hong Kong Accounting Standard(s)

Definitions and Glossary of Technical Terms (Continued)

"HKFRS" or "Hong Kong Financial Reporting Standards"	Hong Kong Financial Reporting Standards (including HKASs and Interpretations) issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jihe Expressway"	Jinan (濟南) to Heze (菏澤) Expressway, the approximately 153.6 km expressway running through nine districts/counties under four cities from Jinan City to Heze City in Shandong Province
"Jihe Expressway Company"	Shandong Jihe Expressway Company Limited* (山東濟菏高速公路有限公司), limited liability company incorporated in the PRC on 6 January 2004 and the predecessor of our Company
"Jihe Petroleum"	Shandong Jihe Expressway Petroleum Management Company Limited* (山東濟菏高速石化油氣管理有限公司), a limited liability company incorporated in the PRC on 25 December 2007, 51.00% of equity interest of which was transferred by our Company to a subsidiary of Qilu Transportation in April 2017 pursuant to the Reorganisation
"Jihe Service"	Shandong Jihe Expressway Service Company Limited* (山東濟菏高速服務有限公司), currently known as Shandong Luchang Expressway Service Area Management Company Limited* (山東魯暢高速公路服務區管理有限公司), a limited liability company incorporated in the PRC on 6 February 2005, 51.00% of equity interest of which was transferred by our Company to a subsidiary of Qilu Transportation in April 2017 pursuant to the Reorganisation
"Listing"	the listing of the Company's H Shares on the Main Board of the Stock Exchange on 19 July 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Ministry of Transport"	Ministry of Transport of the PRC (中華人民共和國交通運輸部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"PRC" or "State"	the People's Republic of China, which for the purpose of this announcement exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 29 June 2018 in connection with the Global Offering

"Qilu Transportation"	Qilu Transportation Development Group Company Limited* (齊魯交通發展集團有限公司), a limited liability company incorporated in the PRC on 30 June 2015
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reorganisation"	the reorganisation arrangements undergone by our Group in preparation of its Listing
"Reporting Period" or "Year"	the year ended 31 December 2018
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SDRC"	Shandong Provincial Development and Reform Committee (山東省發展和改革委員會)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share(s)"	Domestic Shares and/or H shares (as the case may be)
"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company established pursuant to the Company Law

Corporate Information

REGISTERED NAME OF THE COMPANY

In Chinese: 齊魯高速公路股份有限公司
In English: Qilu Expressway Company Limited

LEGAL REPRESENTATIVE

Mr. Li Gang

BOARD OF DIRECTORS

(1) Executive Directors

Mr. Li Gang *(Chairman of the Board)*
Mr. Peng Hui

(2) Non-Executive Directors

Mr. Chen Dalong
Mr. Wang Shaochen
Mr. Wu Dengyi
Mr. Li Jie
Mr. Wang Long
Mr. Su Xiaodong
Mr. Yuan Ruizheng
Mr. Tang Haolai

(3) Independent Non-Executive Directors

Mr. Wu Yuxiang
Mr. Cheng Xuezhan
Mr. Li Hua
Mr. Wang Lingfang
Mr. He Jiale

BOARD COMMITTEES

(1) Audit Committee

Mr. Wu Yuxiang *(Chairman)*
Mr. Wang Shaochen
Mr. Li Hua

(2) Remuneration and Appraisal Committee

Mr. Li Hua *(Chairman)*
Mr. Cheng Xuezhan
Mr. Wang Lingfang

(3) Nomination Committee

Mr. Li Gang *(Chairman)*
Mr. Li Hua
Mr. Wang Lingfang
Mr. Wu Yuxiang

(4) Strategy Committee

Mr. Li Gang *(Chairman)*
Mr. Peng Hui
Mr. Wang Shaochen
Mr. Wu Yuxiang
Mr. Li Hua

SUPERVISORY COMMITTEE

(1) Shareholder Representative Supervisors

Ms. Meng Xin *(Chairperson of the Supervisory Committee)*
Mr. Liu Ligang
Mr. Wu Yongfu

(2) Employee Supervisors

Mr. Lian Shengguo
Mr. Hao Dehong
Ms. Hou Qinghong

(3) Independent Supervisors

Mr. Li Ruzhi
Ms. Jiang Xiaoyun

JOINT COMPANY SECRETARIES

Mr. Lian Shengguo
Ms. So Shuk Yi Betty *(ACIS, ACS)*

AUTHORISED REPRESENTATIVES

Mr. Li Gang
Ms. So Shuk Yi Betty *(ACIS, ACS)*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor,
Prince's Building,
Central, Hong Kong

LEGAL ADVISER AS TO PRC LAW

DeHeng Law Offices (Jinan)
6/F, Building 5, Yulan Square,
No.8 Long'ao Road North, Lixia District,
Jinan City, PRC

LEGAL ADVISER AS TO HONG KONG LAW

Li & Partners
22/F, World-Wide House,
19 Des Voeux Road Central,
Central, Hong Kong

COMPLIANCE ADVISER

Zhongtai International Capital Limited
19/F, Li Po Chun Chambers,
189 Des Voeux Road Central,
Central, Hong Kong

REGISTERED ADDRESS

Room 2301, Block 4,
Zone 3, Hanyu Financial & Business Centre,
No. 7000, Jingshi East Road,
High-tech Zone, Jinan City,
Shandong Province, PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 2301, Block 4,
Zone 3, Hanyu Financial & Business Centre,
No. 7000, Jingshi East Road,
High-tech Zone, Jinan City,
Shandong Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower,
No. 248 Queen's Road East,
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation, Changqing Sub-branch
Industrial and Commercial Bank of China Limited, Jinan Jing'er Road Sub-branch
China Merchants Bank Co. Ltd., Jinan Kaiyuan Sub-branch
Bank of China, Jinan Shungeng Sub-branch
Bank of China (Hong Kong) Limited

H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712–1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

COMPANY WEBSITE

www.qlecl.com

STOCK CODE

1576

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of the Group for the year ended 31 December 2018.

BUSINESS REVIEW

Macroeconomic Environment and Social Development

The gross domestic product of the PRC amounted to RMB90,030.9 billion in 2018, representing a year-on-year increase of 6.6%, reaching a new high of RMB90 trillion for the first time.

The PRC has undergone remarkable economic and social development during the Reporting Period. In face of the relatively volatile worldwide economic, social and political conditions, the PRC economy steadily moved forward in general, making progress while maintaining stability. With the relatively sound completion of major targets of the State, efforts in reforms and open policy intensified, and the livelihood of majority continued to improve. The PRC transportation industry has also sustained stable growth. According to statistics from the Ministry of Transport, the new highway mileage open to traffic in 2018 increased to 86,000 kilometers, of which 6,000 kilometers were expressways, thereby speeding up the improvement of the PRC's integrated transportation network.

Review of our Operations

During the Reporting Period, the Company adhered to its steadfast operation and its mission to accelerating the pace of development. With the support from the Shareholders as well as the high-calibre leadership of the Board, the Company seized opportunities, overcame obstacles and thrived amid difficult situation. On one hand, it strengthened the operation and management of toll collection, increased efficiency of its operations and maintained safe and smooth traffic in highways; on the other hand, the Company insisted on its reform and innovation, focused on extension to the international frontiers, and hence successfully entered into the capital market of Hong Kong on 19 July 2018, achieving a historical breakthrough for the Company.

During the Reporting Period, we continued to develop our business in accordance with our Concession Rights, namely to construct, maintain, operate and manage the Jihe Expressway. Our traffic flow for 2018 recorded a slight year-on-year decrease of approximately 1.58% to approximately 19.29 million vehicles, mainly attributable to an approximately 14.44% decrease in the truck traffic volume and offset by an approximately 6.23% increase in the passenger vehicle traffic. During the Reporting Period, substantial portion of the traffic flow of the Jihe Expressway was derived from class 1 passenger vehicles and class 5 trucks. We believe that this was mainly due to the geographical location of the Jihe Expressway which connects to (i) the key cities and districts, populous areas and tourist attractions in Shandong Province with higher passenger transportation, and (ii) many industrial zones of Shandong Province attracting more large cargo trucks to use the Jihe Expressway. For more details of our traffic flow, please refer to the section headed "Management Discussion and Analysis – (I) Operating results and financial performance – Continuing Operations – (2) Analysis on traffic flow and toll income" in this announcement.

During the Reporting Period, the toll rates of the Jihe Expressway was governed by the Notice on Regulating Relevant Matters of Toll Rates of Toll Roads (Lu Jiao Cai [2017] No. 83) (《關於規範收費公路車輛通行費有關事項的通知》(魯交財[2017]83號)) which became effective from 1 January 2018. Further, in accordance with relevant laws and regulations, certain vehicles were entitled to toll rate discounts and exemptions including (i) 5% discount given to drivers who drive vehicles registered in Shandong Province and use ETC for toll payment; (ii) toll exemption for vehicles of the State and PRC government authorities including the military, armed police force, public security authorities, etc.; and (iii) toll-free policy on small passenger vehicles on major festivals and holidays. For details, please refer to the sub-section headed "Business – Expressway Operations" in the Prospectus.

Leveraging on our information management systems, we adopted a centralised management of our Expressway Business and unified scheduling of road operations. To this end, we focused our operations on our toll collection, traffic management, and road maintenance and upgrade in order to increase our operational efficiency. The measures we have adopted in our operations include the following:

(1) **Automated toll collection facilities to improve traffic efficiency:** pursuant to the relevant government policies, each of our toll centres are equipped with self-service pass dispensing machines and ETC toll lanes to improve the efficiency of vehicles into and out of the Jihe Expressway;

(2) **Application of technologies in our daily operations:** we conducted round-the-clock monitoring of the traffic conditions of the Jihe Expressway with our high-resolution video cameras installed along the expressway which captured real-time traffic image and transmitted across our ten gigabyte ethernet to the display screens in the safety operation department at the headquarter;

(3) **Emergency plans to ensure safe and smooth traffic:** our dedicated team from each of the management centres is on duty at all times to deal with emergency matters so as to ensure the smooth traffic of our expressway. Leveraging on our comprehensive monitoring system, our safety operation department acts as a high-level traffic coordination unit to facilitate swift access by our emergency response teams to traffic incidents and road emergencies; and

(4) **Preventive maintenance measures to preserve quality road conditions:** we focus on preventive maintenance techniques to preserve our road condition and enhance the drivers' experience. By making use of our advanced technologies, we are able to form comprehensive maintenance plans in advance. Preventive maintenance enable us to maintain the optimal quality of road surface for a longer service cycle and reduce maintenance cost in the long run.

In the coming year, we plan to strengthen our positioning as a high quality expressway operator in Shandong Province. To this end, we aim to enhance our operations and road-user experience. Please refer to the section headed "Management Discussion and Analysis – (III) Future Plans" in this announcement for more details.

PROSPECTS

2019 is a critical year for building a well-off society and implementing the "13th Five-Year" plan, as well as the first year of our Company as a listed company on the Stock Exchange. With the support from our Shareholders as well as the active leadership of the Board, our Company will comply with the Listing Rules in the coming Year, further cultivate our corporate governance culture, become innovative in our mindset and realise new development.

Leveraging on our Listing as a platform, we aim to fully utilise Hong Kong's position as an international financial centre and set ourselves in par with leading peer listed companies. Following the requirements of the Shandong Province Old-to-New Energy Conversion Engineering Project (山東省新舊動能轉換重大工程要求), surrounding the themes of "Efficiency and Innovation" and targeting ourselves to "strengthen our fundamental business and develop new business (做強基礎產業、做優新興產業)", we shall continue to enhance our expressway operation and management and, at the same time, leveraging on the overseas and domestic market, actively expand our operating business through capital management techniques including merger and acquisition and reorganisation in order to strengthen and optimise our Company as well as make efforts to equip our Company as a domestic and overseas investment and financing platform, a production and financing collaboration platform, a principal business acquisition platform, an industrial upgrade platform and a strategic innovation platform so as to realise the robust growth in our principal business and generate better operating results, thereby continuously providing returns to our Shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my gratitude to the ardent support and assistance from all Shareholders, investors and business partners. Meanwhile, I would also like to express my sincere gratitude to all employees of the Group for their hard work.

Qilu Expressway Company Limited
Li Gang
Chairman

21 March 2019

	Change *RMB'000*	2018 *RMB'000*	2017 *RMB'000*	2016 *RMB'000*	2015 *RMB'000*
Summary of consolidated statement of comprehensive income					
Continuing Operations					
Revenue	(123,325)	**921,735**	1,045,060	999,846	861,949
Gross profit	(129,683)	**622,527**	752,210	702,350	479,418
Profit before income tax	(122,016)	**544,517**	666,533	589,282	336,828
Profit and total comprehensive income attributable to owners of the parent Company	(119,647)	**408,505**	528,152	443,226	250,296
Basic/diluted earnings per share *(RMB)*	(0.11)	**0.24**	0.35	0.30	0.17
Summary of consolidated statement of financial position					
Cash and cash equivalents	591,025	**1,006,860**	415,835	367,549	55,613
Current liabilities	(42,814)	**518,617**	561,431	606,739	434,037
Total assets	715,380	**4,353,266**	3,637,886	3,831,325	3,688,740
Borrowings	(315,000)	**510,000**	825,000	1,300,000	1,515,000
Gearing ratio *(%)*	N/A	**N/A**	14.18%	29.24%	42.94%
Net assets per Share *(RMB)*	0.12	**1.77**	1.65	1.50	1.31
Return on net assets	(9.86%)	**11.57%**	21.43%	19.88%	13.06%
Summary statement of cash flows					
Net cash flows from operating activities	(7,804)	**667,836**	675,640	757,987	546,843
Net cash flows from investing activities	(600,143)	**(411,663)**	188,480	(18,426)	(41,149)
Net cash flows from financing activities	1,135,387	**319,553**	(815,834)	(427,625)	(578,692)
Net increase (decrease) in cash and cash equivalents	527,440	**575,726**	48,286	311,936	(72,998)

(I) OPERATING RESULTS AND FINANCIAL PERFORMANCE

Continuing Operations

Our Continuing Operations comprise the Expressway Business and the Advertisement Business. During the Reporting Period, our revenue comprised primarily the toll income from the Jihe Expressway.

(1) Revenue

During the Year, the revenue from our Continuing Operations was approximately RMB921,735,000, representing a decrease of approximately 11.80% as compared to approximately RMB1,045,060,000 in the last year. For the Year, toll income from the Jihe Expressway was approximately RMB917,795,000, representing a decrease of approximately 11.57% as compared to approximately RMB1,037,932,000 in the last year. The decrease was mainly due to the decrease in traffic flow of truck during the Year as described below.

In addition to the toll income, we also recorded rental income from leasing the communication pipes along the Jihe Expressway, service income from road clearance of traffic accidents and service income derived from advertisement publication services and leasing advertisement billboards along both sides of the Jihe Expressway. During the Year, other than toll income, the revenue from other Continuing Operations was approximately RMB3,940,000, representing a decrease of approximately 44.73% as compared to approximately RMB7,128,000 last year, which was mainly due to (a) in 2017, the Company received a road resource occupation fee of RMB2,022,000, which was not available this year; and (b) due to the influence of the market environment and new media on traditional media, the advertising revenue of the Company declined in 2018.

(2) Analysis on traffic flow and toll income

Traffic Flow

	Year ended 31 December	
	2018	2017
	Traffic flow	Traffic flow
	(vehicle)	*(vehicle)*
Passenger vehicles		
Class 1	**12,052,683**	11,277,574
Class 2	**282,764**	213,027
Class 3	**358,036**	413,568
Class 4	**251,639**	285,775
Total traffic volume of passenger vehicles	**12,945,122**	12,189,944

	Year ended 31 December	
	2018	2017
	Traffic flow	Traffic flow
	(vehicle)	*(vehicle)*
Trucks		
Class 1	**1,000,469**	938,282
Class 2	**643,013**	755,759
Class 3	**412,723**	473,300
Class 4	**349,073**	394,388
Class 5	**3,938,616**	4,848,542
Total traffic volume of trucks	**6,343,894**	7,410,271
Total and average		
Total traffic volume of passenger vehicles and trucks(1)	**19,289,016**	19,600,215
Average daily traffic flow(2)	**52,847**	53,699

Notes:

(1) The traffic flow of the Jihe Expressway does not include vehicles exempted from paying tolls.

(2) Average daily traffic flow of the Jihe Expressway is calculated by dividing the traffic flow of the Jihe Expressway of that year by the number of days of that year.

The traffic flow of the Jihe Expressway decreased from 19.60 million vehicles in 2017 to approximately 19.29 million vehicles in 2018, representing an annual decrease of approximately 1.58%. Average daily traffic flow decreased from approximately 53,699 vehicles in 2017 to approximately 52,847 vehicles in 2018, representing an annual decrease of approximately 1.59%. The traffic volume of passenger vehicles increased by approximately 6.23% from approximately 12.19 million vehicles in 2017 to approximately 12.95 million vehicles in 2018. The traffic volume of trucks decreased by approximately 14.44% from approximately 7.41 million vehicles in 2017 to approximately 6.34 million vehicles in 2018.

The change of the traffic flow above was due to the following factors:

(i) owing to the continuing increase in car ownership in Shandong Province and the PRC in general, 2018 saw an increase in total traffic volume of passenger vehicles; on the other hand, affected by environmental protection policies, there was a decrease in traffic volume of earth-rock transportation vehicles, resulting in a decrease in total traffic volume of trucks in 2018;

(ii) from 1 November 2017 to date, trucks with five axles or above were restricted from using the Jinan-Qingdao Expressway (G20 Qingdao to Tangwang Interchange Section and G35 Tangwang Interchange to Jinan Toll Station Section); and due to the closure of both directions of G35 Xiaoxujia to Lingdian Interchange within the same period, many vehicles travelling between eastern Shandong Province (and surrounding Weifang City, Zibo City and other regions) and Heze City (and northern Jiangsu Province, Henan Province and other regions) could not access G20 and G35 (Jinan-Qingdao Expressway and the Jihe Expressway) and were diverted to G15 and G1511 (the Shenyang-Haikou Expressway and the Rizhao-Dongming Expressway), which caused a decrease in traffic flow particularly the traffic flow of trucks using the Jihe Expressway;

(iii) due to the road construction of the National Highway G105 in 2017, a number of vehicles were diverted to the Jihe Expressway, resulting a significant increase in traffic flow of the Jihe Expressway. Upon completion of the road construction of the National Highway G105 on 1 January 2018, vehicles from and to Pingyin South toll station and Dongping toll station were diverted back to the National Highway G105; and

(iv) due to the closure of the Pingyin South toll station – National Highway G105 Connect Line Expressway for construction from 20 November 2018 to 10 December 2018, all trucks and passenger vehicles with seven seats or above were restricted from using the said connect line expressway, resulting in decrease in the traffic volume from and to the Pingyin South toll station of the Jihe Expressway.

Toll Income

	Year ended 31 December (after tax)	
	2018	2017
Total toll income *(RMB'000)*	**917,795**	1,037,932
Average daily toll income *(RMB'000,000)*	**2.51**	2.84
Average toll income per vehicle[(1)] *(RMB)*	**48**	53

Note:

(1) Average toll income per vehicle is calculated by dividing the total toll income of our Company of that year by the traffic flow of the Jihe Expressway of that year.

Average daily toll income and average toll income per vehicle decreased from approximately RMB2.84 million and RMB53 respectively, for the year ended 31 December 2017, to approximately RMB2.51 million and RMB48 respectively, for the year ended 31 December 2018, representing a year-on-year decrease of approximately 11.62% and 9.43% respectively.

The change in the average daily toll income and the average toll income per vehicle was due to the following:

The traffic volume of trucks decreased by approximately 14.44% while the traffic volume of passenger vehicles increased by approximately 6.23%, leading to the change in the revenue structure by vehicle type. The decrease in traffic volume of trucks was greater than the increase in traffic volume of passenger vehicles, and the contribution of traffic volume of trucks to toll income was greater than that from the traffic volume of passenger vehicles, resulting in the decrease in average daily toll income and average toll income per vehicle.

(3) Cost of sales and gross profit

Cost of sales of our Group mainly comprised of amortisation of concession intangible assets, staff costs for frontline employees and maintenance costs and provisions of the Jihe Expressway, etc. During the Year, the cost of sales and gross profit from the Continuing Operations of our Group were approximately RMB299,208,000 and RMB622,527,000 respectively, as compared to approximately RMB292,850,000 and RMB752,210,000 respectively last year, representing a year-on-year increase of approximately 2.17% and a year-on-year decrease of approximately 17.24% respectively. During the Year, the gross profit margin of the Group remained stable at 67.54%, as compared with approximately 71.98% in the last year. The decrease in gross profit was mainly due to the decrease in toll income as described above.

(4) Other gains – net

During the Year, the other gains – net from the Continuing Operations of our Group was approximately RMB24,273,000 (approximately RMB5,397,000 last year), which mainly comprised of compensation income from road damages, net foreign exchange gains and government subsidies, etc. The significant increase was mainly caused by the net foreign exchange gains of approximately RMB15,299,000 for the Year.

(5) Administrative expenses

Administrative expenses of our Group comprised mainly of salaries and wages for headquarter employees, depreciation of property, plant and equipment and listing expenses, etc. During the Year, the administrative expenses from the Continuing Operations of our Group was approximately RMB77,382,000, representing an increase of approximately 60.40%, as compared to approximately RMB48,242,000 last year, which was mainly due to the increase in listing expenses and staff costs.

(6) Finance income

The finance income of our Group was interest on bank deposits. During the Year, the finance income of our Group was approximately RMB9,088,000, representing an increase of approximately 97.74%, as compared to approximately RMB4,596,000 last year, which was mainly attributable to the increase in amount of bank deposits.

(7) Finance costs

During the Year, the finance costs of our Group were approximately RMB33,989,000, representing a decrease of approximately 28.34%, as compared to approximately RMB47,428,000 last year. The finance costs decreased due to the repayment of certain bank borrowings.

(8) Income tax expense

Income tax expense of our Group decreased from approximately RMB167,661,000 in 2017 to approximately RMB136,012,000 for the Year, representing a decrease of approximately RMB31,649,000, which was mainly due to the decrease in profit before tax. Effective income tax rate of the Group was approximately 24.98%, which is in line with the applicable tax rate of 25%.

(9) Profit for the Year from Continuing Operations

Profit for the Year from Continuing Operations was approximately RMB408,505,000, representing a decrease of approximately 18.11% as compared to approximately RMB498,872,000 last year, and, if the effect of the listing expenses in relation to the Global Offering was excluded, decreased by approximately 15.05% from approximately RMB502,629,000 in the last year to approximately RMB426,963,000 for the Year. The decrease was primarily due to the decrease in toll income during the Year as described above. The profit margin of the Continuing Operations for the Year remained stable at 44.32%, as compared to 47.74% in 2017.

(10) Profit and total comprehensive income attributable to owners of the Company

During the Year, profit and total comprehensive income attributable to the owners of the Company was approximately RMB408,505,000, representing a decrease of approximately RMB119,647,000, or approximately 22.65%, as compared to approximately RMB528,152,000 in 2017. The decrease was mainly due to the cessation of Discontinued Operations in April 2017 and the decrease in toll income as described above.

(11) Earnings per share

Earnings per share is calculated by dividing the net profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the corresponding year. Earnings per share of our Group during the Year was RMB0.24 (RMB0.35 in 2017) and earnings per share from Continuing Operations of our Group was RMB0.24 (RMB0.33 in 2017).

(12) Liquidity and financial resources

During the Year, our Group financed its operation and capital expenditures with the Company's internal resources, proceeds from the Global Offering and long-term bank loans at floating interest rate. Total bank loans of our Group amounted to approximately RMB510,000,000 (approximately RMB825,000,000 for the last year) (which are all RMB-denominated), and total cash and cash equivalents (including bank deposits and cash) were approximately RMB1,006,860,000 (approximately RMB415,835,000 for the last year).

Our Group has always pursued a prudent capital management policy and actively managed its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital in future development. As at 31 December 2018, our Group's gearing ratio, calculated by dividing net debt[(1)] by total capital[(2)], was not applicable (approximately 14.18% for the last year).

Notes:

(1) Net debt = Total borrowings – Cash and cash equivalents

(2) Total capital = Total equity + Net debt

(13) Employees, remuneration policy and pension plans

As at 31 December 2018, our Group employed a total of 408 employees (as at 31 December 2017: 409) in the PRC, including the management staff, engineers, technicians, etc. During the Year, our Group's total expense on the remuneration of employees was approximately RMB73,516,000 (approximately RMB65,272,000 for the last year).

The remuneration for our Group's employees includes basic salaries, bonuses and other staff benefits, such as corporate annuity, supplementary medical insurance and group life accident insurance coverage. In general, our Group determines the remuneration of our employees based on their performance, qualifications, positions and seniority within our Group. Our Group also provides our employees with continuing education and regular on-the-job training based on their job duties. As stipulated by the laws and regulations in the PRC, our Group contributes to the State-sponsored retirement scheme for its employee in the PRC. Our Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising of wages, salaries and bonuses), while our Group contributes 18% of such relevant income, subject to certain ceiling. The State-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. In addition, our Group also operates an additional employee pension plan. All our employees are entitled to an additional pension each year aggregating to 8% of the previous year's salaries.

(14) Capital structure, cash flow and financial resources

Our Group's capital was mainly used for expressway maintenance and labour cost. In addition to listing proceeds, our Group's working capital requirement was mainly met by cash from operating activities and bank loans.

During the Year, net cash flow from operating activities was RMB667,836,000, representing a decrease of RMB7,804,000, or 1.16%, as compared to RMB675,640,000 in 2017. This decrease was mainly attributable to a decrease in toll income of our Company.

During the Year, our Group recorded net cash used in investing activities in the amount of RMB411,663,000 (net cash generated from investing activities in the amount of RMB188,480,000 in 2017). The cash outflow was mainly attributable to the subscription of structured bank deposits and wealth management products by our Company during the Year in the amount of RMB100,000,000 and RMB200,000,000 respectively.

During the Year, our Group recorded net cash generated from financing activities in the amount of RMB319,553,000 (net cash used in financing activities in the amount of RMB815,834,000 in 2017). Such cash inflow was mainly attributable to the successful Listing, which increased cash inflow from financing activities in the amount of RMB1,077,347,000.

In view of the above, as at 31 December 2018, the balance of cash and cash equivalents held by our Group was RMB1,006,860,000, representing an increase of RMB591,025,000, or 142.13%, as compared to RMB415,835,000 as at 31 December 2017.

As at 31 December 2018, the debt asset ratio (calculated by dividing total liabilities by total assets) of our Group was 18.87%, representing a decrease of 13.04 percentage points, as compared to 31.91% as at 31 December 2017. Such decrease was mainly attributable to: (i) the increase in the amount of equity upon the Listing; and (ii) the decrease in liabilities due to the repayment of certain bank borrowings.

The table below sets out the summary of the consolidated statement of cash flows of our Group during the Year:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Net cash generated from operating activities	**667,836**	675,640
Net cash (used in)/generated from investing activities	**(411,663)**	188,480
Net cash flow generated from/(used in) financing activities	**319,553**	(815,834)
Net increase in cash and cash equivalents	**575,726**	48,286
Cash and cash equivalents at the beginning of the year	**415,835**	367,549
Exchange gain on cash and cash equivalents	**15,299**	–
Cash and cash equivalents at the end of the year	**1,006,860**	415,835

(15) Foreign exchange risk

Our Group mainly operates in the PRC with most of the transactions settled in Renminbi.

As at 31 December 2018, our Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Foreign currencies held by our Group mainly consists of the temporarily unutilised foreign currency funds obtained upon the Listing. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on our Group. The management of our Group will continue to monitor our Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging, should the need arises.

(16) Bank borrowings

As at 31 December 2018, the total bank borrowings of our Group amounted to approximately RMB510,000,000 (as at 31 December 2017: approximately RMB825,000,000), representing a decrease of approximately 38.18% as compared to that of last year.

(17) Pledge of assets and contingent liabilities

During the Year, the Group had no pledge of assets or significant contingent liabilities.

(18) Capital commitments

As at 31 December 2018, the Group had capital expenditure contracted for but not recognised as liabilities of RMB76,997,000, namely the upgrade project of the Jihe Expressway (i.e. the Changqing University Science Park Interchange Project).

(19) Working capital management

	31 December 2018	31 December 2017
Current ratio	**2.86x**	1.11x
Quick ratio	**2.86x**	1.10x
Turnover days of trade receivables *(Days)*	**70**	52

As at 31 December 2018, the current ratio and quick ratio of our Group were 2.86 times and 2.86 times respectively, representing increases as compared to the current ratio and quick ratio of 1.11 times and 1.10 times, respectively, as at 31 December 2017, which was mainly due to the relatively substantial balance of monetary funds of our Company as at 31 December 2018. The turnover days of trade receivables for the year was 70 days, representing an increase of 18 days as compared to the turnover days of trade receivables of 52 days in 2017 and maintaining at a reasonable level. The increase in trade receivable turnover days was mainly caused by the relatively late settlement of toll receivables by the expressway toll settlement centre in Shandong Province.

(20) Significant investments or material acquisition or disposal

During the Year, there was no significant investments, material acquisition or disposal by our Company.

(21) Latest business development

Changqing University Science Park Interchange Project

As disclosed in the section headed "Business" in the Prospectus, the Changqing University Science Park Interchange Project obtained the approval on the project from the SDRC in December 2015. The total investment of the project is estimated to be RMB134.9 million, which is expected to be funded by the internal resources of our Company. The SDRC approved the extension of the construction period of the project.

During the Reporting Period, our Company held the kick-off ceremony for the Changqing University Science Park Interchange Project.

The project obtained the Reply on Construction Drawing of Changqing University Science Park Interchange Project Along Jinan – Guangzhou Expressway by Shandong Provincial Traffic Transport Department (Lu Jiao Jian Guan [2018] No. 62) (《山東省交通運輸廳關於濟廣高速公路大學科技園互通立交工程施工圖設計文件的批覆》(魯交建管[2018]62號)) on 24 August 2018 and the Approval of the Land Used for Construction by the Shandong Provincial People's Government (Lu Zheng Tu Zi [2018] No. 1262) (山東省人民政府建設用地批件(魯政土字[2018]1262 號)) on 17 November 2018. On 9 December 2018, our Company held a kick-off ceremony for the project.

Our Company selected, through public bidding, CSCEC Road and Bridge Group Co., Ltd.* (中建路橋集團有限公司) as the contractor for the construction with the bidding amount of RMB83,896,000 and Jinan Jinnuo Highway Engineering Supervision Co., Ltd.* (濟南金諾公路工程監理有限公司) as the supervisor with the bidding amount of RMB1,490,000.

On 2 January 2019, the contractor granted an order of work commencement with a construction period starting from 9 January 2019. The total construction period of the project is expected to be approximately 20 months.

Discontinued Operations

In April 2017, our Company underwent the Reorganisation for the purpose of the Listing and enabling us to focus on our Expressway Business and Advertisement Business. Under the Reorganisation, the entire equity interests in Jihe Service, all of our 51.00% equity interests in Jihe Petroleum and certain ancillary facility assets along the Jihe Expressway were disposed of to Qilu Transportation and its subsidiary. Jihe Petroleum was principally engaged in the operation of gas stations along the Jihe Expressway for retail of petroleum, gas and oil products. Jihe Service was principally engaged in provision of services, including vehicle parking, vehicle repair, catering services and supermarket operation in the service areas and parking areas alongside the Jihe Expressway. Therefore, the expressway service area business under Jihe Service and the petrochemical, oil and gas business under Jihe Petroleum were presented as Discontinued Operations in our Group's consolidated financial statements.

Since the disposal of Jihe Service and Jihe Petroleum in April 2017, we ceased to conduct the Discontinued Operations and, as a result, we did not recognise any profit for the Year from the Discontinued Operations (RMB32.0 million for last year due to one-off gain from the disposal of the equity interests in Jihe Service and Jihe Petroleum and certain ancillary facility assets along the Jihe Expressway amounting to approximately RMB43.6 million).

(II) PROMINENT RISK FACTORS

The risk exposed to a company refers to the impact on the ability of a company to realise its business objectives by the uncertainties arising in the future. Our Company is mainly engaged in the construction, operation and management of expressway. We believe that our Company is primarily exposed to political market and management risks. Our Company attaches great importance to the above risks by taking the initiative to identify, evaluate and respond to the risks arising in the course of operation and establishing and improving the systematic risk management mechanism.

(1) Political risk and measures

In terms of toll collection, the profit of our Company is mainly derived from the operation of toll roads. Pursuant to the Highway Law of the PRC (《中華人民共和國公路法》), the Regulations on the Administration of Toll Roads (《收費公路管理條例》) and other relevant rules, expressway companies do not have the independent pricing right of toll rates, and the determination and adjustment of toll rates of expressways under their control shall be reported to the competent transport authority and pricing authorities at the provincial level for review and approval. If there are significant changes in the operating environment, price level and operating costs and other factors, expressway companies may apply to the above authorities for adjustment to toll rates. However, there is no assurance that the application will be approved in time. In addition, as PRC residents generally pay close attention to the toll collection policy for expressways, our Company may be exposed to greater public pressure on favorable adjustments to policies. If the government introduces new toll collection policies for expressways and preferential policies on toll collection, expressway companies shall comply with such requirements, which will affect the stability of their operational efficiency to a certain extent.

In terms of concession rights, toll road assets are relatively monopolised under concession arrangements with a finite term of toll collection, and the sustainable development of expressway operators is exposed to stringent challenges upon expiration of the term of toll collection.

As to political risks, on the one hand, our Company shall take the initiative to strengthen the communication and reporting with the competent government authorities, and strive to win support and understanding from the government and society; on the other hand, it is necessary to strengthen its own strength and reinforce risk resistance capability. In addition, under the principle of self-motivation and prudence, our Company fully capitalises on its resource advantages such as management and technology, and actively conducts research and attempts to explore the industries and businesses that relate to the toll road industry and the core business competence of our Company so as to implement diversified development strategies that are highly related to our principal businesses.

(2) Changes in macroeconomic environment and measures

The toll road industry is sensitive to macroeconomic changes. Macroeconomic changes have direct impact on the demand for road transport, which in turn affects the traffic flow of toll road projects and the business performance of our Company. Although the long-term trend of stable economic development in the PRC remains promising, attention should still be paid to the current pressure of economic fluctuation. The potential landscapes and new problems to be raised in the existing economic operation at home and abroad will also pose potential worries and challenges to the PRC economy.

Our Company will analyse and study on the adjustments to relevant industrial policies, proactively communicate and coordinate with competent government authorities, and spare no efforts in safeguarding the interests of our Company and investors; through the analysis on the current economic situation and regulatory targets, judge the impact of the trend in macroeconomy on the demand for road transport, regularly collect the data of economic development in Shandong Province and surrounding regions, analyse the characteristics of the traffic flow of road network and the change of vehicle structure, and mitigate the negative impacts on our Company's operation brought by the changes in economic environment.

(3) Diversified travel patterns and changes in road network

With the rapid construction of the national railway network, the travel duration between any two cities/countrysides in the PRC will be substantially reduced by travelling via high-speed railway and intercity express, which has influenced the number of passengers on highways to a certain extent. On the other hand, the further optimisation of expressway networks will keep increasing parallel roads and alternative roads, and road network diversion has brought about negative impacts on the growth in our Company's toll revenue. Meanwhile, the overhaul, renovation and expansion of the roads along the toll road as well as the treatment works on the surrounding road and bridge projects will cause a change in the traffic flow of the road network, imposing an impact on the operating performance of our Company as to our expressway projects.

Our Company will keep abreast of road network planning and the status of project construction in a timely manner, conduct specialised analysis on road network in advance, and make reasonable prediction on the impact of relevant projects on the traffic flow of the existing projects of our Company. Our Company will make good use of its advantage of informatisation in carrying out marketing activities for road sections while maintaining effective publicity and diversion to attract traffic flow. Our Company will also continue to promote quality service with a smile (微笑服務), improve the efficiency of tolling, road traffic capacity and service level, and enhance the competitiveness of the road sections operated by our Company in the road network.

(4) Management risk and measures

Upon completion and operation of the Jihe Expressway, our Company shall conduct routine maintenance for roads to ensure a favorable traffic environment. Whereas the scope of maintenance is relatively broad with longer maintenance duration, the traffic flow may be affected; and in the process of operation, the expressway may suffer from serious damage when encountering flood, earthquake and other unforeseeable natural disasters, which may result in the failure of the expressway to maintain normal operation for a period of time. Further, in case of dense fog and heavy snow and ice, the expressway may be partially or even completely closed for a short time. In the event of serious traffic accidents, there may be traffic jams, weakened traffic capacity and damage to roads and bridges. These situations will directly lead to decreased toll revenue and increased maintenance costs, which will pose a negative impact on the operating performance of our Company.

In light of the above said management risks, our Company has adopted and will continue to adopt measures to prevent and respond to the following aspects: strengthening the preventive maintenance and repair works on roads, reasonably arranging construction and maintenance project implementation plans; effectively playing the role in linkage coordination mechanism with the traffic police, road administration and other departments, as well as reinforcing road patrol system under bad weather conditions, so as to ensure smooth and safe traffic on the Jihe Expressway.

(III) FUTURE PLANS

2019 is the first year upon Listing when we start our new steps in capital markets. With increasing pressure on the prevailing macroeconomy development, the unclear situation faced by the capital markets at home and abroad, and weakened investment demand, the overall work concepts of our Company for 2019 is to, with our Shareholders' support and under the high-calibre leadership of the Board, maintain the positioning strategies on focused development and transformation, emphasise reformation and innovation, capital operation and road-asset investment diversification, nurture new driving forces, with the core works and key works on enhancement of economic efficiency and optimisation of capital operation, in order to improve overall development quality and efficiency, laying a solid foundation for the establishment of a domestically leading listed company that outperforms its competitors in the industry.

In order to achieve the abovementioned objectives, our Company will duly carry out the following four aspects of work:

(1) **Effective toll operation and management:** firstly, our Company will carry out accurate allocation of tolls and governance on toll evasion, proactively increase channels for revenue growth, and ensure that the missions and indicators for tolls are achieved. Secondly, our Company will actively promote the construction of smart (智能化) toll stations, comprehensively improve the level of software and hardware adopted by toll stations, and gradually realise quantification of operation and management, smart tolling facilities, and efficient field duty. Thirdly, our Company will extensively commence star-level assessment (星級考核) and brand building activities, play the typical leading and exemplary role of star-level toll stations and toll collectors, actively create the service brand of "Qilu Expressway", and continuously improve its image. Fourthly, our Company will make innovations in toll payment models. With "Internet+" technology and the development of electronic finance, we will actively develop new methods for toll payment. The Company will continue to promote the use of Alipay, WeChat Pay and other methods for toll payment at toll stations. We will conduct a research on the feasibility of contactless payment (無感支付) in toll stations of our Company to facilitate public travel and effectively improve the service capacity of the expressway.

(2) **Regular maintenance and management of expressway:** firstly, our Company will continue to implement precise maintenance and comprehensively improve the quality of maintenance and management. Secondly, our Company will deliver premium maintenance projects and implement stringent quality safety regulation and traffic organisation guarantee to ensure a premium project rate (工程優良率) of 100%. Thirdly, our Company will improve the maintenance safety level. We will improve the management measures for the maintenance and safe operation of long and large bridges, continue to implement the dynamic supervision and green channel maintenance system for bridges, and monitor damaged bridges by specialised personnel to ensure safe operation. Fourthly, our Company will standardise construction works and strictly implement the dual approval system. It will also strengthen daily maintenance management while carrying out flood prevention, snow and skid prevention, emergency treatment for bridge damages in order to ensure smooth traffic and road safety;

(3) **Strict risk compliance management:** firstly, our Company will continue to promote the construction of dual foundation for safety production, integrate the consciousness of "placing safety foremost among all priorities" into the whole process of production, operation and management, solidly carry out investigation and treatment of hidden dangers, and improve the level of risk control over safety production. Secondly, we will vigorously promote the establishment of the dual system of (i) categorized risk management and (ii) investigation and treatment of hidden dangers, extensively implement the standardisation of safety production and technology-oriented approach for safety emergency with an aim to achieve fundamental safety. Thirdly, our Company will put more resources into publicity and education by organising regular safety training to reinforce the consciousness of safety production and safety quality level of all staff in a practical manner. Fourthly, we will promote the development of a comprehensive risk management system and keep on enhancing our ability in risk prevention and control. Fifthly, our Company will improve the quality control on audit works, strengthen our efforts in audit supervision over key projects, material funds and high-risk domains, such as maintenance, housing construction, mechanical and electrical engineering, and financial information, adopt measures including ex-ante procedure, in-process tracking and obstacle supervision to improve the level of internal control of our Company. Sixthly, our Company will improve the bidding and procurement system, strengthen the bidding supervision and management mechanism, and refine the procedures for bidding and procurement supervision so as to standardise the supervision process in details with suitable competent personnel deployed and ensure that contract management is executed in accordance with laws and regulations.

(4) **Streamlined internal control on financial affairs:** our Company will make a better environment with established and optimised management system on financial affairs, strengthen the management consciousness of a streamlined internal control on financial affairs, comprehensively upgrade the accuracy and rigid binding of budget, formulate a more targeted assessment and incentive system, facilitate the rational flow among internal resources, and strive for realisation of benefits. Our Company will also present its financial statements with decreased costs, improved efficiency, and achieved benefits. Firstly, our Company will adhere to the principle of value maximisation by forming all systems under the principle of maximisation of the overall value of our Company, which is favorable to the quality and efficiency of our Company's development. Secondly, our Company will strengthen its budget control and capital management and continuously improve the utilisation of funds. We will also capitalise on capital markets to promote asset securitisation, revitalise dormant assets and broaden financing channels. We will also strengthen tax planning, prevent tax risks, and achieve standardised management of our Company.

In addition, our Company strives to implement our strategies including (i) paying close attention to high quality road-related assets to expand our business; (ii) further strengthening the application of information technology and improve the effectiveness of our technology; (iii) continuing to improve our operating efficiency and enhance our profitability; and (iv) establishing a more complete human resources system to attract, motivate and nurture high quality talents in road operation and management. Please refer to the sub-section headed "Business – Our Competitive Strengths and Strategies – Business Strategies" in the Prospectus for details. As of the date of this announcement, we were still in the process of identifying suitable acquisition or investment target of the road-related asset, and had neither entered into any agreement or memorandum of understanding with any potential target. Further announcements on the latest developments will be made by the Company in accordance with the requirements of relevant laws and regulations (including but not limited to the Listing Rules).

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Group is committed to maintaining high level of corporate governance. The Board is responsible for the implementation of corporate governance, including: (a) formulating, developing and reviewing the corporate governance policies and practices of the Company; (b) reviewing and supervising the training and continuous professional development of the Directors and senior management; (c) reviewing and supervising the policies and practices for the compliance of laws and regulatory requirements by the Company; (d) developing, reviewing and supervising the code of conduct and compliance manual, if any, for employees and the Directors; and (e) reviewing the compliance of the Corporate Governance Code by the Company and the disclosure in the corporate governance report. In the past year, actions and measures were taken by the Board to improve the corporate governance gradually and further strengthen the development of the Company's corporate governance system. The Board believes that an effective corporate governance system can safeguard the best interests of the Shareholders and promote the value and accountability of the Company.

Our Company has adopted and complied with all applicable code provisions of the Corporate Governance Code. Since the Listing, our Company has been in compliance with the applicable code provisions of the Corporate Governance Code.

The Board will continue to review and improve its corporate governance system to ensure the compliance of the Corporate Governance Code.

THE BOARD

Duties and Division of Responsibility

The Board shall act in the interests of all the Shareholders and shall be accountable to the general meeting. The Board shall mainly be responsible for: implementing the resolutions of the general meeting; determining the operation plan and investment program of the Company; formulating the annual financial budget plan and final accounting plan of the Company; formulating the profit distribution plan of the Company; determining the establishment of internal management bodies and formulating the basic management system of the Company. The Company has established four special committees under the Board to oversee specific matters of the Company, namely, the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee. The Board has delegated relevant duties to the respective committees, which are contained in the terms of reference of the relevant committees. Besides, the management of the Company will provide sufficient consultation to the Board and the Board committees when appropriate to facilitate the Directors in making informed decision.

The Chairman and the General manager

The Board is responsible for decision making on important matters of the Company and the management is authorised to manage the daily operation of the Company. The Company does have the post of general manager. During the Year, Mr. Li Gang and Mr. Peng Hui acted as the Chairman and the general manager of the Company, respectively, with clear division of duties. The Chairman shall oversee the work of the Board and monitor the implementation of the resolutions adopted by the Board, and the general manager shall coordinate the operation of the business of the Company under the supervision of the Board. As such, the Company has complied with the requirements under code provision A.2.1 of the Corporate Governance Code. Save as disclosed in the section headed "Profiles of Directors, Supervisors and Senior Management" in this annual report, there is no financial, business, family or other important relationship between the Directors, the Chairman and the general manager.

Composition of the Board

As of 31 December 2018, the Board comprised fifteen Directors, including two executive Directors, Mr. Li Gang (Chairman), Mr. Peng Hui (general manager), eight non-executive Directors, Mr. Cheng Dalong, Mr. Wang Shaochen, Mr. Wu Dengyi, Mr. Li Jie, Mr. Wang Long, Mr. Su Xiaodong, Mr. Yuan Ruizheng and Mr. Tang Haolai, and five independent non-executive Directors, Mr. Wu Yuxiang, Mr. Cheng Xuezhan, Mr. Li Hua, Mr. Wang Lingfang, and Mr. He Jiale. The particulars of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

During the Year, the Board had complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules to have not less than three independent non-executive Directors, including at least an independent non-executive Director who has the relevant professional qualification or is an expert in accounting or financial management. Besides, in accordance with Rule 3.10A of the Listing Rules, not less than one third of the Directors shall be independent non-executive Directors. From the date of Listing to 27 December 2018, the Company had four independent non-executive Directors, representing four twelfths of the total number of Directors, and had five independent non-executive Directors from 28 December 2018, representing five fifteenths of the total number of Directors; therefore, the Company has been in compliance with relevant requirements.

In accordance with the Articles of Association, the Directors (including non-executive Directors) shall have a term of office of three years from the date of passing the resolution of the general meeting until the expiration of term of office of the Board. The Directors are eligible for re-election upon the expiration of term of office, provided that no independent non-executive Director shall serve consecutive terms for more than six years.

Time Commitment of Directors

In addition to attending formal meetings, the Directors shall also review reports of the management and regular operation reports of the Company and understand all affairs and matters of the Company through field visit and other channels, so as to effectively perform their duties. After making particular enquiries, the Board is of the view that the Directors have devoted sufficient time and efforts to perform their duties.

Training and Professional Development of Directors

During the Year, all Directors have received trainings in the written form or by participating in seminars. The trainings were mainly about (i) the obligations of compliance with the Listing Rules by the Directors, Supervisors and senior management of companies listed in Hong Kong; and (ii) the compliance requirement for connected transaction of listed companies under the Listing Rules.

The Directors will be updated with the latest developments in legal and regulatory requirements and the operation of the Company to facilitate the performance of their duties. Training will also be provided for the Directors when necessary to ensure that the Directors understand the business and operation of the Group, and their duties and obligations under the Listing Rules and the applicable laws and regulations.

The individual training record of each Director received for the year is summarised below:

Name	Attending or participating in seminars reading materials relevant to the director's duties
Executive Directors	
– Li Gang *(Chairman)*	✔
– Peng Hui	✔
Non-executive Directors	
– Chen Dalong	✔
– Wang Shaochen	✔
– Wu Dengyi	✔
– Li Jie	✔
– Wang Long	✔
– Su Xiaodong	✔
– Yuan Ruizheng (appointed as non-executive Director on 28 December 2018)	✔
– Tang Haolai (appointed as non-executive Director on 28 December 2018)	✔
Independent Non-executive Directors	
– Wu Yuxiang (appointed as independent non-executive Director on 7 June 2018)	✔
– Cheng Xuezhan (appointed as independent non-executive Director on 7 June 2018)	✔
– Li Hua (appointed as independent non-executive Director on 7 June 2018)	✔
– Wang Lingfang (appointed as independent non-executive Director on 7 June 2018)	✔
– He Jiale (appointed as independent non-executive Director on 28 December 2018)	✔

Meetings of the Board

Unless otherwise specified by the Articles of Association, more than half of the number of Directors shall form a quorum of a Board meeting. A Director who is unable to attend Board meeting may appoint another Director to attend on his behalf as a proxy by a power of attorney which shall contain the name and capacity of the proxy and the scope and duration of the appointment. No Director shall vote on any resolution for himself or on behalf of other Directors if he has interest in the parties or matters in relation to the resolution. The Board meeting may be held by telephone or other similar communications equipment. Any Director who fails to attend a Board meeting in person or by proxy shall be deemed to have waived his voting rights. The Board shall prepare minutes of Board meetings after meetings are concluded to record the matters resolved. The minutes shall be initialed by all Directors who have attended the meeting and the person who has prepared the minutes.

All Directors are provided with all relevant information of matters to be discussed in the Board meetings in a timely manner, and they may seek independent professional advice and services from the company secretary and senior management of the Company. Upon reasonable request to the Board, the Directors may seek independent professional advice, as and when necessary, at the Company's expenses.

During the Year, the Board convened seven meetings.

During the Year, the attendance record of Directors at the Board meetings is as follows:

Name	Number of meetings attended/ Number of meetings held during Directors' term of office	Number of meetings attended by entrusting other Directors	Attendance rate
Executive Directors			
– Li Gang *(Chairman)*	7/7	0	100%
– Peng Hui	7/7	0	100%
Non-executive Directors			
– Chen Dalong	7/7	0	100%
– Wang Shaochen	7/7	0	100%
– Wu Dengyi	7/7	0	100%
– Li Jie	7/7	0	100%
– Wang Long	7/7	0	100%
– Su Xiaodong	7/7	0	100%
– Yuan Ruizheng (appointed as non-executive Director on 28 December 2018)	Not applicable (no board meeting convened during the term)	Not applicable	Not applicable
– Tang Haolai (appointed as non-executive Director on 28 December 2018)	Not applicable (no board meeting convened during the term)	Not applicable	Not applicable
Independent Non-executive Directors			
– Wu Yuxiang (appointed as independent non-executive Director on 7 June 2018)	4/4	0	100%
– Cheng Xuezhan (appointed as independent non-executive Director on 7 June 2018)	3/4	1	75%
– Li Hua (appointed as independent non-executive Director on 7 June 2018)	4/4	0	100%
– Wang Lingfang (appointed as independent non-executive Director on 7 June 2018)	4/4	0	100%
– He Jiale (appointed as independent non-executive Director on 28 December 2018)	Not applicable (no board meeting convened during the term)	Not applicable	Not applicable

During the Year, the Company held three general meetings. The attendance record of Directors at the general meetings during the Year is as follows:

Name	Number of meetings attended/Number of meetings held during Directors' term of office	Attendance rate
Executive Directors		
– Li Gang *(Chairman)*	3/3	100%
– Peng Hui	3/3	100%
Non-executive Directors		
– Chen Dalong	3/3	100%
– Wang Shaochen	3/3	100%
– Wu Dengyi	3/3	100%
– Li Jie	3/3	100%
– Wang Long	3/3	100%
– Su Xiaodong	3/3	100%
– Yuan Ruizheng (appointed as non-executive Director on 28 December 2018)	Not applicable (no board meeting convened during the term)	Not applicable
– Tang Haolai (appointed as non-executive Director on 28 December 2018)	Not applicable (no board meeting convened during the term)	Not applicable
Independent Non-executive Directors		
– Wu Yuxiang (appointed as independent non-executive Director on 7 June 2018)	1/1	100%
– Cheng Xuezhan (appointed as independent non-executive Director on 7 June 2018)	0/1	0%
– Li Hua (appointed as independent non-executive Director on 7 June 2018)	1/1	100%
– Wang Lingfang (appointed as independent non-executive Director on 7 June 2018)	1/1	100%
– He Jiale (appointed as independent non-executive Director on 28 December 2018)	Not applicable (no board meeting convened during the term)	Not applicable

Board Committees

The Board has four committees, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

During the Year, the attendance record of Directors at each Board committee is as follows:

	Number of meetings attended/Number of meetings held during Directors' term of office			
Name	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee
Executive Directors				
– Li Gang *(Chairman)*	–	–	1/1	–
– Peng Hui	–	–	–	–
Non-executive Directors				
– Chen Dalong	–	–	–	–
– Wang Shaochen	2/2	–	–	–
– Wu Dengyi	–	–	–	–
– Li Jie	–	–	–	–
– Wang Long	–	–	–	–
– Su Xiaodong	–	–	–	–
– Yuan Ruizheng (appointed as non-executive Director on 28 December 2018)	–	–	–	–
– Tang Haolai (appointed as non-executive Director on 28 December 2018)	–	–	–	–
Independent Non-executive Directors				
– Wu Yuxiang (appointed as independent non-executive Director on 7 June 2018)	2/2	–	1/1	–
– Cheng Xuezhan (appointed as independent non-executive Director on 7 June 2018)	–	1/1	–	–
– Li Hua (appointed as independent non-executive Director on 7 June 2018)	2/2	1/1	1/1	–
– Wang Lingfang (appointed as independent non-executive Director on 7 June 2018)	–	1/1	1/1	–
– He Jiale (appointed as an independent non-executive Director on 28 December 2018)	–	–	–	–

Audit Committee

The major responsibilities of the Audit Committee include but are not limited to (1) proposing the appointment, re-appointment or termination of external auditor; (2) reviewing and supervising the independence and objectiveness of the external auditor and the effectiveness of the audit process in accordance with applicable standards; (3) reviewing the financial information of the Company and its disclosure; (4) supervising the financial reporting system, the risk management and the internal control procedures of the Company; and (5) to strengthening the communication between, the internal auditor and the external auditor. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee comprises three Directors, including Mr. Wu Yuxiang, Mr. Li Hua and Mr. Wang Shaochen. Mr. Wu Yuxiang, the independent non-executive Director, acts as chairman of the committee. All members of the Audit Committee are non-executive Directors, among whom, Mr Wu Yuxiang and Mr. Li Hua are independent non-executive Directors.

During the Year, the Audit Committee convened two meetings to, among others, review the financial results of the Group for the six months ended 30 June 2018 before submitting to the Board for approval.

The Audit Committee has reviewed and confirmed the audited consolidated financial statements in this annual report and has discussed with the management on the financial statements and the internal control of the Company. The Audit Committee is of the view that these financial statements are prepared in accordance with the applicable accounting standards and requirements and the disclosure is adequate.

The Audit Committee is also aware of the existing risk management and internal control systems of the Group, and is aware that such systems will be reviewed annually.

Remuneration and Appraisal Committee

The major responsibilities of the Remuneration and Appraisal Committee include but are not limited to (1) reviewing the remuneration packages and policies of all Directors and senior management and providing advice to the Board on establishing a formal and transparent remuneration policy determination procedure; (2) reviewing the policy and structure of the remuneration of Directors, Supervisors and senior management (including non-monetary benefits, pension and allowance) and the remuneration policy determination procedure, and providing advice to the Board in this regard; (3) proposing to the Board on the remuneration of non-executive Directors; (4) reviewing and monitoring the compensation for Directors who are dismissed or removed due to misconduct so as to ensure that the compensation is in compliance with the contract terms or reasonable and appropriate if not in compliance with the contract terms; and (5) monitoring the implementation of the remuneration policy for Directors, Supervisors and senior management. The terms of reference of the Remuneration and Appraisal Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration and Appraisal Committee comprises three Directors, including Mr. Li Hua, Mr. Cheng Xuezhan and Mr. Wang Lingfang, all being independent non-executive Directors. Mr. Li Hua, an independent non-executive Director, acts as chairman of the committee.

During the Year, the Remuneration and Appraisal Committee convened one meeting to discuss the proposed remuneration of the candidates for Directors.

In accordance with paragraph B.1.5 of the Corporate Governance Code, the remunerations of the senior management by remuneration band for the year ended 31 December 2018 are set out below:

No. *(Notes)*	**Remuneration band** *(RMB)*	**Numbers of persons**
1	0 – 500,000	27
2	500,001 – 1,000,000	2

Notes:

No.1 includes 13 Directors, 9 Supervisors and 5 members of the senior management; and

No.2 includes 2 Directors.

Further details of the remunerations of the Directors and the five highest-paid employees as required under Appendix 16 to the Listing Rules are disclosed in Note 8 to the consolidated financial statements for the Year.

Nomination Committee

The major responsibilities of the Nomination Committee are (1) to review the criteria and procedure for selection of Directors and senior management, and the structure, number of members and composition (including but not limited to skill, knowledge and experience) of the Board and senior management once a year, and to propose changes to the Board and senior management for implementation of the Company's strategy; (2) to identify, select and nominate candidates for Director and senior management for approval by the Board or to advise the Board in this regard; (3) to advise the Board on the appointment, re-appointment and succession of Directors and senior management; (4) to review the independence of the independent non-executive Directors; and (5) to perform other duties delegated by the Board. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises four Directors, including Mr. Li Gang, Mr. Wu Yuxiang, Mr. Li Hua and Mr. Wang Lingfang. The independent non-executive Directors represent a majority in the committee. Mr. Li Gang, the Chairman, acts as chairman of the committee.

During the Year, the Nomination Committee has mainly performed the following work: to assess the suitability of candidates who were nominated as the Directors, Supervisors and senior management of the Company during the Year and advise the Board on the appointment of such candidates, and to review the composition of the Board in accordance with the requirement of the Board Member Diversity Policy.

During the Year, the Nomination Committee held one meeting to accomplish all the tasks above.

The Company also adopted a nomination policy on 21 March 2019, which provides that one criterion for considering a candidate as qualified is that such candidate is able to devote sufficient time and energy to company affairs, contribute to the diversity of the Board and effectively fulfil duties of the Board.

Strategy Committee

The major responsibilities of the Strategy Committee are (1) to review and advise on the long-term development strategy of the Company; (2) to review and advise on major investment and financing plans to be approved by the Board as required by the Articles of Association; (3) to review and advise on major capital operation and asset operation to be approved by the Board as required by the Articles of Association; (4) to review and advise on other significant matters affecting the development of the Company; (5) to inspect the implementation of the above matters; and (6) to perform other duties delegated by the Board. The terms of reference of the Strategy Committee are available on the websites of the Company and the Stock Exchange.

The Strategy Committee comprises five Directors, including Mr. Li Gang, Mr. Peng Hui, Mr. Wang Shaochen, Mr. Wu Yuxiang and Mr. Li Hua. Mr. Li Gang, the Chairman, acts as chairman of the committee.

Diversity of the Board

In accordance with the Listing Rules, the Board has developed and adopted the Board Member Diversity Policy. With reference to the policy above, the Nomination Committee has reviewed the composition of the Board in accordance with the Listing Rules and concluded that the composition of the Board is in compliance with the diversity requirements of the Listing Rules in terms of age, educational background, industry experience, region and duration of service.

DIRECTORS

Appointment and Re-election of Directors

Directors (including non-executive Directors and independent non-executive Directors) shall be elected by the general meeting with a term of office of three years from the date of passing the resolution of the general meeting until the expiration of term of office of the Board. The Directors are eligible for re-election upon the expiration of term of office, provided that no independent non-executive Director shall serve consecutive terms for more than six years.

The Chairman and the Vice Chairman shall be elected and removed by over half of the members of the Board, with a term of office of three years, and may be re-elected upon the expiration of term.

Each of the current Directors has entered into a service contract with the Company, effective for three years upon approval by Shareholders and subject to termination in accordance with the terms of the respective contracts.

None of the Directors has entered or proposed to enter into a service contract with any member of the Group, other than those contracts that would be expired within one year or whose relevant employers could terminate within one year without the payment of compensation (except statutory compensation).

Nomination of Directors

In accordance with the Articles of Association, the candidates of Directors shall be nominated or recommended by the existing Board or in the form of proposal by the Shareholders separately or jointly holding over 3% of the Shares of the Company. The Board shall verify the qualifications and requirements of the candidates of Directors, and a written resolution should be proposed at the general meeting for approval after the candidate of Director is determined by proposal.

Independence of Independent Non-executive Directors

The Company currently has five independent non-executive Directors, and none of them has served as independent non-executive Director for more than six years. The number and qualification of the independent non-executive Directors are in compliance with the requirements of the Listing Rules and the Articles of Association. Their independence is highly guaranteed as none of the independent non-executive Directors has any business and financial relationship with the Company or its subsidiaries and has no management function in the Company.

Each of our five independent non-executive Directors has given their written confirmation of their independence in accordance with Rule 3.13 of the Listing Rules. Based on such confirmation and to be best knowledge of the Board, all current independent non-executive Directors are independent and are in compliance with the requirement of Rule 3.13 of the Listing Rules.

Compliance with the Model Code

Since the Listing, our Company had adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms not less than the required standard set out in the Model Code. Having made specific enquiries with all the Directors and Supervisors, it was confirmed that the Directors and Supervisors have complied with the Model Code in relation to securities transactions by the Directors and its standards of code of conduct and there had not been any non-compliance with the relevant requirements of the Model Code.

Directors' Preparation Responsibilities on Financial Statements

The Directors acknowledge their responsibilities to prepare the financial statements for the year ended 31 December 2018 to give a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.

According to Code C.1.1 of the Corporate Governance Code, the management shall provide sufficient explanation and information to the Board so that the Board can have an informed assessment of such information before financial and other information are submitted to the Board for approval. The Company will also provide monthly reports on the results, positions and prospects of the Group to all members of the Board.

SHAREHOLDERS AND GENERAL MEETINGS

Particulars of Controlling Shareholders

Controlling shareholders of the Company are Qilu Transportation, China COSCO Shipping Corporation Limited, China Ocean Shipping Company Limited, and COSCO SHIPPING (Hong Kong).

The operation of the Company is independent from its controlling shareholders in terms of personnel, organisation, assets and business. The activities of controlling shareholders are governed, and controlling shareholders have not taken any action beyond their authority without approval of the Shareholders at the general meeting and have not directly or indirectly intervened the operation and decision of the Company.

Shareholdings of the substantial shareholders and details of the Non-Competition Agreement and Undertaking of controlling shareholders during the Year are set out in the "Report of the Board of Directors" in this report.

General Meetings

The Company is committed to ensuring that all Shareholders, in particular the minority Shareholders, are treated equally and are able to exercise all their rights. The general meeting is the highest authority of the Company and performs its duties in accordance with all applicable laws.

To safeguard the interests and rights of Shareholders, all major matters shall be proposed as separate resolutions at the general meeting for consideration in accordance with the applicable laws and the Listing Rules. The rights of Shareholders and voting procedures of the general meeting shall be contained in the relevant circular in accordance with the Articles of Association and the Listing Rules, which shall be dispatched to Shareholders within a specified period of time and shall be published on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Company convened one annual general meeting and two extraordinary general meetings. For details of proposals and resolutions considered at the extraordinary general meeting held on 28 December 2018, please refer to relevant announcements published on the websites of the Stock Exchange and the Company.

CONTROL SYSTEM

Supervisory Committee

The Supervisory Committee is the supervisory authority of the Company and shall be accountable to the general meeting. Supervisors shall act independently in accordance with the laws to protect the legitimate interests of Shareholders and the Company.

The authority and duties of the Supervisory Committee include (but are not limited to): (1) reviewing the financial statements, business report and profit distribution plan prepared by the Board and retaining certified accountant or certified auditor to review the financial information; (2) supervising the financial activities of the Company; (3) demanding the rectification of acts of the Directors, general manager and senior management which are against the interests of the Company; and (4) exercising other power, authority and duties in accordance with the Articles of Association.

As at 31 December 2018, the Supervisory Committee comprises eight members, including three employee representative supervisors (i.e. Mr. Lian Shengguo, Mr. Hao Dehong and Ms. Hou Qinghong) , three shareholder representative Supervisors (i.e. Ms. Meng Xin, the chairman of Supervisory Committee, Mr. Liu Ligang and Mr. Wu Yongfu) and two independent Supervisors (i.e. Mr. Li Ruzhi and Ms. Jiang Xiaoyun).

Supervisors who are representatives of the Shareholders shall be elected and removed by the general meeting. Employee representative supervisors shall be elected and removed by the employee representative meeting, employee general meeting or other democratic procedures. Each Supervisor shall have a term of three years from the date when relevant resolution is approved by the general meeting or employee representative meeting until the expiration of the term of the Supervisory Committee, subject to re-election upon the expiration.

Particulars of the Supervisors are set out in the section “Profiles of Directors, Supervisors and Senior Management” of this report.

During the Reporting Period, the Supervisory Committee convened two regular meetings, at which proposals, including the Resolution on 2017 Work Report of the Supervisory Committee, were considered and approved.

Internal Control and Risk Management

The Board shall have the decision on all operation matters and is committed to establishing and improving the internal control and risk management system. It shall also supervise the implementation of the risk management and internal control system to safeguard the investment of the Shareholders and the assets of the Group.

The Board recognises its responsibility on risk management and internal control systems and reviews their effectiveness. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and only provide reasonable but not absolute guarantee of material misrepresentation or loss.

The Board has delegated its responsibility (together with relevant authority) for risk management and internal control to the Audit Committee. The Audit Committee is responsible for supervising the design, implementation and monitoring of the management in respect of risk management and internal control systems. The management has confirmed to the Audit Committee (and the Board) the effectiveness of such systems for the year ended 31 December 2018.

Key Features of Risk Management and Internal Control Systems

The Board shall be responsible for risk management and internal control systems of the Company, and shall review the effectiveness of such systems. The Supervisory Committee shall supervise the establishment and implementation of internal control system by the Board. The management is responsible for organising and leading the daily operation of internal control system.

Scope of responsibilities:

The Board

1. Be responsible for risk management and internal control systems and continuously review their effectiveness, so that the Company can establish and maintain effective risk management and internal control systems;

2. Review risk management and internal control systems of the Company at least once a year, and ensure that at each review, the Company has sufficient resources, employee qualification and experience, employee training courses and relevant budgets in terms of accounting, internal audit and financial reporting functions. In case of additional matters that need to be reported, the Chairman will determine whether to report such matters to the Board;

3. Supervise the design, implementation and monitoring of the management in respect of risk management and internal control systems.

The Audit Committee

1. Review and assess the completeness and effectiveness of financial supervision and control, internal control and risk management systems, mechanisms and policies;

2. Evaluate the risk management and the internal control assessment and audit results, and urge improvement regarding risk management and internal control defects;

3. Discuss with the management about the internal control system to ensure that the management has set up an effective internal control system. The discussion shall cover the sufficiency of resources and employee qualification and experience, and the adequacy of trainings taken by employees and relevant budgets in terms of accounting and financial reporting functions;

4. Study, either initiatively or under the engagement of the Board, important review results related to risk management and internal control matters and the management's feedback about such review results.

The Management

1. Be responsible for risk management and internal control, and conduct management in this regard;

2. Report information about risk management and internal control to the Board and the Audit Committee.

The management presents report of risk management and internal control to the Audit Committee and the Board at the annual meeting held each year, so that the Board is able to make judgement about the effectiveness of internal control and risk management.

The Company applies relevant policies and procedures to review the effectiveness of risk management and internal control systems and to address material internal control defects, which include the requirement that the management of the Company shall conduct regular evaluation and acquire latest information in this regard. In the meantime, the Company has developed a set of clean system to offer guarantee for anti-corruption, reporting and supervision.

Specific procedures to identify, assess and manage material risks

1. Risk identification

Determine risk measurement criteria and identify risks which may have potential impact on the company.

2. Risk assessment

Assess risks identified and classify them by risk level.

3. Risk response

Select the response strategy according to the risk level, and the risk control department tracks the effectiveness of such response strategy. At the same time, formulate relevant countermeasures to avoid the recurrence of risks or reduce the related risks.

4. Risk monitoring

Monitor risks continuously and regularly, and adjust risk management and internal monitoring procedures when appropriate to ensure that relevant monitoring procedures are appropriate and effective. Report the results of risk monitoring to the management and the Board regularly.

In a bid to become resilient to changes of external environment and maintain the profitability, the Company optimises business procedures and transform business and management modes through management innovation and business reform. It also exerts great efforts to mid- and long-term planning, cost reduction, organisation and procedure optimisation, capability improvement and other aspects to ensure that the strategy and annual plan are realised.

Internal Audit Function

The internal audit function of the Company is performed by the Audit and Legal Department, which directly reports to the Audit Committee.

Dealing with and Publishing Inside Information

For procedures and internal control related to dealing with and publishing inside information, the Company:

1. acknowledges its responsibilities under the SFO and the Listing Rules, the most important principle of which provides that where relevant information is determined as inside information, an announcement shall be published as soon as reasonably and practicably feasible;

2. pays close attention to applicable laws and regulations when dealing with such matters.

A self-evaluation report has been prepared by the Board in respect of the risk management and internal control matters of the Company during the Reporting Period. The Board has reviewed the control system of the Company and is of the view that during the Reporting Period, such system was effective and the management of the Company should further perfect its risk management and internal control systems to promote the improvement of its corporate governance.

AUDITORS AND THEIR REMUNERATIONS

PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers was appointed by the Company as the domestic and foreign auditors of the Company for 2018. The appointment shall expire upon conclusion of the 2018 AGM.

For the year ended 31 December 2018, the fees paid or payable to external auditors for interim review and annual audit services of the Group (annual audit services for subsidiaries included) were RMB300,000 and RMB1,220,000 respectively.

Save as disclosed above, during the Year, the Group did not pay any fee to PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers for non-audit services.

JOINT COMPANY SECRETARIES

Mr Lian Shengguo ("Mr. Lian") and Ms. So Shuk Yi Betty ("Ms. So") act as the joint company secretaries of the Company since 7 June 2018.

Particulars of Mr. Lian and Ms. So are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report.

Ms. So serves as the vice president of SWCS Corporate Services Group (Hong Kong) Limited, and is responsible for advising the Board on corporate governance matters to ensure the compliance with policies and procedures set by the Board, and applicable laws, rules and regulations. Mr. Lian is the main contact of Ms. So in the Company.

Both Mr. Lian and Ms. So have confirmed that they have received not less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules during the Year.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONSHIP

Convening of Extraordinary General Meeting

Shareholders separately or jointly holding not less than ten percent (10%) of Shares in issue may propose to the Board to convene extraordinary general meeting or class shareholders' meeting, which shall be submitted in written form. The Board, according to the laws, administrative regulations and provisions of the Articles of Association, shall provide written feedback on whether agrees or not to hold an extraordinary general meeting or class shareholders' meeting within ten (10) days after receiving the request.

Enquiry to the Board

The shareholder communication policy of the Company aims to maintain transparency and provide information about major development of the Group to shareholders and investors in a timely fashion. The general meeting the Company is the formal channel of communication between shareholders and the Board. The Chairman and chairmen of board committees (other members of the committees concerned if they are not able to attend meetings in person) will attend the general meeting to communicate directly with shareholders.

Shareholders may send their enquiries and questions to the Board to the following address:

Address: Room 2212, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000 Jingshi East Road, Hi-tech Zone, Jinan City, Shandong Province, the PRC

Tel: 86–531–87207088

Procedures for Proposal at the General Meeting

Shareholder(s) separately or jointly holding more than 3% of the Shares in the Company may propose additional resolutions to the Board in writing. Upon receipt of the proposals, the Board shall inform other shareholders in two days. The Company shall include matters set out in the proposals which fall within the scope of the general meeting into the agenda of the meeting.

Amendment of Constitutional Documents

During the Year, the Company amended the Articles of Association in August and December 2018. For details of the amendments, please refer to relevant announcements published on the websites of the Stock Exchange and the Company.

Communication with Investors and Investor Relationship

The Company's management values the investor relation management, and has established Measures of Information Disclosure, Investor Relation Management System and other regulatory systems to standardise and optimise the investor relation management.

During the Reporting Period, while earnestly performing statutory information disclosure obligations, the Company launched investor relation activities in various forms to provide investors with information which they were interested in, to promote the transparency of corporate operation and to build mutual understanding and trust. Meanwhile, the Company absorbed advice provided by investors in the course of information delivery and collected feedback from investors to boost benign interactions between the Company and investors.

In the investor relation activities, office of the Board was responsible for investor relation management. Work assumed by them included: answering telephone and e-mail enquiries through investor hotline and e-mail; receiving delegations of investors and securities analysis agencies; participating in investor promotion activities; organising roadshows; providing particulars about the Company, information disclosure and corporate governance through the website of the Company.

Profiles of Directors, Supervisors and Senior Management

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

As at the date of this report, the biographies of Directors, Supervisors and Senior Management of the Company are as follows:

DIRECTORS

(1) Executive Directors

Mr. Li Gang, aged 50, currently serves as the Chairman, executive Director and secretary of the party committee of the Company. Mr. Li is also the chairman of each of the nomination committee and strategy committee of the Company.

Mr. Li has over 30 years experience in the highway industry and has held various positions in relevant government traffic management departments and enterprises. Mr. Li served as an accountant in the collection office of Jinan highway management division from July 1988 to March 1994, a deputy director of the collection and inspection office of Jinan Highway Administration Bureau from March 1994 to February 1999, the head and secretary of the party branch of Jinan Highways Development Centre (濟南公路產業開發中心) and the general manager of Jinan Jinyu Road Industrial Development Co., Ltd. (濟南金宇公路產業發展有限公司) from March 1999 to January 2004. Mr. Li also served as the deputy director and member of the party committee of Jinan Highway Administration Bureau and chairman of Jinan Jinhong Construction Consulting Co., Ltd. (濟南金鴻建設諮詢有限公司) from January 2004 to March 2008. Mr. Li joined the Company in December 2007 and acted as Director and deputy general manager. He also served as Director, deputy general manager and secretary of the party committee from March 2008 to April 2011, executive deputy general manager and secretary of the party committee from April 2011 to November 2014. Mr. Li has served as Chairman and secretary of the party committee since November 2014.

Mr. Li served as the chairman of the supervisory committee of Dongying Yellow River Bridge Co., Ltd. (formerly known as Dongying Yellow River Bridge Expressway Co., Ltd.) from March 2015 to July 2016.

Mr. Li was praised as an advanced productivity worker by Highway Administration Committee of Jinan of CPC (中共濟南市公路管理局委員會) and Highway Administration Bureau of Jinan (濟南市公路管理局) in January 2004. He was also rewarded May 1 Labour Medals of Jinan by Jinan Workers' General Union (濟南市總工會) in April 2006. Mr. Li received second prize from Shandong Provincial Workers' General Union (山東省總工會) and Shandong Provincial Transport Department in a campaign regarding the construction of major transport projects in Shandong in June 2006. Mr. Li completed a thesis, ''Opinions on the Improvement of Toll Management and Services of Expressway'' (《關於加強高速公路收費管理提高服務質量的幾點思考》), with Li Huaqing, Han Chunhua and Yang Kun, which was praised in March 2008 as an outstanding thesis for academic exchange of 2007 by Shandong Highway Society.

Mr. Li graduated from Jinan Jiaotong College (濟南交通學校) in Jinan under the MOC in July 1988 with a technical secondary school academic qualification majoring in finance and accounting. He was qualified as an accounting assistant by the MOF in December 1992. Mr. Li studied in Shandong Cadres Correspondence University (山東幹部函授大學) in Jinan, the PRC, in June 1997 majoring in financial accounting, and obtained a cadre part-time undergraduate degree academic certificate from Shandong Cadres Correspondence University. Mr. Li was granted the title of senior political analyst by Corporate Ideological and Political Work Qualification Assessment Office of Shandong (山東省企業思想政治工作人員專業職務評定工作辦公室) in September 2006. Mr. Li obtained a master's degree in business administration from Tianjin University in Tianjin, the PRC, in January 2016.

Mr. Peng Hui, aged 54, currently is an executive Director, general manager and deputy secretary of the party committee. Mr. Peng is also a member of the strategy committee of the Company.

Mr. Peng has over 30 years of experience in transportation industry. He acted as the head of paratransit of Tianjin Ocean Shipping Company (天津遠洋運輸公司) from September 1984 to September 1998, manager of COSCO Bulk International Ocean Manning Company (中遠散運國際海員外派公司) from October 1998 to July 2008, assistant to general manager of COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司) from July 2008 to June 2011 and deputy general manager of COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司) from July 2011 to May 2014. Mr. Peng joined the Company as Director in October 2011. He has served as Director, general manager and deputy secretary of the party committee since May 2014.

Mr. Peng graduated from Qingdao Ocean Shipping Mariners College (青島遠洋船員學院) in Qingdao, the PRC, in July 1990 with a bachelor's degree majoring in marine engineering management. In December 2004, he graduated from Party School of Tianjin Municipal Committee of the Communist Party of China (中共天津市委黨校) in Tianjin, the PRC, with a part-time undergraduate degree in Law.

(2) Non-executive Directors

Mr. Chen Dalong, aged 57, currently is the vice chairman of the Board and non-executive Director of the Company. He concurrently serves as the general manager of COSCO SHIPPING (Hong Kong) Industry & Trade Limited (中遠海運(香港)工貿有限公司), the vice chairman of the board of directors of Shenzhen Guangju Investment Holdings Limited (深圳市廣聚投資控股(集團)有限公司), and the vice chairman of the board of directors of Shenzhen Guangju Investment Holdings Limited (深圳市廣聚能源股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000096).

Mr. Chen had worked for Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司) and served as shipping trainee, deputy secretary of the office of the general manager and chief assistant of the office of the general manager from August 1985 to September 1996. He was the trainee of the operation and management cadre training course of China Ocean Shipping (中遠集團) from September 1996 to September 1997. He served as the deputy general manager of Donghong Hotel (東虹大酒店) from September 1997 to March 1999; deputy general manager and general manager of Shanghai Yuanyang Shipping Supply Company (上海遠洋船舶供應公司) from March 1999 to October 2002; deputy general manager of Shanghai Yuanyang Lushang Production Corporation (上海遠洋陸上產業總公司) from October 2002 to August 2004; assistant to general manager of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司) and general manager of Ocean Hotel (遠洋賓館) from September 2004 to May 2006; deputy general manager of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司), general manager of Shanghai Yuanyang Holding Corporation (上海遠洋實業總公司) and general manager of Ocean Hotel from May 2006 to January 2012; and deputy general manager and secretary of the party committee of COSCO South-China International Freight Co., Ltd. (華南中遠國際貨運有限公司) from January 2012 to May 2016. He has been the general manager of COSCO SHIPPING Industry & Trade (formerly known as COSCO (Hong Kong) Industry & Trade Holdings Limited) since May 2016; vice chairman of the board of directors of Shenzhen Guangju Investment Holdings Limited (深圳市廣聚投資控股(集團)有限公司) since November 2016; and vice chairman of the board of directors of Shenzhen Guangju Energy Co., Ltd. (深圳市廣聚能源股份有限公司) (Shenzhen Stock Exchange stock code: 000096) since December 2016. He was appointed as the vice chairman of the Board of the Company in December 2017.

Mr. Chen is currently serving as the director of Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司) and the chairman of the board of directors of (i) Hebei Jixing Expressway Co., Ltd. (河北冀星高速公路有限公司); (ii) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (iii) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (iv) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (v) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (vi) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (vii) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (viii) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (ix) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (x) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司).

Mr. Chen graduated from Shanghai Maritime College (上海海運學院) (presently known as Shanghai Maritime University) in Shanghai, the PRC in July 1985 with a bachelor's degree of engineering, majoring in marine engineering management. Mr. Chen received the qualification as an engineer from the intermediate professional engineering service assessment committee of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸公司) in August 1996.

Mr. Wang Shaochen, aged 53, currently is a non-executive Director of the Company. Mr. Wang is also a member of each of the audit committee and strategy committee of the Company. He concurrently serves as a deputy director of the human resources sharing services centre (Jinan branch) of Shenhua National Power Group, and the chairman of the labour union and a member of the party committee of Shandong Construction.

Mr. Wang had worked for Huangtai Thermal Power Station (黃台火力發電廠) in Shandong and held various positions, including the duty officer, the deputy chief officer, the secretary of the branch committee of grey water field team (灰水分場團), member of the welfare division of the labour union, the deputy secretary to the operation department and party branch, from July 1984 to December 1997. Mr. Wang served in the office of Luneng Fuels Group Co., Ltd. (魯能燃料集團有限公司) from December 1997 to August 1999. He worked for the planning and logistic department of Luneng Fanmao Co., Ltd. (魯能帆茂有限公司) from August 1999 to September 2000, and served as the deputy manager of the Huangtai branch of Luneng Fuels Group Co., Ltd. (魯能燃料集團有限公司) from September 2000 to March 2002. He served in the general department of Shandong Luneng Development Group Co., Ltd. (山東魯能發展集團有限公司) from March 2002 to July 2008, and acted as the deputy manager of the general department of Shandong Luneng Development Group Co., Ltd. from July 2008 to March 2009. He was the manager of the general department of Shandong Luneng Electricity Inspection, Maintenance and Operation Co., Ltd. (山東魯能發電檢修運營有限公司) from March 2009 to June 2011, and the head of the affairs department of Guowang Energy Development Co., Ltd. (國網能源開發有限公司) from June 2011 to February 2013. Mr. Wang served as the chairman of the labour union of the management and a member of the party committee of Shandong Construction from February 2013 to May 2015, and has been a deputy director of the human resources sharing services centre (Jinan branch) of Shenhua National Power Group, and the chairman of the labour union and a member of the party committee of Shandong Construction since May 2015. Mr. Wang was appointed as a Director in November 2014.

Mr. Wang graduated from Shandong TV University in Jinan, the PRC, in June 1995, majoring in professionals of economic management, and obtained the graduation certificate from the Self-taught Higher Education and Examination Committee of Shandong Province (山東省高等教育自學考試委員會專科畢業證書). Mr. Wang received a certificate in recognition of the professional economic (industrial) qualification from Ministry of Personnel of the PRC in November 1999. He graduated from the legal studies programme jointly organised by the China Central Radio and TV University (presently known as the Open University of China) in Beijing, the PRC, and China University of Political Science and Law, in Beijing, the PRC, in July 2004 and obtained a bachelor's degree from China Central Radio and TV University. He received a certificate of senior economist from the Hubei branch of Ministry of Personnel of the PRC in December 2006 and a certificate of professional secretary (level 3) from the Ministry of Human Resources and Social Security of the PRC in November 2010.

Mr. Wu Dengyi, aged 55, currently is a non-executive Director. He concurrently serves as the vice chairman of the board of directors and the general manager of CRCC Shandong Beijing – Shanghai Expressway Jile Company Limited (中鐵建山東京滬高速公路濟樂有限公司).

Mr. Wu was a soldier of the communication camp of the 15th air force brigade from October 1981 to November 1983. He had worked at the air force logistics department of Jinan Military Region of the Chinese People's Liberation Army from November 1983 to September 2005 and served in various positions including assistant of the supplies station, manager of the supplies and fuels unit and head of the supplies station. Mr. Wu has served as the deputy director of the Shandong Highway Bureau since October 2005 while he concurrently served as the chairman of the board of directors and general manager of Shandong Dongqing Highway Company Limited (山東東青公路有限公司) from April 2006 to October 2009. He has been the general manager and vice chairman of the board of directors of CRCC Shandong Beijing – Shanghai Expressway Jile Company Limited since October 2009. Mr. Wu was appointed as a Director in November 2014.

Mr. Wu graduated from Chinese People's Liberation Army Air Force Command College (中國人民解放軍工程兵指揮學院) in Xuzhou, the PRC, in July 1999, majoring in economic management and was conferred a bachelor's degree for the on-the-job education he received.

Mr. Li Jie, aged 49, currently is a non-executive Director. He concurrently serves as a director and the general manager and deputy secretary of the party committee of Shandong Dongqing Highway Company Limited.

Mr. Li worked for the finance department of the Shandong Highway Bureau from July 1991 to October 2001 as section officer and deputy section officer. He served as the chief financial officer of Shandong Dongqing Highway Company Limited from June 2000 to May 2006. He served as the deputy manager of the finance division of the Shandong Highway Bureau from October 2001 to June 2003, the manager of the finance division of Shandong Highway Bureau from June 2003 to June 2014, the chairman of the board of supervisors and the secretary of the party committee of Shandong Dongqing Highway Company Limited from June 2014 to July 2016, and a director, the general manager and the deputy secretary of party committee of Shandong Dongqing Highway Company Limited since July 2016. Mr. Li served as the chief financial officer and director of Jizou Highway Limited Company (山東省濟鄒公路有限公司) from September 2009 to July 2016, successively, a director of Dongying Yellow River Bridge Co., Ltd. (formerly known as Dongying Yellow River Bridge Expressway Co., Ltd. (東營黃河公路大橋有限責任公司)) from June 2014 to July 2016. Mr. Li was appointed as a Director in November 2014. Mr. Li has served as a supervisor of Shandong Lutong Petroleum Company Limited (山東路通石化有限公司) from March 2012 to March 2018, and a director of Shandong Lusheng Service Area Management Company Limited (山東路盛服務區管理有限公司) from July 2015 to May 2017. He served as the chairman of the board of directors of Shandong Lulian Petroleum and Gas Sales Company Limited and Shandong Lucheng Highway Service Company Limited from December 2017 to August 2018.

Mr. Li graduated from Jinan College of Communications (濟南交通高等專科學校) in Jinan, the PRC, in July 1991 with a diploma majoring in financial and accounting for engineering. He received correspondence education and graduated from Nankai University in Tianjin, the PRC, in July 1998, majoring in accounting through an undergraduate programme. Mr. Li obtained a senior accountant qualification certificate from Human Resource Bureau of Shandong Province in July 2004.

Mr. Wang Long, aged 48, currently is a non-executive Director.

Mr. Wang served as the assistant to the deputy battalion chief, deputy head and head of the transportation department of the Air Force of Jinan Station (空軍濟南場站) from December 2000 to December 2006. He served as the assistant to the lieutenant of the logistic department of the Air Force of the 12th Division (空軍航空兵第12師) from December 2006 to December 2009. He acted as the cadre and division head of the Provincial Political Division (省局政治處) under Shandong Highway Bureau from December 2009 to June 2014. He served as director of Shandong Dongqing Highway Company Limited from June 2014 to July 2016; and vice chairman of the board of directors and general manager of Dongying Yellow River Bridge Co., Ltd. (formerly known as Dongying Yellow River Bridge Expressway Co., Ltd.) from June 2014 to July 2016. He has served as member of the party committee of the Qinglin branch of Qilu Transportation since June 2016 and chairman of the labour union of the Qinlin branch of Qilu Transportation from October 2016 to April 2018. Mr. Wang was appointed as a Director of the Company in November 2014 and the head of the office of Qilu Expressway Company Limited Labour Union from April 2018 to December 2018. He served as an executive director and general manager of Hainan Qilu Development Company Limited since December 2018.

Mr. Wang graduated from Automobile Management Institute of the Chinese People's Liberation Army (中國人民解放軍汽車管理學院) in Bengbu, the PRC, in July 1992 with a secondary school academic qualification majoring in automobile platoon command. He also graduated from the Correspondence College of the Party School of the Central Committee of C.P.C (中共中央黨校函授學院) in Jinan, the PRC in December 2000, majoring in economic management and was conferred a bachelor's degree for the tertiary correspondence education.

Mr. Su Xiaodong, aged 54, currently is a non-executive Director. He concurrently serves as the investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司).

Mr. Su worked for the planning department of China Ocean Shipping Company Limited* (中國遠洋運輸有限公司) from August 1988 to March 1993. He served as the manager of the consulting department of COSCO Investment Company (中遠投資公司) from March 1993 to September 1997. From September 1997 to March 2012, he worked for China Ocean Shipping Company Limited* (中國遠洋運輸有限公司) and held various positions including assistant manager of the asset management centre, officer of the development department and vice head and deputy manager of administrative office of the planning department. He also served as deputy general manager of the strategic development department of China COSCO Holdings Company Limited from August 2005 to February 2009 and manager of the asset operation office of the strategic development department of China Ocean Shipping Company Limited* (中國遠洋運輸有限公司) from February 2009 to March 2012. He has served as the general manager of the planning department of COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司) from March 2012 to January 2019 and investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong) Co., Limited since January 2019. Mr. Su was appointed as a Director in September 2012.

Mr. Su is currently serving as a director of (i) Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司); (ii) Hebei Jixing Expressway Co., Ltd. (河北冀星高速公路有限公司); (iii) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (iv) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (v) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (vi) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (vii) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (viii) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (ix) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (x) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (xi) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司).

Mr. Su graduated from Northern Jiaotong University (currently known as Beijing Jiaotong University) in Beijing, the PRC, with a bachelor's degree majoring in industrial management engineering in July 1988. Mr. Su was accredited as a senior economist by the MOC in November 1999.

Mr. Yuan Ruizheng, aged 38, currently is a non-executive Director of the Company.

Mr. Yuan has joined Citic-Prudential Life Insurance Co., Ltd. since November 2014 and currently serves as the special assistant to general manager of the company. He was a researcher of the research and development department of CSC Financial Co., Ltd (a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), stock code: 06066) from December 2010 to November 2014. He has been the chairman of the board of directors and legal representative of Gongqing City Citavic Investment Company Limited* (共青城信航投資有限公司) since November 2018. Mr. Yuan holds a bachelor's degree in management engineering from Tianjin University and a master's degree in science management and engineering from National University of Defense Technology. Mr. Yuan was appointed as a non-executive Director on 28 December 2018.

Mr. Tang Haolai, aged 36, currently is a non-executive Director.

Mr. Tang was a deputy manager of the legal audit department of Shandong High-Speed Investment Holdings Co., Ltd.* (山東高速投資控股有限公司) from May 2017 to December 2018 and has been the manager of the legal audit department of Shandong High-Speed Investment Holdings Co., Ltd.* since December 2018. He has been a director of Shandong Hi-Speed (Shanghai) Asset Management Co., Ltd*. (山東高速(上海)資產管理有限公司), a supervisor of Jinan Shangao Deguang Investment Co., Ltd.* (濟南山高德廣投資有限公司) and the chairman and manager of Beijing Weite Real Estate Development Co., Ltd.* (北京偉特房地產開發有限公司) since December 2017. He has also been the chairman of Jinan Yihai Guanghe Property Co., Ltd.* (濟南易海光合置業有限公司) since September 2018 and a non-executive director of Goldcard Smart Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300349) since December 2018. Mr. Tang was appointed as a non-executive Director on 28 December 2018.

Mr. Tang holds a bachelor's degree in law from the law school of the Weihai campus of Shandong University and a master's degree in theory of law from the law school of Shandong University.

(3) Independent Non-executive Directors

Mr. Wu Yuxiang, aged 57, currently is an independent non-executive Director. Mr. Wu is also the chairman of the audit committee of the Company and a member of each of the nomination committee and the strategy committee of the Company. He also serves as deputy chief accountant of Yankuang Group Co., Ltd. (兗礦集團有限公司) and a director of Yanzhou Coal Mining Company Limited (兗州煤業股份有限公司) (listed on the New York Stock Exchange, stock code: YZC; the Hong Kong Stock Exchange stock code: 01171; and the Shanghai Stock Exchange, stock code: 600188).

Mr. Wu has over 30 years of experience in finance. Mr. Wu served as an accountant in Yanzhou Mining Bureau (兗州礦務局) from July 1981 to June 1983. He worked as an accountant of infrastructure financial office and vice head of production financial office, head of cost office and chief accountant of financial office of financial department of Yanzhou Mining Bureau successively from July 1986 to September 1997. Mr. Wu also served in various positions in Yanzhou Coal Mining Company Limited, including the manager, head of the financial department, director chief financial officer and member of the standing committee of the party committee from September 1997 to January 2016. He served as a non-executive director of Yancoal Australia Limited (兗煤澳大利亞有限公司) (Australian Securities Exchange stock code: YAL) from 18 November 2004 to 28 April 2017; and the head of the investment and development department of Yankuang Group Co., Ltd. from January 2016 to January 2017. He has worked as deputy chief accountant of Yankuang Group Co., Ltd. and a director of Yanzhou Coal Mining Company Limited (New York Stock Exchange stock code: YZC; Hong Kong Stock Exchange stock code: 01171; Shanghai Stock Exchange stock code: 600188) from January 2016.

Mr. Wu was rewarded first prize for innovation achievement by Shandong Coal Industry Administration Bureau (山東煤炭工業管理局) in December 1999. He received innovation award from Shandong Provincial Coal Association (山東省煤炭行業協會) in December 2001. In June 2007, Mr. Wu was awarded the first prize (industry category) for innovation in enterprise management modernisation in national coal industry by China National Coal Association (中國煤炭工業協會). In December 2008, Mr. Wu won the Shandong Innovation and Outstanding Application Achievement Award (First Prize) in the 22nd Session of Enterprise Management Modernisation Campaign (第22屆山東企業管理現代化創新及優秀應用成果一等獎) by Shandong Enterprise Management Modernisation and Innovation Achievement Evaluation Committee (山東省企業管理現代化創新成果評審委員會).

Mr. Wu was honoured as China Chief Financial Officer of 2010 (2010中國總會計師年度人物) by China Association of Chief Financial Officers and the publishing house, ''China Chief Financial Officer'' (《中國總會計師》雜誌社), in December 2010 and China's CFO of 2011 (2011中國CFO年度人物) by Xinlicai Publication under the election committee of China's CFO of the Year (中國CFO年度人物評選組委新理財雜誌社) in April 2012.

Mr. Wu graduated from Shandong Finance and Accounting School (山東省財政會計學校) in Tai'an, the PRC, with technical school academic qualification majoring in industrial finance in July 1981. Mr. Wu graduated from Shandong TV University (山東廣播電視大學) in Jinan, the PRC, with a diploma majoring in industrial accounting in July 1986. He graduated from Correspondence Institute of the Party School of the China Communist Party (中共中央黨校函授學院) in Beijing, the PRC, with a bachelor's degree majoring in economic management in December 1996. He obtained a certificate from the statistics (economic management) post graduate research program of Tianjin University of Finance & Economics (天津財經學院) in Tianjin in June 1998. Mr. Wu was accredited as a senior accountant by Yankuang Group Co., Ltd. in May 2005. He also graduated from the postgraduate programme for serving cadres of Shandong Party School of China Communist Party (中共山東省委黨校) in Jinan, the PRC, with a graduation certificate majoring in economic management in June 2007.

Mr. Cheng Xuezhan, aged 50, currently is an independent non-executive Director. Mr. Cheng is also a member of the remuneration and appraisal committee of the Company. He also serves as an assistant general manager of Hualu Holdings Co., Ltd (華魯控股集團有限公司) and vice chairman of the board of directors and general manager of China Shandong Group Limited (華魯集團有限公司), a director of Hualu International Financial Leasing Co., Ltd. (華魯國際融資租賃有限公司) and a director of Hualu Investment Development Co., Ltd. (華魯投資發展有限公司).

Mr. Cheng served as an officer, assistant manager and manager in the Shandong Provincial Finance Department (山東省財政廳) from July 1994 to April 1997. He worked as a manager of Hongkong Macao (International) Group Co., Ltd. (港澳國際(集團)有限公司) from April 1997 to April 1999. He was a manager and deputy general manager of general office, deputy general manager and general manager of asset operation department of China Shandong Group Limited and a general manager of capital operation department of Hualu Holdings Co., Ltd. from April 1999 to October 2006. He participated in the preparation of the establishment of the Central Geological Exploration Fund management Center of the MLR from October 2006 to January 2008. He was the head of general office, member of the branch committee and officer of general office of the Central Geological Exploration Fund Management Center (國土資源部中央地質勘查基金) under the MLR from January 2008 to September 2011. He has worked as the assistant general manager of Hualu Holdings Co., Ltd. and concurrently the vice chairman of the board of directors and general manager of China Shandong Group Limited since September 2011. He has also worked as a director of Hualu International Financial Leasing Co., Ltd. since November 2013, a director of Shandong Hualu-Hensheng Chemical Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600426) from March 2015 to April 2018 and a director of Hualu Investment Development Co., Ltd. since June 2016. Mr. He served as an independent non-executive director of Prosper Construction Holdings Limited (瑞港建設控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 06816) since December 2018.

Mr. Cheng graduated from Shandong Normal University (山東師範大學) in Jinan, the PRC with a diploma majoring in English language and literature in July 1991. Mr. Cheng graduated from Shandong University (山東大學) in Jinan, the PRC, with a master's degree in English language and literature in June 1994. He graduated from Wright State University in Dayton, Ohio, U.S., with a master's degree in business administration in November 2005.

Mr. Li Hua, aged 65, currently is an independent non-executive Director. Mr. Li is also the chairman of the remuneration and appraisal committee of the Company and a member of each of the audit committee, the nomination committee and the strategy committee of the Company.

Mr. Li worked for the Institute of Highway Planning and Design of the Ministry of Communications (交通部公路規劃設計院) from December 1977 to May 1989 and held various positions including assistant engineer, engineer and manager. He worked as an engineer of National Communications Investment Company (國家交通投資公司) from May 1989 to August 1991; officer of the Engineering Management Division of the Ministry of Communications (交通部工程管理司) from August 1991 to April 1994; deputy director and director of the Management Office of Maintenance and Repair (養護管理處) under the Highway Management Division of the Ministry of Communications (交通部公路管理司) from April 1994 to July 1998; director of the Management Office under the Highway Division of the Ministry of Communications (交通部公路司) from July 1998 to October 2003 and was designated as the vice mayor of Luoyang, Henan Province for poverty alleviation from March 2002 to February 2003 during his tenure; assistant to director (director level) of the Highway Division of the Ministry of Communications from October 2003 to July 2004; deputy director of the Highway Division of the Ministry of Communications from July 2004 to March 2009; director of the Highway Bureau of the MOT from March 2009 to May 2012; and director of the Highway Bureau and the Highway Network Center (路網中心) of the MOT from May 2012 to January 2014.

Mr. Li was awarded the third prize for science advancement by the State Education Commission (國家教委) in July 1992. Mr. Li was awarded the first prize for science advancement by the MOC in July 1993.

Mr. Li graduated from Xi'an Highway Institute (西安公路學院) in Xi'an, the PRC, with a bachelor's degree in highway construction in December 1977, and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC, majoring in business economics with postgraduate qualification in November 1998.

Mr. Wang Lingfang, aged 61, is currently an independent non-executive Director. Mr. Wang is also a member of each of the remuneration and appraisal committee and the nomination committee of the Company.

Mr. Wang served as a supervisor, specialised engineer and deputy head of the boiler team, officer of the quality inspection department and deputy manager, general engineer, acting manager and general engineer, committee member and manager in SEPCOII Electric Power Construction Co., Ltd. (山東電力建設第二工程公司) from September 1987 to July 2005. He served as chairman of the board of director in Shandong Construction from July 2005 to June 2009. Mr. Wang acted as the Chairman of our Company from October 2005 to March 2008 and served as general manager and member of the party committee in SEPCO Nuclear Power Construction Group Corp. (山東電力核電建設集團公司) from June 2009 to April 2014. Mr. Wang served as deputy general manager in the electrical engineering business unit of Powerchina Limited (中國電力建設股份有限公司) (Shanghai Stock Exchange stock code: 601669) from April 2014 to August 2015, and served as the consultant of SEPCO Electric Power Construction Corporation (山東電力基本建設總公司)/SEPCO Nuclear Power Construction Group Corporation from August 2015 to March 2017.

Mr. Wang was praised as an Outstanding Entrepreneur in Shandong jointly by Shandong Enterprise Confederation (山東省企業聯合會), Shandong Entrepreneur Association (山東省企業家協會), Shandong Industrial and Economics Confederation (山東省工業經濟聯合會) and Shandong Quality Management Association (山東省質量管理協會) in April 2011. In May 2013, he was recognised as the Outstanding Entrepreneur of National Power Construction of 2012 (2012年度全國電力建設優秀施工企業家) by China Electric Power Construction Association. Mr. Wang was also recognised as the National Outstanding Entrepreneur in Construction Industry of 2012 (2012年度全國優秀施工企業家) by China Association of Construction Enterprise Management in September 2013.

Mr. Wang graduated from Shandong Engineering Institute (山東工學院) (currently known as Shandong University), located in Jinan City, the PRC with a bachelor's degree in thermodynamics equipment in July 1982, and graduated from Shandong University in Jinan, the PRC with a master's degree in power engineering in June 2002. Mr. Wang was accredited as a senior engineer by Senior Engineering Profession Qualification Evaluation Committee of Shandong Electric Power Industry Bureau (山東省電力工業局工程技術職務高級評審委員會) in January 1995 and a professorate senior engineer by Power Construction Corporation of China Ltd. in December 2013.

Mr. He Jiale, aged 64, currently is an independent non-executive Director. Mr. He has served as a director of the finance department and deputy general manager of COSCO (Group) Company* (中國遠洋運輸(集團)總公司) (currently known as China Ocean Shipping Company Limited* (中國遠洋運輸有限公司)) from October 1994 to December 1997; and the chief accountant of COSCO Container Lines Co., Ltd.* (中遠集裝箱運輸有限公司) (currently known as COSCO Shipping Lines Co. Ltd.* (中遠海運集裝箱運輸有限公司)) from January 1998 to September 2003. He also served as the chief financial officer of COSCO (Hong Kong) Group Limited* (中遠(香港)集團有限公司) (currently known as COSCO SHIPPING (Hong Kong) Co., Ltd.* (中遠海運(香港)有限公司)) from October 2003 to November 2005, and concurrently served as its director and chief financial officer from February 2012 to November 2015. He also served as an executive director of COSCO International Holdings Limited (中遠國際控股有限公司), (currently known as COSCO SHIPPING International (Hong Kong) Co., Ltd. (中遠海運國際(香港)有限公司), a company listed on the Hong Kong Stock Exchange, stock code: 00517) from November 2003 to January 2006 and from April 2012 to December 2015. He also served as the chief financial officer of China COSCO Holdings Company Limited* (中國遠洋控股股份有限公司) (currently known as COSCO SHIPPING Holdings Co,. Ltd.* (中遠海運控股股份有限公司), a company listed on the Hong Kong Stock Exchange, stock code: 01919, and a company listed on the Shanghai Stock Exchange, stock code: 601919) from November 2005 to January 2012. In addition, he served as a non-executive director of Chong Hing Bank Limited (創興銀行有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 01111) from May 2012 to February 2014. He was an executive director of COSCO Pacific Limited (中遠太平洋有限公司), (currently known as COSCO SHIPPING Ports Limited (中遠海運港口有限公司), a company listed on the Hong Kong Stock Exchange, stock code: 01199) from November 2003 to June 2005 and from January 2009 to March 2013. He served as a supervisor of China International Marine Containers (Group) Co., Ltd.* (中國國際海運集裝箱(集團)股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 02039, and a company listed on the Shenzhen Stock Exchange, stock code: 000039) from September 2013 to May 2016. Mr. He was appointed as an independent non-executive Director on 28 December 2018.

Mr. He graduated from the postgraduate studies of international business, management science and engineering from Shanghai University and is a senior accountant.

SUPERVISORS

(1) Chairman of the Supervisors

Ms. Meng Xin, aged 47, serves as the chairman of our Supervisory Committee. She also serves as the general manager of the financial department of COSCO SHIPPING (Hong Kong).

Ms. Meng worked as a staff of the financial department, deputy director of the financial department, director of the financial department and director of development division of the market development department of China Ocean Shipping Agency (中國外輪代理總公司) from July 1994 to December 2001. She also served as the director of investment development division and deputy general manager of the cooperation and development department, deputy general manager of the planning department, deputy general manager and general manager of the financial department of COSCO Logistics Co., Ltd. (中國遠洋物流有限公司) from January 2002 to November 2016, and general manager of the financial management department of COSCO SHIPPING Logistics Co., Ltd. (中國海運遠洋物流有限公司) from December 2016 to October 2017. She has been the general manager of the financial department of COSCO SHIPPING (Hong Kong) since October 2017. She was appointed as the chairman of the Supervisory Committee of our Company in December 2017.

Ms. Meng serves as the director of Smart Watch Assets Limited, which is a wholly- owned subsidiary of COSCO SHIPPING (Hong Kong) and is also the Controlling Shareholder of (i) Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司); (ii) Hebei Jixing Expressway Co., Ltd. (河北冀星高速公路有限公司); (iii) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (iv) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (v) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (vi) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (vii) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (ix) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (x) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (xi) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司). Ms. Meng is also a director of the companies listed in items (ii) to (xi) above.

Ms. Meng graduated from Central University of Finance and Economics in Beijing, the PRC, in June 1994 with a bachelor's degree in economics majoring in accounting. Ms. Meng obtained a senior accountant certificate from COSCO (then known as China Ocean Shipping (Group) Corporation) in November 2012.

(2) Shareholder representative Supervisor

Mr. Liu Ligang, aged 48, currently is a Shareholder representative Supervisor of our Company. He is also an assistant to general manager of a construction management subsidiary of Qilu Transportation.

Mr. Liu served as the officer, senior staff member, deputy director and director of the maintenance division of Shandong Highway Bureau successively from August 1992 to June 2014, and the director and deputy general manager of Dongying Yellow River Bridge Co., Ltd. (formerly known as Dongying Yellow River Bridge Expressway Co., Ltd.) from June 2014 to July 2016. He has acted as an assistant to general manager of a construction management subsidiary of Qilu Transportation since June 2016. Mr. Liu was appointed by Shandong Highway Bureau, one of our Shareholders, as a Supervisor of our Company in November 2014.

Mr. Liu graduated from Southeast University (東南大學) in Nanjing, the PRC, in June 1992 with a bachelor's degree in engineering, majoring in highway and urban roads engineering. Mr. Liu obtained a senior engineer certificate in highway repair and maintenance project from Human Resource Bureau of Shandong Province (山東省人事廳) in July 2004. Mr. Liu graduated from Shandong University (山東大學) in Jinan, the PRC, in December 2004 with a master's degree in engineering, majoring in solid mechanics.

Mr. Wu Yongfu, aged 49, currently serves as our Shareholder representative Supervisor of our Company and the financial manager of Shandong Construction.

Mr. Wu has over 20 years of experience in finance. He served as a cashier trainee of Shandong Luneng Group Electricity Development Co., Ltd. (山東魯能電力開發有限公司) from July 1992 to February 1993, a cashier, accountant, auditor and financial officer of project site of SEPCOI Electric Power Construction Co., Ltd. from March 1993 to November 1998 successively. He served as auditor of the labour and financial department, deputy manager of the human resources and financial department, and the manager of the financial department of Shenzhen Shandong Hedian Engineering Co., Ltd. (深圳山東核電工程有限責任公司) from November 1998 to January 2010. Mr. Wu has served as a financial manager of Shandong Construction since February 2010. Mr. Wu was appointed as our Supervisor by Shandong Construction, one of our Shareholders, in April 2011.

Mr. Wu graduated from Finance School of Shandong Province (山東省財政學校) (presently known as Shandong University of Science and Technology) in Tai'an, the PRC, in July 1992 with a technical school academic qualification majoring in industrial finance and accounting. He graduated from Shandong Economics University (山東經濟學院) (presently known as the Shandong University of Finance and Economics) in Jinan, the PRC, in December 1995 with a tertiary school academic qualification majoring in accounting by self-studied examination. Mr. Wu was awarded a certificate of accounting professional (會計師資格證書) by the MOF in May 1997. Mr. Wu obtained a certificate of postgraduate degree of business administration (工商管理專業研究生課程證書) from Tianjin University in Tianjin, the PRC in March 2005 and obtained a certificate of correspondence undergraduate degree upgrading from higher education for adults (成人高等教育函授專科起點升本科畢業證書) in engineering management from Harbin Institute of Technology (哈爾濱工業大學) in Harbin, the PRC, from a distance learning programme, in July 2013.

(3) Employee Supervisor

Mr. Lian Shengguo, aged 40, currently serves as our employee Supervisor, our joint company secretary and the head of the office of the Board.

Mr. Lian served in the Jining Highway Management Bureau (濟寧市公路管理局) from February 1999 to January 2008, deputy officer of the management office of Jiaxiang branch, deputy manager of infrastructure office, manager of human resource department, deputy secretary of branch of the party committee of general affairs office, vice chairman of the labour union, manager of administration department and secretary of branch of the party committee of general affairs office from January 2008 to October 2016. He has served as a member of the disciplinary committee of our Company since December 2014 and our employee Supervisor since October 2016. Mr. Lian has also acted as the officer of the office of the Board since June 2017. He is currently our joint company secretary.

Mr. Lian graduated from Chang'an University (長安大學) in Xi'an, the PRC, in June 2004 and obtained a bachelor's degree majoring in civil engineering from a distance learning programme, and graduated from Central Party School (中共中央黨校) in Beijing, the PRC, in July 2014 with a master's degree majoring in sociology.

Mr. Hao Dehong, aged 48, currently serves as our employee Supervisor.

Mr. Hao served as a cashier and the deputy head of the finance division of a transport engineering branch of Shandong Luqiao Group Co., Ltd. (山東省路橋集團有限公司) from July 1989 to February 1998, deputy head of the finance department of the transport engineering branch of Shandong Luqiao Group Co., Ltd. from February 1998 to June 1999 and the chief financial responsible officer of Shandong Luqiao Group Co., Ltd. from June 1999 to April 2004. He joined our Company in May 2004. He is responsible for financial affairs and has held various positions including chief accountant and vice head of Pingyin South management centre. He acted as the head of Xiaoli management centre from September 2013 to June 2017. Mr. Hao has served as the head of enterprise management department since June 2017 and has served as the employee Supervisor of our Company since March 2011.

Mr. Hao graduated from Shandong Economics University (山東經濟學院) (presently known as the Shandong University of Finance and Economics) in Jinan, the PRC, in July 1992 with a diploma qualification majoring in accounting by self-studied examination from a distance learning programme. He received an intermediate accountant qualification in May 1999 from the Ministry of Personnel and MOF. Mr. Hao graduated from Beijing Jiaotong University (北京交通大學) in Beijing, the PRC, in July 2006 with a bachelor's degree majoring in accounting by correspondence education.

Ms. Hou Qinghong, aged 47, is currently our employee Supervisor.

Ms. Hou worked at Liaocheng Daily (聊城日報社) from July 1992 to November 2007. She joined our Company in November 2007. She is responsible for political and human resources affairs and has held various positions including officer of women employees' committee of the labour union, head and deputy manager of the human resources department and member of the disciplinary committee. She has served as member of the disciplinary committee, officer of women employees' committee of the labour union and head of the Party Operation Department since July 2017 and has become an employee Supervisor since March 2011.

Ms. Hou obtained Outstanding Youth Civilisation Worker in the Traffic and Transportation Industry of Shandong Province for the year 2011 (交通運輸行業2011年度山東省優秀青年文明工作者榮譽) from Shandong Provincial Committee (山東省委員會) and Shandong Provincial Traffic Transport Department Committee (山東省交通運輸廳委員會) under the Communist Youth League of China (中國共產主義青年團) in September 2012. Besides, she was accredited as provincial ''Female Advanced Worker'' (巾幗建功先進工作者) by Shandong Provincial Traffic Transport Department Committee (山東省交通運輸廳委員會) and Women's League of Shandong Province (山東省婦女聯合會) in March 2014.

Ms. Hou graduated from Liaocheng Institute of Education (聊城師範學院) (presently known as the Liaocheng University) in Liaocheng, the PRC, in July 1992 with a degree of bachelor of arts majoring in Chinese language and literature education. She received a Certificate of Advanced Studies Course for Postgraduate in Literary Aesthetics (文藝學專業研究生課程進修班結業證書) from Shandong University (山東大學) in Jinan, the PRC, in September 2002. She was qualified as a chief editor by Human Resource Bureau of Shandong Province (山東省人事廳) in November 2003. She obtained a Qualification Certificate of First Level Corporate Human Resources Professional (一級企業人力資源管理師資格證書) from the Ministry of Human Resources and Social Security of the PRC and a Vocational Training Certificate of Senior Human Resources Management Professional (高級人力資源法務(規劃)師資格證書) from China Employment Training Technical Instruction Center (中國就業培訓技術指導中心) in October 2013.

(4) Independent Supervisor

Mr. Li Ruzhi, aged 55, has worked at Jointide Law Firm, Shandong since December 2002 and is now a deputy director, senior partner and first-grade lawyer. He served as the chairman of the trade union, the head of general manager office and a senior economist of Shandong Petroleum & Chemical Economic Trade Head Office from July 1994 to December 2012.

Mr. Li holds a bachelor's degree in Chinese Language and Literature from the Department of Chinese of Beijing Normal University and a bachelor's degree in Law from Shandong University.

Ms. Jiang Xiaoyun, aged 67, is currently an independent Supervisor of our Company.

Ms. Jiang served as a senior partner of Ruihua Certified Public Accountants (瑞華會計師事務所(特殊普通合夥)) from 1997 to 2011.

Ms. Jiang was granted the certificate of merit for her 30 years' service in financial business by the MOF in September 2009. Ms. Jiang graduated from Zhengzhou College of Aeronautical Industry Management (鄭州航空工業管理專科學校) in Zhengzhou, the PRC in November 1986 with a diploma qualification majoring in financial accounting.

She obtained a post graduate degree certificate in financial management from Peking University in Beijing, the PRC in June 2006 through a part-time course. Ms. Jiang was granted a certificate of qualification training for independent directors by the Shanghai Stock Exchange in May 2011.

SENIOR MANAGEMENT

Mr. Peng Hui, aged 54, currently is an executive Director, general manager and deputy secretary of the party committee.

Mr. Peng has over 30 years of experience in transportation industry. He acted as the head of paratransit of Tianjin Ocean Shipping Company (天津遠洋運輸公司) from September 1984 to September 1998, manager of COSCO Bulk International Ocean Manning Company (中遠散運國際海員外派公司) from October 1998 to July 2008, assistant to general manager of COSCO SHIPPING Industry & Trade (formerly known as COSCO (Hong Kong) Industry & Trade Holdings Limited (中遠(香港)工貿控股有限公司)) from July 2008 to June 2011 and deputy general manager of COSCO SHIPPING Industry & Trade (formerly known as COSCO (Hong Kong) Industry & Trade Holdings Limited) from July 2011 to May 2014. Mr. Peng joined our Company as Director in October 2011. He has served as Director, general manager and deputy secretary of the party committee since May 2014.

Mr. Peng graduated from Qingdao Ocean Shipping Mariners College (青島遠洋船員學院) in Qingdao, the PRC, in July 1990 with a bachelor's degree majoring in marine engineering management. In December 2004, he graduated from Party School of Tianjin Municipal Committee of the Communist Party of China (中共天津市委黨校) in Tianjin, the PRC, with a part-time undergraduate degree in Law.

Mr. Zhang Bo, aged 51, currently serves as our standing deputy general manager and member of the party committee.

Mr. Zhang has nearly 30 years of relevant working experience in the highway industry. He worked as an officer for the planning department of Shandong Highway Management Bureau (山東省公路管理局) from July 1989 to November 1989 and was appointed as a supervision engineer of the engineering department of Zibo Highway Bureau from November 1989 to November 1990. He worked as an officer for the planning department of Shandong Highway Management Bureau from November 1990 to June 1993, and the person in charge of the Highway Network Planning Office (路網規劃辦公室) under the Shandong Provincial Transport Department from June 1993 to October 1995. He was a deputy section officer of the planning division of Shandong Highway Management Bureau from October 1995 to September 1997. He also served as an assistant to the mayor and deputy director of Highway Bureau in Leling, Dezhou from September 1997 to September 1998, head of the planning department of Shandong Highway Bureau as well as deputy director of information management centre and member of Tibet support team in Shigatse, Tibet Autonomous Region (西藏自治區日喀則地區援藏幹部), from September 1998 to April 2014. Mr. Zhang has served as deputy general manager and standing deputy general manager since the establishment of our Company in December 2003. He has been a member of the party committee of our Company since February 2008. Furthermore, he served as the Director of our Company from December 2007 to April 2011. He also concurrently served as the vice chairman of the board of directors and director of Jihe Service from January 2005 to July 2011, director and chairman of the board of directors of Jihe Petroleum from September 2007 to August 2017, director of Shandong Dongqing Highway Company Limited from September 2014 to July 2016, and supervisor of CRCC Shandong Beijing — Shanghai Expressway Jile Company Limited from October 2014 to October 2016.

In September 2001, he was awarded as Outstanding Technology Talent in National Transportation System (全國交通系統優秀科技工作者) by the Ministry of Communications of the PRC. In June 2002, he was awarded the Advanced Technology Talent in Provincial Transportation System (全省交通系統科技先進工作者) by the Shandong Provincial Transport Department. In July 2002, he obtained the first prize of Technology Improvement Award (科技進步獎勵一等獎) promulgated by the Shandong Provincial Transport Department. Mr. Zhang received the 2011 Excellent Contribution Award (2011 年度工作成績突出嘉獎) by Shandong Highway Bureau in February 2012.

Mr. Zhang graduated from Southwest Jiaotong University (西南交通大學) in Chengdu, the PRC, with a bachelor's degree in engineering majoring in transport engineering in July 1989. In December 2005, he obtained a postgraduate's degree in science majoring in environmental science (geography) from Shandong Normal University (山東師範大學) in Jinan, the PRC. In December 2008, he obtained Graduation Certificate for Completion of a Doctorate Program in corporate management from Sichuan University (四川大學) in Chengdu, the PRC. In February 2006, Mr. Zhang was qualified as a researcher of engineering technology application by Shandong Engineering Technology Positions Senior Assessment Committee.

Mr. Li Andong, aged 49, currently serves as our chief financial officer and member of the party committee.

Mr. Li has almost 30 years of experience in financial management. He worked as a leading accountant and a deputy head of finance department in Shandong Juxian Highway Bureau (山東省莒縣公路局) from July 1990 to February 1994, head of finance department in Shandong Rizhao City Highway Bureau (Donggang District) from February 1994 to April 1997, an officer, the deputy head and the head of audit department in Shandong Rizhao Highway Bureau from April 1997 to October 2004, an auditor of audit department in the Ministry of Communications of the PRC successively and an editor of ''Transportation Audit'' from May 2000 to April 2001, officer and head of finance department in Shandong Highway Bureau successively from October 2004 to April 2014. He joined our Company in December 2007 and served as a supervisor, member of the party committee, Chief Financial Officer and secretary to the Board. He has been our chief financial officer since January 2010.

Mr. Li concurrently served as the director of Jihe Service from July 2011 to August 2017, director of Jihe Petroleum from December 2011 to August 2017, supervisor of Shandong Dongqing Highway Company Limited from September 2014 to July 2016, and director of CRCC Shandong Beijing — Shanghai Expressway Jile Company Limited from October 2014 to October 2016.

Mr. Li was awarded as Advancement Individual in national transportation internal audit (全國交通內部審計工作先進個人) by the Ministry of Communications of the PRC in June 2004. In November 2005, he won the third prize of Shandong Technology Award (科學技術獎三等獎) promulgated by Shandong Technology Awards Committee.

Mr. Li graduated from Jinan Communications College (濟南交通高等專科學校) in Jinan, the PRC, with a tertiary school academic qualification majoring in engineering financial accounting in July 1990. In November 1993, Mr. Li was qualified as an accountant by Ministry of Finance. He graduated from Shandong Province Party Committee School (山東省委黨校) in Jinan, PRC with part-time undergraduate degree (associate grade) in economics management in December 1998. In September 2000, he was qualified as a senior auditor by Shandong Auditing Positions Senior Assessment Committee.

Mr. Liu Qiang, aged 50, currently serves as our chief economist, member of the party committee, chairman of labour union and secretary of disciplinary commission.

Mr. Liu has nearly 30 years of experience in the construction industry. Mr. Liu served as an officer of the Pinyin Construction Committee from February 1992 to April 1994. He served as the deputy director of demolition and relocation office under the Pingyin Urban Construction and Management Bureau (平陰縣城市建設管理事業局) from April 1994 to April 1996; branch committee secretary of the Pingyin gardening management unit from April 1996 to April 1999; and deputy head of the Pingyin Housing and Urban-Rural Construction Department from April 1999 to August 2005. He has served as deputy head (person in charge) of the Pingyin Highway Management Bureau and deputy secretary of the party panel of Pingyin Highway Management Bureau since August 2005; and deputy secretary of the committee of Pingyin Transportation Bureau since June 2007.

Mr. Liu joined our Company in September 2007 and worked as the head of Pingyin Management Department until February 2008, member of the party committee of our Company from February 2008 to March 2008, chief economist and member of the party committee of our Company from March 2008 to May 2008, chief economist, member of the party committee, chairman of labour union of our Company from May 2008 to December 2014. He has been the chief economist, member of the party committee, chairman of labour union and secretary of disciplinary commission since December 2014. Mr. Liu also served as a director of Jihe Petroleum from December 2011 to August 2017.

In February 2006, Mr. Liu was named as Advanced Production Worker of Jinan highway system for 2005 (濟南公路系統2005年度先進生產(工作)者) by Jinan Highway Management Bureau and Jinan Party Committee. In June 2011, he was named as the Advanced Individual for Shandong Transportation Energy Saving and Emission Reduction Work under the Eleventh Five-year Plan "(十一五"全省交通運輸節能減排工作先進個人) by the Shandong Transport Department. In April 2015, he was named as the Outstanding Organisation Individual of National Health Cup Campaign "(安康杯"競賽優秀組織個人) by the Shandong General Union and Shandong Province Administration of Production Safety.

In July 1988, Mr. Liu graduated from Shandong Province Jinan Urban Construction School (山東省濟南城市建設學校) (presently known as the Shandong Urban Construction Vocational College) in Jinan, the PRC, with technical school academic qualification majoring in survey and mapping. In June 1993, he graduated from Correspondence Institute of the Party School of the China Communist Party (中央黨校函授學院) in Beijing, the PRC, with a diploma majoring in economic management. In December 2002, he graduated from The Shandong Province Party Committee School of Shandong Committee of the Communist Party of China (中國共產黨山東省委員會黨校) in Jinan, the PRC, with a part-time undergraduate degree (transferred from an associate program) in Construction and Operation. In May 2004, he completed a postgraduate course in administrative management in Beijing Normal University in Beijing, the PRC. In September 2007, Mr. Liu was qualified as a senior political analyst by the Duty Assessment Office for Ideological and Political Staff at Enterprises in Shandong (山東省企業思想政治工作人員專業職務評定工作辦公室).

Mr. Chen Xiulin, aged 46, currently serves as our deputy general manager, a member of the party committee and the secretary to the Board.

Mr. Chen was a member of the political affairs department of Shandong Dezhou Machine Tool Factory (山東德州機床廠) from July 1994 to January 1999, a member and vice head of political affairs division of Jining Highway Management Bureau (濟寧市公路管理局) from January 1999 to October 2004. He was the officer of the political affairs division of the Highway Bureau of the Shandong Provincial Transport Department from October 2004 to March 2005. He served as the deputy manager of the political affairs division of the Highway Bureau of the Shandong Provincial Transport Department from March 2005 to October 2006. He worked as the manager of the political affairs division of the Highway Bureau of the Shandong Provincial Transport Department from October 2006 to June 2014 and concurrently served as the head of the general department of Shandong Binde Expressway Projects Office (山東省濱德高速公路項目辦). Mr. Chen joined our Company in November 2014 and served as the deputy general manager of our Company. He has served as the deputy general manager and a member of the party committee of our Company since November 2014 and has concurrently been serving as the secretary to the Board since April 2016.

Mr. Chen concurrently served as the standing deputy general manager of Shandong Malong Expressway Company Limited (山東馬龍高速公路有限公司) from June 2014 to April 2016, the director of Dongying Yellow River Bridge Co., Ltd. (formerly known as Dongying Yellow River Bridge Expressway Co., Ltd.) from March 2015 to July 2016, and supervisor of Shandong Jizou Highway Company Limited (山東省濟鄒公路有限公司) from September 2015 to July 2016.

Mr. Chen graduated from Northeast Forestry University (東北林業大學) in Harbin, the PRC in June 1994 with a bachelor's degree in engineering majoring in forestry engineering. In September 2004, Mr. Chen was qualified as a senior political analyst by the Senior Assessment Committee for Ideological and Political Staff at Enterprises in Shandong (山東省企業思想政治工作人員專業職務高級評審委員會).

JOINT COMPANY SECRETARIES

Mr. Lian Shengguo, aged 40, currently serves as our employee Supervisor, our joint company secretary and the head of the office of the Board.

Mr. Lian served in the Jining Highway Management Bureau (濟寧市公路管理局) from February 1999 to January 2008, deputy officer of the management office of Jiaxiang branch, deputy manager of infrastructure office, manager of human resource department, deputy secretary of branch of the party committee of general affairs office, vice chairman of the labour union, manager of administration department and secretary of branch of the party committee of general affairs office from January 2008 to October 2016. He has served as a member of the disciplinary committee of our Company since December 2014 and our employee Supervisor since October 2016. Mr. Lian has also acted as the officer of the office of the Board since June 2017. He is currently our joint company secretary.

Mr. Lian graduated from Chang'an University (長安大學) in Xi'an, the PRC, in June 2004 and obtained a bachelor's degree majoring in civil engineering from a distance learning programme, and graduated from Central Party School (中共中央黨校) in Beijing, the PRC, in July 2014 with a master's degree majoring in sociology.

Ms. So Shuk Yi Betty (蘇淑儀), currently serves as a joint company secretary. She is the vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited), a company providing company secretarial service.

Ms. So has over 20 years of experience in the corporate secretarial field. During the period, Ms. So was employed in the company secretarial role of several companies listed on the Stock Exchange and accounting firms.

Ms. So obtained a master's degree in business administration from the Faculty of the Social Sciences in the University of Leicester (located in the United Kingdom) in July 1999, and obtained a master's degree in law from the City University of Hong Kong (Hong Kong) in November 2004. Ms. So is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators since 1997.

The Board hereby presents the report of the Board of Directors and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL BUSINESSES

As at the date of this report, the Group's Continuing Operations comprise expressway business, for the construction, maintenance, operation and management of Jihe Expressway, and advertisement business, for the leasing of advertisement billboards along Jihe Expressway and provision of advertisement publication services.

There is no material change in the nature of the principal businesses of the Group during the Year.

FINANCIAL POSITION AND RESULTS

The financial position as at 31 December 2018 and profit for the Year of the Group are set out in pages 116 and 114 respectively of this report.

During the Year, the revenue from our Continuing Operations was approximately RMB921,735,000, representing a decrease of approximately 11.80% as compared to approximately RMB1,045,060,000 for the corresponding period of last year. The cost and gross profit from our Continuing Operations were approximately RMB299,208,000 and RMB622,527,000, respectively, as compared to those of approximately RMB292,850,000 and RMB752,210,000 for the corresponding period of last year, representing an increase of approximately 2.17% and a decrease of approximately 17.24% as compared to that of corresponding period of last year, respectively. Net profit from Continuing Operations amounted to RMB408,505,000, representing a decrease of RMB90,367,000 or 18.11% as compared to that of 2017 (RMB498,872,000).

The earnings per Share from the Group's Continuing Operations for the Year was RMB0.24, representing a decrease of 27.27% as compared to that of 2017 (RMB0.33).

As at 31 December 2018, the debt asset ratio (calculated by dividing total liabilities by total assets) of our Group was 18.87%, representing a decrease of 13.04 percentage points, as compared to 31.91% as at 31 December 2017. Such decrease was mainly attributable to: (i) the increase in the amount of equity upon the Listing; and (ii) the decrease in liabilities due to the repayment of certain bank borrowings.

CLOSURES OF REGISTER OF MEMBERS

2018 AGM

The 2018 AGM will be held on Monday, 10 June 2019. For the purpose of determining our Shareholders' entitlement to attend the 2018 AGM, the register of members of our Company will be closed from Saturday, 11 May 2019 to Monday, 10 June 2019 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify to attend and vote at the 2018 AGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with our Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of the Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, city, Shandong, PRC (for Domestic Shareholders), not later than 4:30 p.m. on Friday, 10 May 2019.

Proposed 2018 Final Dividend

The Board has proposed the payment of a cash dividend of RMB0.1287 (tax inclusive) per Share to all Shareholders in an aggregate amount of RMB257,400,000 (tax inclusive) as the 2018 Final Dividend for the year ended 31 December 2018. The payment of such dividend is subject to consideration and approval by Shareholders at the 2018 AGM, and, if approved, such dividend will be paid to the Domestic Shareholders and H Shareholders whose name appeared on the register of members of our Company after the closing of market on Wednesday, 19 June 2019. Such dividend will be denominated and declared in Renminbi, and paid to the Domestic Shareholders and H Shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for dividend paid in Hong Kong dollars shall be the average middle rate for the five business days preceding the date of declaration of such dividend at the 2018 AGM (i.e., 10 June 2019) as announced by the People's Bank of China. The share register of our Company will be closed from Friday, 14 June 2019 to Wednesday, 19 June 2019 (both days inclusive). In order to be entitled to the 2018 Final Dividend distribution, Shareholders who have not registered are required to deposit the transfer documents together with relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the head office of our Company in the PRC at Room 2301, Block 4, Zone 3, Hanyu Financial & Business Centre, No. 7000, Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, the PRC (for Domestic Shareholders) by no later than 4:30 p.m. on Thursday, 13 June 2019.

The Board is set to distribute the 2018 Final Dividend on Friday, 23 August 2019. If there are any changes to the expected dividend payment date, an announcement will be published as soon as practicable and in accordance with the Listing Rules.

Tax on Dividends

According to the Enterprise Income Tax law of the People's Republic of China and its implementation regulations effective on 29 December 2018, and the provisions of the "Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Overseas H-share Holders (Non-resident Enterprise Shareholders) from Chinese Resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation, the income of resident enterprise and non-resident enterprise derived in the PRC will be subject to enterprise income tax. Enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC are resident enterprises, which shall file tax return on their own and pay income tax for the income derived in the PRC in according to laws. Enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC are non-resident enterprises, if non-resident enterprises establish no organizations and sites within the territory of China, or though establish organizations and sites but the dividends and bonds received have no real connection to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10.0% of its income from the Chinese territory. The Company shall pay the enterprise income tax at the rate of 10% of the annual dividend of H shares non-resident enterprise shareholders in according with laws. After the resident enterprise shareholders submit the legal opinion within the prescribed time limit and the Company submits such opinion to the competent tax authorities for confirmation, the Company will not withhold and pay any corporate income tax when distributing the 2018 final dividends to the H Share resident enterprise shareholders who are registered on the dividend record date.

If the individual H Shareholders are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for dividend with the PRC under the relevant tax treaties, the Company should withhold and pay individual income tax on behalf of the relevant H Shareholders at a rate of 10%. Should the individual H Shareholders be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax treaties, the Company shall withhold and pay individual income tax on behalf of the relevant H Shareholders at a rate of 10%. If the relevant individual H Shareholders wish to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant H Shareholders to handle the application for the underlying preferential tax benefits pursuant to tax treaties. If the individual H Shareholders are residents of the countries which had an agreed tax rate of higher than 10% but lower than 20% for dividend with the PRC under the relevant tax treaties, the Company should withhold and pay individual income tax on behalf of the relevant H Shareholders at the actual rate specified under relevant tax treaties.

If H Shareholders intend to change its shareholder status, please enquire about the relevant procedures with your agents or transferee agent. The Company will strictly comply with the law or the requirements of the relevant government authority to withhold and pay enterprise income tax and individual income tax on behalf of the relevant shareholders based on the register of members for H Shares as at the dividend registration date. The Company assumes no responsibility and will not entertain any claims arising from any failure to timely determine, or inaccurate determination of, the status of the Shareholders or any dispute over the arrangement of withholding and paying enterprise tax and individual income tax on behalf of such Shareholders. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the H Shares.

If H Shareholders consider that the tax rate adopted by the Company for the withholding and payment of enterprise income tax or individual income tax on their behalf is not the same as the tax rate stipulated in relevant laws and regulations or any tax treaties between the PRC and the countries (regions) in which they are domiciled, please submit promptly to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, on or before 4:30 p.m. on Thursday, 13 June 2019, a letter of entrustment and a legal opinion certifying that they are resident enterprise as stipulated in the Enterprise Income Tax Law of the People's Republic of China or all application materials showing that they are residents of a country (region) for Individual H Shareholders which has entered into a tax treaty with the PRC. The Company will then submit the above documents to competent tax authorities for confirmation and proceed with the subsequent tax related arrangements.

Dividend policy

The Company may declare and pay dividends by way of cash or by shares (or by both means). The proposal for dividend distribution will be formulated by our Board at their discretion and shall be subject to approval at the Shareholders' general meeting. Nonetheless, the Company will pay dividends out of net profit only after it has made the following allocations:

- write-off of accumulated losses, if any;
- transfer to the statutory common reserve fund an amount equivalent to 10% of our net profit, as determined under PRC GAAP; and
- transfer, if any, to a discretionary common reserve fund an amount approved by the Shareholders in a Shareholders' general meeting.

The minimum allocation to the statutory common reserve fund shall be 10% of our net profit according to the PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to the statutory common reserve fund will be required. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

The Company expects to distribute dividends of approximately 60.0% to 70.0% of its annual distributable profits. Where there is significant investment or acquisition plans in such year, the Company will decrease its dividend payment ratio accordingly. However, there is no assurance that the Company will be able to distribute such dividends of such amount or any amount in each year or any year in the future. The dividend policy of the Company in the future will be determined by the Board based on operating results, cash flow, financial position, business prospects, statutory and regulatory restrictions relating to dividend distribution of the Company and such other factors that the Board may consider relevant.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of the Company has been listed and traded on the Stock Exchange since 19 July 2018. After deducting related expenses, the net proceeds of the Company from the Global Offering amounted to approximately HK$1,177 million. During the Year, the use of proceeds from the Global Offering was in line with the usage disclosed in the Prospectus.

Use of Proceeds

The Group's business objectives and intended use of proceeds as stated in the prospectus were based on the best estimation on future market conditions made by the Group in the preparation of the Prospectus. The actual use of proceeds was based on actual market development. The net proceeds from the Global Offering was approximately HK$1,177 million. During the period from the listing date to the date of this report, the net proceeds from the Global Offering had been applied as follows (calculated based on the exchange rate of RMB0.8633 = HKD1 on 15 February 2019):

Business objectives as stated in the Prospectus	Actual net proceeds *HK$'000*	Amount utilized up to 31 December 2018 *HK$'000*	Balance as at 31 December 2018 *HK$'000*
Acquiring operative toll roads, bridges and relevant infrastructure projects or interests	588,504	0	588,504
Road maintenance of Jihe Expressway	294,252	0	294,252
Full or partial repayment of short-term bank loans	117,701	98,459	19,242
Working capital and other general corporate purposes	117,701	0	117,701
Optimizing the Company's information management systems	58,850	0	58,850

As at 31 December 2018, approximately 70% of gross proceeds from the Global Offering (approximately HK$875 million) has been deposited in the state, the remaining 30% of gross proceeds from the Global Offering (approximately HK$375 million) was retained overseas, and is intended to be used the same way as the distribution proposed in the Prospectus.

As stated in the Prospectus, to the extent that the net proceeds are not immediately applied to the above purposes, the Group intends to place the funds into short-term deposits with banks or other financial institutions in Hong Kong or the PRC, or money-market instruments or other forms of banking deposits as permitted by the relevant laws and regulations.

FIXED ASSETS AND CONSTRUCTION-IN-PROGRESS

Details on the Group's fixed assets and construction-in-progress for the Year are set out in Note 13 to the consolidated financial statements of this annual report.

UNDISTRIBUTED PROFITS AT THE END OF THE YEAR

Details on the undistributed profits of the Group for the Year are set out in "Consolidated Statement of Changes in Equity" in this annual report. As at 31 December 2018, undistributed profits at the end of the Year distributable to Shareholders amounted to approximately RMB514,163,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, income of the Group principally includes the toll revenue from expressways, all of which were walk-in customers, with relatively higher randomness involved as there were no major customers.

During the Year, the purchases made by the Group from the five largest suppliers of goods or services (i.e. its suppliers of non-capital goods) accounted for 0.5% of the operating cost of the Group, among which, the purchases made from the largest supplier of non-capital goods accounted for 0.2% of the operating cost; the purchases made by the Group from the five largest suppliers of equipment and construction services (i.e. its suppliers of capital goods) amounted to RMB146,486,000, among which, the purchases made from the largest supplier of equipment and construction services amounted to RMB83,896,000.

During the Year, none of the Directors, Supervisors or their respective associates or any Shareholders who own more than 5% of equity interests of the Company so far as the Directors are aware, has beneficial interests in the five largest customers and the five largest suppliers of capital or non-capital goods.

ENVIRONMENTAL POLICY AND PERFORMANCE

For the policies and performance of the Group on environmental protection during the Reporting Period, please refer to the environmental, social and governance report of the Company 2018.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company understands the importance to comply with laws and regulations, and the failure in complying with such requirements may result in the termination of business license. The Company has deployed systems and human resources to ensure compliance with rules and regulations on ongoing basis, and has maintained stable relationship with regulatory authorities through effective communication. As stated in the announcement of the Company dated 15 February 2019, the Company has not disclosed the subscription of the wealth management products issued by the Bank of China amounting to RMB200 million in accordance with the Listing Rules in a timely manner. Save as above mentioned, for the year ended 31 December 2018, to the knowledge of Directors, the Company has complied with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies of the People's Republic of China, the Highway Law of the People's Republic of China, the SFO, the Listing Rules, and other relevant laws and regulations.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For details on the Group's relationships with employees, customers and suppliers during the Reporting Period, please refer to the environmental, social and governance report of the Company 2018.

CAPITAL COMMITMENT

Details on the capital commitment of the Group for the Year are set out in Note 32 to the consolidated financial statements in this report.

SUBSIDIARIES, JOINT VENTURES UNDER COMMON CONTROL AND ASSOCIATES

As at 31 December 2018, the Company has a subsidiary, details on the business performance of the subsidiary of which are set out in Note 16 to the consolidated financial statements in this annual report.

DONATION

The charity and other donations of the Group made during the Year amounted to approximately RMB38,000.

CONNECTED TRANSACTIONS

Non-exempt continuing connected transactions

Qilu Transportation holds more than 10% of the issued share capital of the Company, and is therefore a substantial shareholder of the Company as defined in the Listing Rules. Accordingly, Qilu Transportation is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the ongoing transactions carried out between the Company and Qilu Transportation are continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules.

(1) Land Use Right Lease Agreement

The Company and Qilu Transportation entered into the land use right lease agreement (the "**Land Use Right Lease Agreement**") on 12 December 2017, pursuant to which Qilu Transportation agreed to lease to the Company the land use rights of the 29 parcels of land of the Jihe Expressway with an aggregate GFA of 10,181,936.30 sq.m. in nine districts and counties of Shandong Province (collectively the ''**Leased Lands**'') for a term commencing from 1 January 2017 until 25 September 2034 (i.e. the expiry date of the Concession Period). In accordance with the Land Use Right Lease Agreement, the Company may use the Leased Lands from 1 January 2017 to the execution date of the Land Use Right Lease Agreement at nil cost. The total rent for the land use right of the Leased Lands from the execution date of the Land Use Right Lease Agreement to 25 September 2034 is RMB40.956 million. The Company shall pay RMB2.310 million to Qilu Transportation within 15 days from the date on which the Land Use Right Lease Agreement is executed and the rest of the rent shall be paid by the Company to Qilu Transportation in 17 instalments from 2018 to 2034. The Company shall pay RMB2.310 million to Qilu Transportation by 31 March of each of the years from 2018 to 2033 and shall pay RMB1.686 million to Qilu Transportation by 31 March 2034.

Pricing policies:

The rent payable under the Land Use Right Lease Agreement was determined by both parties to the agreement through arm's length negotiation with reference to (i) the cost of application for the immovable property right certificates of the lands of the Jihe Expressway by Qilu Transportation; (ii) the area leased, geographic location and condition of surrounding area, and the prevailing market rent in respect of the land parcels of the same or similar nature in the same region, and (iii) the estimated changes in the prevailing market rent in the future.

Annual caps:

According to the above pricing policies and based on the terms of the Land Use Right Lease Agreement, it is estimated that the maximum annual rental payment to be paid by our Company under the Land Use Right Lease Agreement for the year ending 31 December 2018 to the year ending 31 December 2034 (i.e. until 25 September 2034, being the expiry date of the Concession Period) shall not exceed the annual caps set out below:

Year	Proposed annual caps for the year ending 31 December *(RMB million)*
2018	2.310
2019	2.310
2020	2.310
2021	2.310
2022	2.310
2023	2.310
2024	2.310
2025	2.310
2026	2.310
2027	2.310
2028	2.310
2029	2.310
2030	2.310
2031	2.310
2032	2.310
2033	2.310
2034 (until 25 September 2034, i.e. the expiry date of the Concession Period)	1.686

The amount payable to Qilu Transportation in the sum of RMB2.310 million under the Land Use Right Lease Agreement for the year ending 31 December 2018 has been paid in March 2018.

(2) Property Lease Agreement

The Company and Qilu Transportation entered into the property lease agreement on (the "**Property Lease Agreement**"）12 December 2017, pursuant to which Qilu Transportation agreed to lease 45 properties used as seven management centres and one maintenance and emergency response centre (collectively, the "**45 Leased Properties**") with an aggregate GFA of 26,427.59 sq.m. to the Company. The lease term is approximately 17.4 years commencing from 1 May 2017 to 25 September 2034 (i.e. being the expiry date of the Concession Period). In accordance with the Property Lease Agreement, the total rent payable during the lease term is RMB65.65 million. The Company shall pay RMB58.00 million to Qilu Transportation within 15 days from the date on which the Property Lease Agreement is executed and the rest of the rent shall be paid by the Company to Qilu Transportation in 17 equal instalments of RMB0.45 million each by 31 March from 2018 to 2034.

Pricing policies:

The rent payable under the Property Lease Agreement was determined by both parties to the agreement through arm's length negotiation with reference to (i) the area leased, geographic location and condition of surrounding area; (ii) the prevailing market rent in respect of the properties of the same or similar nature in the same region; (iii) the appraised value of such leased properties; and (iv) the estimated changes in the prevailing market rent in the future.

Annual caps:

According to the above pricing policies and based upon the term of the Property Lease Agreement, it is estimated that the maximum annual rental payment to be paid by our Company under the Property Lease Agreement for the year ending 31 December 2018 to the year ending 31 December 2034 (i.e. until 25 September 2034, being the expiry date of the Concession Period) shall not exceed the annual caps set out below:

Year	**Proposed annual caps for the year ending 31 December** *(RMB)*
2018	450,000.0
2019	450,000.0
2020	450,000.0
2021	450,000.0
2022	450,000.0
2023	450,000.0
2024	450,000.0
2025	450,000.0
2026	450,000.0
2027	450,000.0
2028	450,000.0
2029	450,000.0
2030	450,000.0
2031	450,000.0
2032	450,000.0
2033	450,000.0
2034 (until 25 September 2034, i.e. the expiry date of the Concession Period)	450,000.0

The amount payable to Qilu Transportation in the sum of RMB450,000 under the Property Lease Agreement for the year ending 31 December 2018 has been paid in March 2018.

The Company's independent non-executive Directors have reviewed the aforementioned continuing connected transactions and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or better; and

(3) in accordance with the terms of the relevant agreements governing the transactions and on terms that are fair and reasonable and in interests of the Company and the Shareholders as a whole.

PricewaterhouseCoopers, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors confirmed that PricewaterhouseCoopers have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The significant related party transactions (which also constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules) set out in Note 33 to the consolidated financial statements are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, during the Reporting Period, none of the connected transactions or continuing connected transactions of the Company shall be disclosed pursuant to the provisions in respect of connected transaction disclosure requirements under Chapter 14A of the Listing Rules.

COMPLIANCE WITH THE NON-COMPETITION AGREEMENTS

The Company has entered into with each of Qilu Transportation and COSCO SHIPPING (Hong Kong), the Non-Competition Agreement, under which each of Qilu Transportation and COSCO SHIPPING (Hong Kong), as our Controlling Shareholder, has undertaken that, save for the existing business of Qilu Transportation and COSCO SHIPPING (Hong Kong), it would not, in any way, directly or indirectly, procure a third party to engage in or otherwise participate in, any business that competes, or is likely to compete with the existing and future business which is engaged in or intended to be engaged in by our Company and its subsidiaries according to our business development (the "**Principal Businesses of our Company and its Subsidiaries**").

The foregoing restrictions shall not apply to the following circumstances:

(i) the acquisition or holding by Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries for investment purpose of non-convertible bonds, or convertible bonds in relation to not more than 5.00% equity interests of other listed or non-listed companies which competes or is likely to compete with the Principal Businesses of our Company and its Subsidiaries;

(ii) according to the Non-Competition Agreements, in the event that the Company decides not to take up the New Business Opportunity (as defined below), and Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries take up the New Business Opportunity;

(iii) the engagement or participation by Qilu Transportation or COSCO SHIPPING (Hong Kong) in the investment, development, maintenance, operation and management of expressways running within/through Shandong Province of the PRC, the establishment and operation of the advertisement billboards along the expressways under its operation and/or management, and the operation of other businesses in relation to toll roads in accordance with specific written approvals or instructions from the competent provincial government departments. However, Qilu Transportation or COSCO SHIPPING (Hong Kong) shall communicate with the Company before the issuance of such approval or instruction in order to minimise the impact of relevant projects on the Company. However, (i) if Qilu Transportation or COSCO SHIPPING (Hong Kong) has the autonomous right to select the execution entity of such projects covered by the written approvals or instructions, such projects are still subject to the requirements under the Non-Competition Agreement; or (ii) if the projects covered by such approvals and instructions cause actual competition with or bring impact to the Principal Businesses of our Company and its Subsidiaries, Qilu Transportation or COSCO SHIPPING (Hong Kong) and our Company shall use the best efforts to procure the competent government authorities to fully consider the relevant factors before issuing such written approvals or instructions; and

(iv) additional capital injection by Qilu Transportation or COSCO SHIPPING (Hong Kong) to their respective subsidiaries being involved in such businesses in accordance with the prevailing business development needs. However, if the additional capital will be used for business that competes or is likely to compete with the Principal Businesses of our Company and its Subsidiaries, such business shall be subject to the Non-Competition Agreements.

OPTIONS FOR NEW BUSINESS OPPORTUNITIES

Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) has undertaken in the Non-Competition Agreements that during the term of the Non-Competition Agreements, if Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries becomes aware of any new business opportunity which will directly or indirectly compete or is likely to compete with the Principal Businesses of our Company and its Subsidiaries ("**New Business Opportunity**"), Qilu Transportation or COSCO SHIPPING (Hong Kong) shall notify us in writing of the New Business Opportunity within ten working days after it becomes aware of the New Business Opportunity (the "**Offer Notice**") and provide with us all required information about the New Business Opportunity, and use its best efforts to procure the New Business Opportunity to us or our subsidiaries on fair and reasonable terms and conditions. Our Group is entitled to decide whether or not to take up such New Business Opportunity in writing within ten working days or within a time period as otherwise agreed by the parties from receiving the Offer Notice. If so, Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries must pass on the New Business Opportunity to us or our subsidiaries under the same terms and conditions.

OPTIONS FOR ACQUISITIONS

In relation to any New Business Opportunity referred to us by Qilu Transportation or COSCO SHIPPING (Hong Kong) or their subsidiaries under the Non-Competition Agreements, if we decide not to take up such New Business Opportunity, Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries may, subsequently take up such New Business Opportunity on its own.

PRE-EMPTIVE RIGHTS UNDER NON-COMPETITION AGREEMENTS

In relation to any New Business Opportunity referred to us by Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries under the Non-Competition Agreements, if our Company decides not to take up such New Business Opportunity, Qilu Transportation or COSCO SHIPPING (Hong Kong) or their respective subsidiaries may, subsequently take up such New Business Opportunity on its own.

Each of Qilu Transportation and COSCO SHIPPING (Hong Kong) has undertaken that, during the term of the Non-Competition Agreements, if they or any of their respective subsidiaries intend to transfer, sell, lease, license or otherwise transfer or permit to use (i) businesses or assets in the existing businesses of Qilu Transportation or COSCO SHIPPING (Hong Kong) which are the same as or similar to the Principal Businesses of our Company; or (ii) the above new business to a third party, it shall notify our Company by a written notice in advance.

For more details of the Non-Competition Agreements, please refer to the section headed “Relationship with Our Controlling Shareholders” in the Prospectus.

The Company has received confirmation notices issued by each of Qilu Transportation and COSCO SHIPPING (Hong Kong), confirming that they have complied with the Non-Competition Agreements for the year ended 31 December 2018, and made disclosure in this annual report. Independent non-executive directors have also reviewed the compliance and execution of the Non-Competition Agreements of Qilu Transportation and COSCO SHIPPING (Hong Kong) in accordance with such confirmation notices, and confirmed that they were not aware of any non-compliance of Qilu Transportation and COSCO SHIPPING (Hong Kong) on the commitments made in the Non-Competition Agreements for the year ended 31 December 2018. For the year ended 31 December 2018, the Company has not been offered any new business opportunities.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

Staff costs of the Group during the Year amounted to RMB73,516,000. The remuneration for the Group’s employees includes basic salaries, bonuses and other staff benefits, such as corporate annuity, supplementary medical insurance and group life accident insurance coverage. In general, the Group determines the remuneration of our employees based on their performance, qualifications, positions and seniority within our Group. The Group also provides our employees with continuing education and regular on-the-job training based on their job duties. As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement scheme for its employee in the PRC. The Group’s employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries and bonus), while the Group contributes 18% of such relevant income, subject to certain ceiling. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. In addition, the Group also operates an additional employee pension plan. All the employees are entitled to an additional pension each year aggregating to 8% of the previous year’s salaries.

Our Company offers the executive Directors, employee representative Supervisors and senior management, who are also employees of our Company, emolument in the form of salaries, performance bonus, annuity and other benefits. The non-executive Directors, independent non-executive Directors and shareholder representative Supervisors receive emolument, if any, based on their respective duties and responsibilities (including being members or chairman of Board committees).

WAIVER OF EMOLUMENTS

Mr. Wu Yuxiang, an independent non-executive Director, agreed to waive his director’s emolument since his appointment. His entitled emolument accrued during the Year amounted to RMB55,000.

SHARE CAPITAL

As at 31 December 2018, the total issued shares of the Company amounted to RMB2,000,000,000, which was divided into 2,000,000,000 Shares (comprising 1,100,000,000 H Shares and 900,000,000 Domestic Shares), with a nominal value of RMB1.00 each.

Share capital as at 31 December 2018 was as follows:

Class of Shares	Number of Shares	Approximate percentage to issued share capital of the Company
H Shares	1,100,000,000	55.00%
Domestic Shares	900,000,000	45.00%
Total	2,000,000,000	100%

Details on changes in share capital of the Company during the Year are set out in Note 24 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the laws of the PRC which would require the Company to offer new Shares to existing Shareholders on a pro-rata basis.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES OF THE COMPANY

As at 31 December 2018, so far as the Directors and Supervisors are aware, other than the Directors, Supervisors and the senior management of the Company, the following persons had or deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage to total issued share capital of the Company	Long position/ short position
Qilu Transportation	778,500,000	Beneficial interest	Domestic Shares	86.50%	38.93%	Long position
COSCO SHIPPING (Hong Kong) Co., Limited	600,000,000	Beneficial interest	H Shares	54.55%	30.00%	Long position
China Ocean Shipping Company Limited *(Note 1)*	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
China COSCO Shipping Corporation Limited *(Note 1)*	600,000,000	Interest in controlled corporation	H Shares	54.55%	30.00%	Long position
Shenhua National Power Shandong Construction Group Limited	121,500,000	Beneficial interest	Domestic Shares	13.50%	6.08%	Long position
Shenhua National Power Group Company Limited *(Note 2)*	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
China Energy Investment Corporation Limited *(Note 2)*	121,500,000	Interest in controlled corporation	Domestic Shares	13.50%	6.08%	Long position
CITIC-Prudential Life Insurance Company Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position
Prudential Corporation Holdings Limited *(Note 3)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Holdings Limited *(Note 3)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Prudential Corporation Asia Limited *(Note 3)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

Name of Shareholders	Number of Shares held	Capacity	Class of Shares	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage to total issued share capital of the Company	Long position/ short position
Prudential plc *(Note 3)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Corporation Limited *(Note 4)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Limited *(Note 4)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Glory Limited *(Note 4)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Polaris Limited *(Note 4)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
CITIC Group Corporation *(Note 4)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position
Shandong Hi-Speed Investment Holdings Co., Ltd.	103,750,000	Beneficial interest	H Shares	9.43%	5.19%	Long position
Shandong Hi-Speed Group Co., Ltd. *(Note 5)*	103,750,000	Interest in controlled corporation	H Shares	9.43%	5.19%	Long position

Notes:

1. COSCO SHIPPING (Hong Kong) Co., Limited is wholly owned by China Ocean Shipping Company Limited*. China Ocean Shipping Company Limited* is wholly owned by China COSCO Shipping Corporation Limited*. Therefore, China Ocean Shipping Company Limited* and China COSCO Shipping Corporation Limited* are deemed to be interested in the H Shares held by COSCO SHIPPING (Hong Kong) Co., Limited under the SFO.

2. Shenhua National Power Shandong Construction Group Limited* is wholly owned by Shenhua National Power Group Company Limited*. Shenhua National Power Group Company Limited* is wholly owned by China Energy Investment Corporation Limited. Therefore, Shenhua National Power Group Company Limited* and China Energy Investment Corporation Limited are deemed to be interested in the Domestic Shares held by Shenhua National Power Shandong Construction Group Limited* under the SFO.

3. 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by Prudential Corporation Holdings Limited. Prudential Corporation Holdings Limited is wholly owned by Prudential Holdings Limited. Prudential Holdings Limited is wholly owned by Prudential Corporation Asia Limited. Prudential Corporation Asia Limited is wholly owned by Prudential plc. Therefore, Prudential Corporation Holdings Limited, Prudential Holdings Limited, Prudential Corporation Asia Limited and Prudential plc are deemed to be interested in the H Shares held by CITIC-Prudential Life Insurance Company Ltd. under the SFO.

4. Remaining 50% shares of CITIC-Prudential Life Insurance Company Ltd. are owned by CITIC Corporation Limited*. CITIC Corporation Limited* is wholly owned by CITIC Limited. Shares of CITIC Limited are owned by CITIC Glory Limited and CITIC Polaris Limited as to 23.38% and 29.58%, respectively. CITIC Glory Limited is wholly owned by CITIC Group Corporation and CITIC Polaris Limited is wholly owned by CITIC Group Corporation. Therefore, CITIC Corporation Limited*, CITIC Limited,CITIC Glory Limited, CITIC Polaris Limited and CITIC Group Corporation are deemed to be interested in the H Shares held by CITIC-Prudential Life Insurance Company Ltd. under the SFO.

5. Shandong Hi-Speed Investment Holdings Co., Ltd is wholly owned by Shandong Hi-Speed Group Co., Ltd. Therefore, Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the H Shares held by Shandong Hi-Speed Investment Holdings Co., Ltd.

Save as disclosed above, as of 31 December 2018, to the best knowledge of our Directors and Supervisors, none of other persons (other than Directors, Supervisors and senior management of the Company) had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

To the best knowledge of our Directors, as at 31 December 2018, none of our Directors, Supervisors or chief executives and their respective associates had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPURCHASE, SALES AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, the Company did not repurchase, sell or redeem any of its Shares.

PUBLIC FLOAT

From the listing date of the Company's H Shares to the date of this report, according to the information obtained by the Company and the knowledge of the Directors, the public shareholding of the Company's Shares is no less than 25%, which is in compliance with the relevant regulations of Rule 8.08 and Rule 13.32 of the Listing Rules.

DIRECTORS AND SUPERVISORS

During the Year and as of the date of this report, the Directors and Supervisors of the Company include:

Executive Directors

Mr. Li Gang
Mr. Peng Hui

Non-executive Directors

Mr. Chen Dalong
Mr. Wang Shaochen
Mr. Wu Dengyi
Mr. Li Jie
Mr. Wang Long
Mr. Su Xiaodong
Mr. Yuan Ruizheng (appointed as a non-executive Director of the Company on 28 December 2018)
Mr. Tang Haolai (appointed as a non-executive Director of the Company on 28 December 2018)

Independent Non-executive Directors

Mr. Wu Yuxiang (appointed as an independent non-executive Director of the Company on 7 June 2018)
Mr. Cheng Xuezhan (appointed as an independent non-executive Director of the Company on 7 June 2018)
Mr. Li Hua (appointed as an independent non-executive Director of the Company on 7 June 2018)
Mr. Wang Lingfang (appointed as an independent non-executive Director of the Company on 7 June 2018)
Mr. He Jiale (appointed as an independent non-executive Director of the Company on 28 December 2018)

Shareholder Representative Supervisors

Ms. Meng Xin
Mr. Liu Ligang
Mr. Wu Yongfu

Employee Supervisors

Mr. Lian Shengguo
Mr. Hao Dehong
Ms. Hou Qinghong

Independent Supervisors

Mr. Li Ruzhi (appointed as an independent Supervisor of the Company on 28 December 2018)
Mr. Wei Zhihai (appointed as an independent Supervisor of the Company on 7 June 2018, resigned as an independent Supervisor of the Company on 28 December 2018)
Ms. Jiang Xiaoyun (appointed as an independent Supervisor of the Company on 7 June 2018)

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR INFORMATION

Changes in Directors, Supervisors and Senior Management during the Year

Mr. Wu Yuxiang, Mr. Cheng Xuezhan, Mr. Li Hua and Mr. Wang Lingfang were appointed as independent non-executive Directors of the Company at the Company's 2017 second extraordinary general meeting held on 26 June 2017 and the appointments took effect on 7 June 2018.

Mr. Wei Zhihai and Ms. Jiang Xiaoyun were appointed as independent Supervisors of the Company at the Company's 2017 second extraordinary general meeting held on 26 June 2017 and the appointments took effect on 7 June 2018. Mr. Wei Zhihai resigned as an independent Supervisor of the Company on 28 December 2018.

On 28 December 2018, the Company convened an extraordinary general meeting to approve the appointment of Mr. Yuan Ruizheng and Mr. Tang Haolai as non-executive Directors of the Company, Mr. He Jiale as independent non-executive Director and Mr. Li Ruzhi as independent Supervisor and the appointment took effect on 28 December 2018.

Changes in Directors, Supervisors and Senior Management after the Year and up to the date of this report

Saved as disclosed in this report, during the Year, there was no information of Directors which shall be disclosed under Paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules and there was no change in any disclosed information.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All current Directors have entered into service contracts with the Company for a term of three years commencing from the date of the approval on appointment by Shareholders and shall be terminated pursuant to relevant terms of respective contracts.

As at the date of this annual report, other than statutory compensation, none of the Directors and Supervisors of the Company had entered into any service contract with the Company or any of its subsidiaries which was not determinable by the Company within one year without payment of compensation.

INTERESTS IN CONTRACTS OF SIGNIFICANCE OF DIRECTORS AND SUPERVISORS

During the relevant period, none of the Directors and Supervisors was materially interested, directly or indirectly, in any contracts of significance entered into with the Company or its controlling companies or its subsidiaries or subsidiaries of its controlling companies subsisting as at the end of the Year.

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

The table below summarised the positions concurrently held by the Directors and Supervisors in road operation companies of the Controlling Shareholders and/or their associates (other than the Company):

Name/Positions held with the Company	Directorship, supervisorship, senior management or other positions held with road operation companies of the Controlling Shareholders and/or their associates (other than the Company) as at the date of the annual report
Chen Dalong (陳大龍)/Vice chairman of the board, Non-executive Director	Director of Smart Watch Assets Limited ("Smart Watch Assets")(1); director and general manager of COSCO SHIPPING Industry & Trade; director of Freetech Smart Road Recycling Engineering Investment Limited (英達智能道路再生工程投資有限公司) ("FSRREI"), held as to 49.00% equity interest by COSCO SHIPPING Industry & Trade; director of Tianjin Expressway Maintenance Company Limited (天津市高速公路養護有限公司), held as to 55.00% equity interest by FSRREI; chairman of board of directors of (i) Hebei Jixing Expressway Co., Ltd. (河北冀星高速公路有限公司); (ii) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (iii) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (iv) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (v) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (vi) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (vii) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (viii) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (ix) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (x) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司), all held as to 55.00% equity interest by Smart Watch Assets
Wu Dengyi (吳登義)/Non-executive Director	Vice chairman of the board of directors and general manager of CRCC Shandong Beijing-Shanghai Expressway Jile Company Limited (中鐵建山東京滬高速公路濟樂有限公司), held as to 35.00% equity interest by Qilu Transportation
Li Jie (李杰)/Non-executive Director	Director, general manager and deputy secretary of the party committee of Shandong Dongqing Highway Company Limited (山東東青公路有限公司), held as to 50.00% equity interest by Qilu Transportation
Wang Long (王龍)/ Non-executive Director	Executive director and general manager of Hainan Qilu Development Company Limited (海南齊魯發展有限公司), which is wholly-owned by Qilu Transportation

Name/Positions held with the Company	Directorship, supervisorship, senior management or other positions held with road operation companies of the Controlling Shareholders and/or their associates (other than the Company) as at the date of the annual report
Su Xiaodong (蘇曉東)/ Non-executive Director	Investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong) Co., Limited; director of Hebei Jingshi Expressway Development Co., Ltd. (河北京石高速公路開發有限公司) (held as to 45.00% equity interest by Smart Watch Assets); director of COSCO H.K. (Beijing) Investment Co., Limited (香遠(北京)投資有限公司); the directors of (i) Hebei Jixing Expressway Co. Ltd. (河北冀星高速公路有限公司); (ii) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (iii) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (iv) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (v) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (vi) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (vii) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (viii) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (ix) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); and (x) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司), all held as to 55.00% equity interest by Smart Watch Assets
Meng Xin (孟昕)/Chairman of the Supervisory Committee	general manager of the finance department of COSCO SHIPPING (Hong Kong); director of COSCO SHIPPING (Hong Kong) Industry & Trade Limited; director of COSCO Treasury Company Limited, held as to 100% by COSCO SHIPPING; director of Great Victory Holdings Ltd., held as to 100% by COSCO SHIPPING; director of Peaktrade Investments Limited, held as to 100% by COSCO SHIPPING; director of Smart Watch Assets; director of Yuehon Investment Limited (裕航投資有限公司), held as to 100% by COSCO SHIPPING; director of (i) Tianjin Tianyu Expressway Co., Ltd. (天津天預高速公路有限公司); (ii) Tianjin Tian'ang Expressway Co., Ltd. (天津天昂高速公路有限公司); (iii) Tianjin Tianxu Expressway Co., Ltd. (天津天旭高速公路有限公司); (iv) Tianjin Tianda Expressway Co., Ltd. (天津天達高速公路有限公司); (v) Tianjin Tianwei Expressway Co., Ltd. (天津天偉高速公路有限公司); (vi) Tianjin Tianduo Expressway Co., Ltd. (天津天奪高速公路有限公司); (vii) Tianjin Tianfu Expressway Co., Ltd. (天津天富高速公路有限公司); (viii) Tianjin Tianyong Expressway Co., Ltd. (天津天永高速公路有限公司); (ix) Tianjin Tianxian Expressway Co., Ltd. (天津天顯高速公路有限公司) and (x) Hebei Jixing Expressway Co. Ltd. (河北冀星高速公路有限公司), all held as to 55.00% equity interest by Smart Watch Assets
Liu Ligang (劉立剛)/ Shareholder-representative Supervisor	Assistant to the general manager of the construction and management branch of Qilu Transportation

Mr. Li Jie ceased to serve as the director and chairman of of board of directors of Shandong Lucheng Highway Service Company Limited (山東路誠公路服務有限公司) and Shandong Lulian Petroleum and Gas Sales Company Limited (山東路聯石油油氣銷售有限公司), both held as to 51.00% equity interest by Shandong Dongqing Highway Company, which is held as to 50.00% equity interest by Qilu Transportation in August 2018. Mr. Su Xiaodong ceased to serve as the general manager of planning department of COSCO SHIPPING (Hong Kong) in January 2019. He has been the investment director and general manager of the capital and investment department of COSCO SHIPPING (Hong Kong) since January 2019.

Save as disclosed above, as at the date of this report none of the Directors or Supervisors of the Company holds any interest in business other than the businesses of the Group which directly or indirectly competes or is likely to compete with the business of the Group.

REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Remuneration of the Directors and Supervisors is determined by the Remuneration and Appraisal Committee by making reference to the remuneration paid by comparable companies and time commitments and duties of the Directors and Supervisors.

Details on remuneration of Directors, Supervisors and the five highest paid individuals of the Company during the Year are set out in Note 8 to the consolidated financial statements in this annual report.

MANAGEMENT CONTRACTS

During the Year, the Company did not enter into any contracts with respect to the management or administration of all or any substantial part of our businesses.

PERMITTED INDEMNITY PROVISION

During the Year, the Company has purchased liability insurance valid for the Year for Directors, Supervisors and senior management of the Company.

THE BOARD AND BOARD COMMITTEES

Details on the Board and Board committees are set out in the section headed "Corporate Governance Report" in this report.

MATERIAL LITIGATION AND ARBITRATION

So far as the Directors of the Company are aware, save as the litigation as disclosed in the Prospectus and the abovementioned litigation, the Company was not engaged in any material litigation, arbitration or claim, and no litigation or claim of material importance was pending or threatened against the Company during the Year.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of the Corporate Governance Code.

Details on the convening of meetings of the Audit Committee are set out in the section headed "Corporate Governance Report" in this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers. The domestic and international auditors PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers will retire at the forthcoming AGM of the Company. Based on the results of the open tendering process of the Company, after obtaining the recommendation from the audit committee, the Board has resolved the proposed appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic auditor and international auditor of the Company for 2019, respectively. The proposed appointment is subject to shareholders' approval at the general meeting. The term of service of Ernst & Young Hua Ming LLP and Ernst & Young is proposed to commence from the date of shareholders' approval at the AGM up to the date of next annual general meeting of the Company.

BUSINESS REVIEW, RISK FACTORS FACED BY THE COMPANY AND MEASURES

For details on the business review, risk factors faced by the Company and measures, please refer to the section headed "Management Analysis and Discussion" in this report. The abovementioned "Management Discussion and Analysis – Major Risk Factors" forms part of this report.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this annual report, the Company has no significant events after the reporting period subject to disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018

The Company will include the full text of the environmental, social and governance report 2018 in this annual report in accordance with the requirements of Appendix 27 of the Listing Rules.

By order of the Board
Li Gang
Chairman

Shandong, the People's Republic of China
21 March 2019

1 ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report issued by Qilu Expressway Company Limited. This report mainly introduces the Company's efforts and contributions regarding environmental, social and governance issues and is meant to strengthen communication and engagement with stakeholders.

The Board of the Company and its individual members guarantee that this report contains no false or misleading statements or material omissions, and that they are jointly and severally responsible for the truthfulness, accuracy, and completeness of its content.

Reference of Names

To facilitate presentation and reading, "Qilu Expressway Company Limited" in this report is referred to as "Qilu Expressway", the "Company" and "we". "Qilu Transportation Development Group Company Limited" is referred to as "Group Company".

Scope of the Report

Unless otherwise indicated, qualitative and quantitative information disclosed in this report covers Qilu Expressway and one of its wholly owned subsidiaries.

Timeframe

The Environmental, Social and Governance Report of the Company is an annual report; the reporting period was from 1 January 2018 to 31 December 2018.

Basis for Preparation

The report is in accordance with the requirements of Appendix 27 "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guidelines") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Access to this Report

The Chinese and English versions of this Report are available on the website of the Stock Exchange at http://www.hkexnews.hk. This report is published in both Chinese and English; should there be any discrepancies between the two versions, the Chinese version shall prevail.

2 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY CONCEPT AND MANAGEMENT

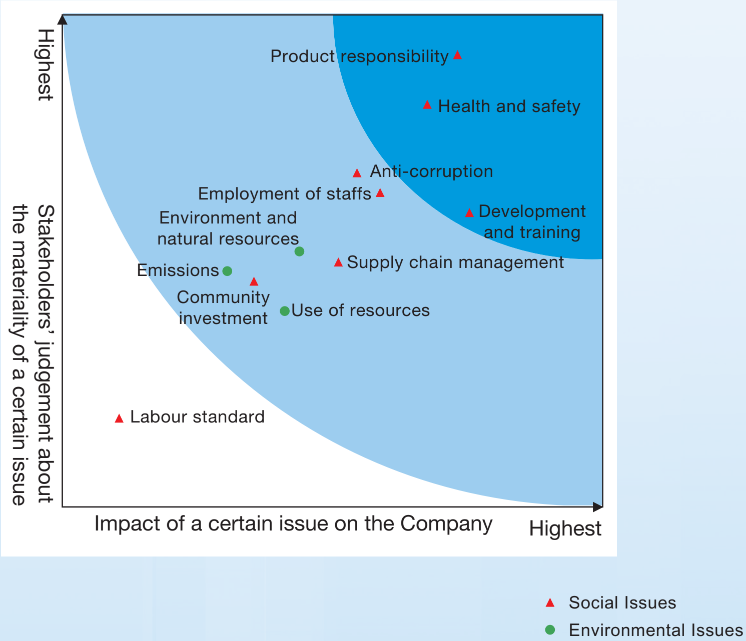
The Company is principally engaged in the operation of expressways, which not only meets the needs of society for rapid transportation, but also effectively facilitates the regional economic and social development. As such, providing safe, rapid, economical and comfortable transportation services and enhancing economic and social development o have been the basic social responsibility of the Company.

While focusing on economic benefits, the Company also pays attention to the environmental and social impact in the course of operation, as well as acknowledges and respects the interests of external and internal stakeholders.

The Company upholds corporate social responsibility, identifies potential environmental and social impact in the course of operation, and proactively adopts measures in response in the hope of achieving harmony of corporate operations with the society and the environment.

3 IDENTIFICATION OF MATERIAL ISSUES

Pursuant to the ESG Reporting Guidelines issued by the Stock Exchange, and with reference to relevant procedures for materiality analysis issued by Global Reporting Initiative (the "GRI"), the Company collects and records issues concerned by the stakeholders and materiality assessment results about each issue by way of questionnaires and interviews, conducts materiality analysis and prioritize such issues by materiality to finalise the material (important) ones in the environmental, social and governance aspects and make disclosure thereof in the Report. (See the chart below)



4 ENVIRONMENT AND RESOURCES

Environmental protection and resources conservation are the premises for enterprises to achieve green development and operation, and it is an incumbent social responsibility. The Company puts strong emphasis on environmental protection work and strictly complies with laws and regulations such as the "Environmental Protection Law of the People's Republic of China".

During the year of 2018, there were no breaches of relevant environmental laws and regulations which had a material impact on the Company.

4.1 Use of Resources

Energy and other resources mainly consumed by the Company in the course of operation include: petrol, diesel, natural gas, electricity, water and paper. Petrol and diesel are mainly used for driving, and a small quantity of diesel is used to generate electricity. Natural gas is used at canteens; electricity was mainly used for office and equipment operation; water resources mainly include water of domestic use and drinking water. In addition, the Company consumes office supplies such as paper in the course of business.

In 2018, the Company consumed 65.77 tons of petrol, 56.64 tons of diesel, 4,590.50 standard cubic metres of natural gas, 4,493,086 kWh of electricity, 52,500 cubic metres[1] of water resources, 6,575.60 kilograms of paper in the course of business. The integrated energy consumption was equivalent to 737,610 kilograms of standard coal; the integrated energy consumption intensity amounted to 8.00 kilograms of standard coal per RMB1 million revenue, and the water resource consumption intensity was 179.18 cubic metres/person[2].

In order to reduce petrol and diesel consumption, as well as fully implement the guiding principles of the 18th National Congress of the Communist Party of China (CPC) and the Third Plenary Session of the 18th Central Committee of the CPC, and the Rules of the Communist Party and the Government of China on Strict Saving and Prohibition of Waste (《黨政機關厲行節約反對浪費條例》), the Company has carried out reforms on vehicle systems, formulated the Administrative Measures on Vehicle Usage (《車輛使用管理辦法》), abolished general urban official business vehicles and advocated green travel or public transportation for employees pursuant to regulations and requirements in the "Notice of the Central Leading Group for Official Business Vehicle System Reform on Issuing the 'Implementing Opinions about Official Business Vehicle System Reform in Central State-owned Enterprises'" (《中央公務用車制度改革領導小組關於印發＜中央企業公務用車制度改革實施意見>的通知》) and the "Notice of the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government on Issuing the 'Provisional Opinions Regarding Expanded Regulation on the Management of Duty-related Spending for Persons-in-charge of Provincial Enterprises'" (《山東省國資委印發＜關於進一步規範省管企業負責人職務消費管理的試行意見＞的通知》) Lu Guo Zi Ban [2013] No.2). For staffs who head for other cities except Jinan for business purposes and have absolute requirement for official business vehicles, those from different departments but sent to tasks geographically adjacent shall share the official business vehicles according to their routes and tasks and take the same cars to return to the office after finishing the tasks, therefore maximising the utilisation of official business vehicles and minimising waste in this aspect. In addition, the Company convenes weekly emission reduction and safety meetings with drivers to constantly remind drivers to keep good driving habits, including maintaining the speed when driving at high speed, avoiding sudden acceleration or deceleration in urban areas, using air conditioning systems reasonable and avoiding long idling, thereby ensuring less fuel consumption, energy waste and exhaust gas emissions.

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1 Since statistics about water resource consumption and waste water discharge from the Company's headquarters are not available, the indicators do not include data from the Company's headquarters.

2 Water resources at each management offices were shared by the Company's employees and the traffic police of the expressways. In addition, since it is not possible to accurately record the number of traffic police, the denominator of the indicator is calculated based on the number of employees at the management offices.

The Company administers 7 management offices, which are all far away from the Company's headquarters; therefore, the Company adopts video conferencing to reduce petrol consumption from travelling between each of the management offices and the Company. Each video conference can save approximately 1,700 kilometres of mileage and approximately 0.12 tons of petrol. Assuming that 70 video conferences are held each year, the Company is able to reduce petrol consumption by approximately 8.63 tons via such a way, which is equivalent to a reduction of 26.43 tCO_2e of greenhouse gas emissions, 0.17 kilograms of sulphur dioxide, 1.50 kilograms of nitrogen oxide and 0.14 kilograms of particulates.

In order to better perform energy conservation and waste reduction, we have replaced inefficient electrical appliances at canteens, as well as high gas consumption stoves to raise work efficiency, from which we have conserved approximately 50% of combustible gas.

In order to reduce electricity consumption by the Company in the course of operation, the Company proactively promotes electricity conservation. We request employees to shut down idle computers or computers that are not used within two hours, so as to ensure that "the computer is shut down with its power off when you leave". Turn off electrical appliances such as lights, water dispensers, printers and air-conditioners at the close of business, and disconnect power from them; execute a strict standard that air-conditioners are set at 26℃, and turn off air-conditioners when leaving for more than half an hour; avoid switching on all lights at corridors, appoint a specific staff to inspect and turn off lights on all floors every day after office hours.

In order to reduce paper use, the Company adopts the OA system to build a paperless office, thereby reducing paper consumption. When printing paper materials, prefer double-sided printing over single-sided printing, unless there is a compulsory requirement to do so. Collect single-sided printed paper for reuse on the blank side or re-cutting as memo or scratch paper; reduce chances of using disposable cups, and prepare sterilized ceramic cups for visitors and meetings.

The Company uses water supplied from the municipal pipe network; as a result, the Company had no difficulty in sourcing water in the year 2018. The Company is not a manufacturing enterprise so its water resource consumption is relatively lower. Nonetheless, the Company proactively promotes water conservation, and puts up "Conserve water" banners on water nodes.

4.2 Emission Management

Exhaust gas emissions by the Company are mainly from the petrol and diesel consumption of official business vehicles and construction vehicles, direct emissions of greenhouse gases, sulphur dioxide, nitrogen oxide and particulates from burning natural gas by canteens. In the meantime, electricity consumption of the Company in the course of business, equipment operation and heat supply have indirectly emitted greenhouse gases. The Company reduces direct emission of greenhouse and exhaust gases mainly through management of official business vehicle.

In 2018, the Company emitted 0.003 tons of sulphur dioxide, 0.82 tons of nitrogen oxide and 0.08 tons of particulates in the course of business. The total greenhouse gas emissions are 3,133.30 tCO_2e, of which, direct greenhouse gas emission was 392.07 tCO_2e, and indirect greenhouse gas emission was 2,741.23 tCO_2e. Greenhouse gas emission intensity was 0.03 tCO_2e per RMB10,000 operating income. The total waste water discharge of management offices of the Company was approximately 28,310 cubic metres[1], and the intensity was 96.62 cubic metres per person[2]. Upon treatment at the treatment facility, waste water discharge of the Company's management offices met the standard required.

Emissions of hazardous waste by the Company included: waste toner cartridges, waste ink cartridges, waste light bulbs and tubes and waste batteries generated in the course of business; non-hazardous waste refers mainly to domestic garbage. In 2018, the Company generated 119.6 kilograms of waste toner cartridges, 18.20 kilograms of waste ink cartridges, 144.50 kilograms of waste light bulbs and tubes, 45.50 kilograms of waste batteries, and approximately 255,600 kilograms of domestic garbage. A total of 327.8 kilograms of hazardous waste and 255,600 kilograms of non-hazardous waste were generated, and the generation intensities were 3.56 grams and 2.77 grams per RMB10,000 operating income respectively. The Company will strengthen management of hazardous waste in the future and plans to transfer the hazardous waste treatment to enterprises with hazardous waste treatment qualifications. For domestic garbage, the Company hands it over without exception to the environmental department for centralized treatment.

The Company determines the construction unit for highway maintenance projects through bidding. The construction unit is responsible for waste disposal while the Company is responsible for supervision and inspection, allowing no waste generated in the construction to be left in highway sections under the management of the Company. Garbage cleared from the central median and side ditches of the expressways are all transferred to the environmental department for centralized treatment.

4.3 Environment and Natural Resources

In order to reduce noise impact from the Jihe Expressway towards the newly constructed experimental schools in Changqing University City, sound barriers were set up in section K60+400–K60+526.

The Jihe Expressway spans over Daqing River and Liangji Canal. In order to prevent pollutants produced on the expressway from flowing into the rivers, renovations were conducted on drainage facilities of the Daqinghe Bridge and the Liangji Canal Bridge which span over the water source. The original drainage facilities were designed to drain water by drainage holes on the bridge deck into the water pipes and then directly to the rivers. The original water pipes were sealed off upon renovation, and additional drainage channels were set up in the opened trough at the vertical extension fences on the bridge deck, through which, rainwater and sewage would be channelled and discharged to the dams at areas outside the river courses of both sides of the bridges.

Renovation on rainwater channeling and drainage system

5 CARE FOR STAFFS

5.1 Employment

5.1.1 Employment Equality

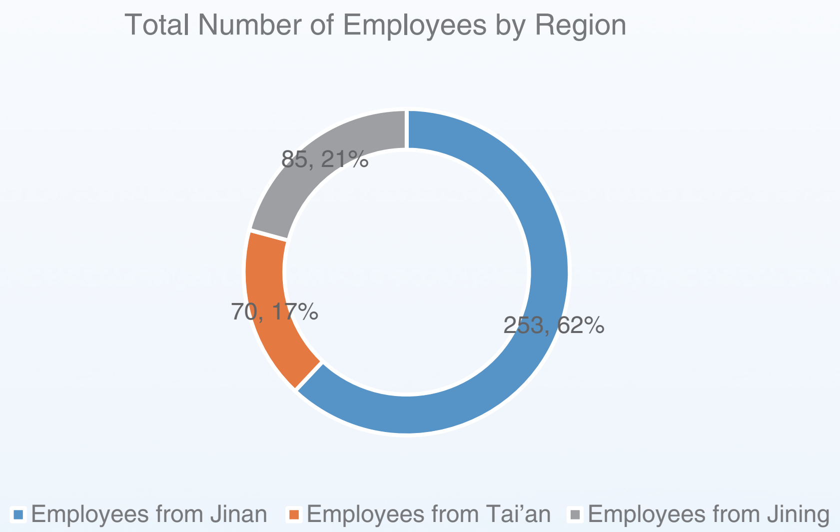
Employees are the core competitiveness of enterprises, and adhering to the people-oriented development philosophy is the prerequisite to ensuring sustainability of the Company. A mature employment system, harmonious employee relations, favourable working environment, reasonable incentives and protected employee rights are the key factors to strong cohesion within the enterprise.

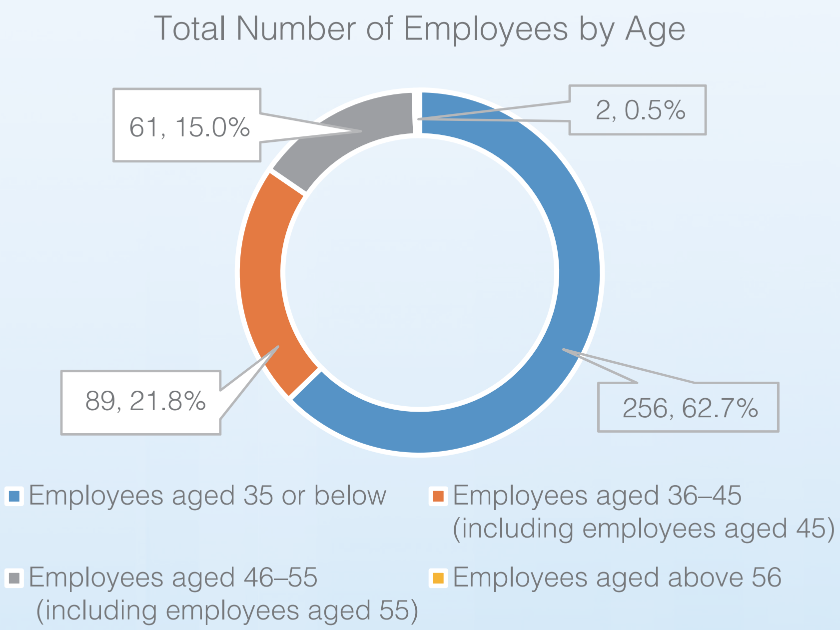
The Company strictly complies with laws and regulations such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and Tentative Provisions for Payment of Wages (《工資支付暫行規定》). With reference to its own conditions, the Company formulates and improves systems and measures, including the "Human Resources Management System"(《人力資源管理制度》), "Labour Management Practices", (《勞資管理辦法》) and "Measures on Management of Internal Operating Performance Assessment, Reward and Punishment" (《內部經營績效考核及獎懲管理辦法》), to accommodate business development demands, establish a sound incentive mechanism, devise a scientifically reasonable distribution system, protect legal rights of the staffs, mobilize the enthusiasm and creativity of staffs, and boost the efficiency of work and business benefits of the Company.

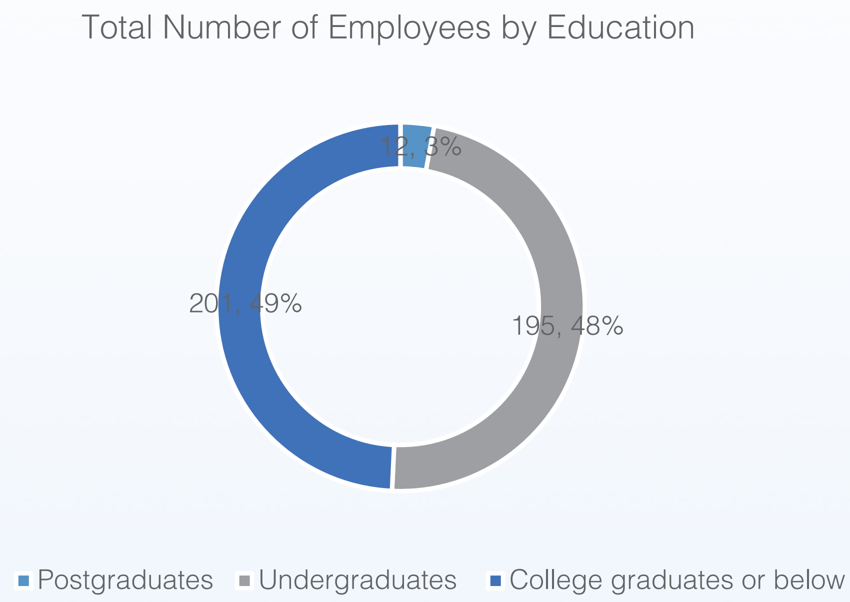
The Company adheres to the principles of fairness, impartiality and openness, to recruit law-abiding talents who are suitable for the position by means of internal or social recruitment. For employees in severe violations of labour discipline or regulations of the Company, with gross negligence and malpractice, causing significant damages to the Company, or held criminally liable, the Company will take measures to dismiss them. There was no dismissal of employees by the Company for the above-mentioned behaviours in 2018.

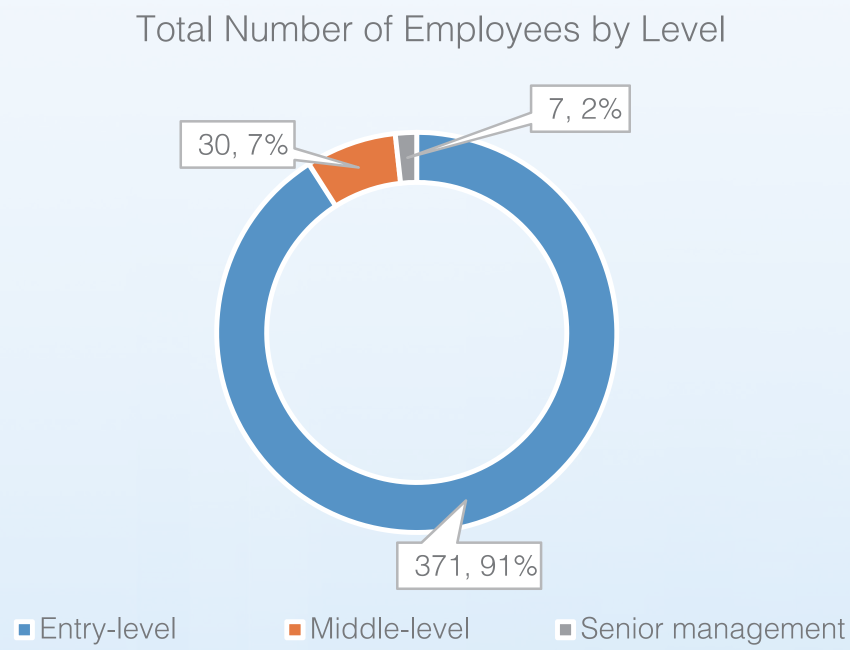
The Company adheres to the principles of gender equality and equal pay for equal work, enters into labour contract with all employees according to law, and strictly executes various labour protection policies. It treats all employees equally regardless of the differences in ethnicity, race, gender and religion.

As of 31 December 2018, the Company has 408 employees, 152 of them are female, representing approximately 37% of the total number of employees. Among them, 405 are employed under labour contract, and 3 are despatched personnel from the Shareholders, who would not sign labour contract with the Company. (The above information is in line with the annual report, including 7 persons from Shunguang Media, excluding 4 Independent Directors, 2 Independent Supervisors, 12 despatched staffs who all receive remuneration from the Company).









The Company strictly executes the laws and regulations set by governmental authorities of all levels regarding employees' working hours and holidays, reasonable work schedules, and paid annual leave, maternity leave, and leave for marriage and funeral which employees are entitle to.

During the year of 2018, there were no breaches of relevant laws and regulations on employment, recruitment and dismissal, equal opportunities, anti-discrimination which had a material impact to the Company.

5.1.2 Remuneration and Benefits

The Company insists on the principles of making distribution according to performance, responsibility and contribution, and setting position-based remuneration that is subject to adjustment according to position change and the same standard for the same position, establishes dynamic remuneration distribution and management systems with reference to both the position and performance. According to the regulations of the system of the Company, salaries of the employees expect growth annually, including passing the three-year performance assessment, general adjustments for outstanding performance, basic salary adjustment in line with corporate salary guidelines published by the provincial government and other factors. Monthly salary is verified and paid according to the attendance provided by each unit. In 2018, the Company has not committed any irregularities in remuneration packages.

The Company complies with the requirements in national and local laws and regulations, and pays basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund in full and on schedule each month for all employees. In the meantime, to ensure and improve the salary standard for retired employees to keep the employees healthy, to mobilize employees' enthusiasm for work and to promote healthy and sustainable development for the Company, the Company regularly pays enterprise annuities and supplementary medical insurance for all employees who have passed probation period.

The Company has arranged within working hours each day a 1 hour breastfeed-time for female employees who are breastfeeding a less than 1-year-old infant; for female employees who have given birth to more than one infant, breastfeed-time would be increased by 1 hour for one more infant. For those who are unable to work, they are entitled to an extended breastfeeding leave of less than 6 months after submitting written application and obtaining approval in accordance with relevant procedures (if the nature of work allows so). The Company launches the Women's Rights Protection Month in March every year, determinedly supervising and ensuring the realization of female employees' rights.

5.2 Health and Safety of Staff

The Company has earnestly implemented the Law of the People's Republic of China on Work Safety, and has developed provisions on safeguarding the health and safety of staff in the Human Resources Management System. In addition, hazard sources and environmental factors are identified on a regular basis in accordance with the standardization document of "Quality, Environment and Occupational Health and Safety Management" of the Company, and hazardous factors have been controlled.

Factors that may jeopardize the health and safety of staff include pollutants at toll stations, such as automobile exhaust, dust and light, working at high temperature outdoor and decoration pollution in offices.

In respect of physical health of staff of the Company, the Company has purchased Personal Accident Insurance and Accidental Medical Insurance for all the staff members, to mitigate damages and losses to staff as a result of accidents. All the staff members are organized for medical examinations every year; allowances for heatstroke prevention and winter heating are granted to staff; air purifiers are installed in each office and toll booth, to reduce the impact of air pollution on health; in summer, various materials are issued to staff for relieving the heat, so as to reduce the influence of high-temperature weather. One-time medical assistance is offered to impoverished staff members suffering from serious injuries and diseases according to actual conditions.

Air purifiers were installed in toll booths for safeguarding the health of staff

Various materials were issued to staff for relieving summer heat

For the safety of office building, office premises of management centres and canteens, the Company has uniformly developed Weekly Report on Safety Inspection. Safe Operation Department is responsible for, pursuant to the hidden danger identification system, requiring safety officers of departments, management centres and media company to carry out safety inspection in office premises and canteen once a week. Scope of inspection covers electrical equipment, firefighting equipment, hazardous chemicals, architectural decorations and evacuation passages. During the year, the Company also engaged experts from a third-party organization for a thorough safety inspection to canteens of the Company.

Safety inspection


Safety inspection in the canteen

In light of the actual conditions of office building, the Company carries out high-rise escape drill and fire drill annually, to further increase the safety awareness of staff and allow them to acquire necessary safety and protection knowledge.

High-rise escape drill

Fire safety knowledge acquiring and emergency drill

During the year of 2018, the Company had no violation in respect of providing safe working environment and protecting employees from occupational hazards. Throughout the year, both number and rate of work-related fatalities were recorded at zero. Lost days due to work injury were recorded at 50 days.

5.3 Development and Training of Staff

The Company strives to create a promising career development platform for staff. The Company, pursuant to the Human Resources Management System and the Labour Management System, conducts staff assessment based on the principle of objectiveness, fairness, openness and standardization, and determine staff promotion according to assessment results. Procedures for annual staff assessment include: grading by the leaders of the Company, grading by immediate superiors and grading among employees. Assessment results are divided into four grades, namely, Excellent, Passed, Basically Qualified and Failed. Employees can be promoted by one level if they have been graded as Passed for three consecutive years. Through assessment procedures, a total of 35 employees were qualified for promotion by one level on their position grades in 2018.

Moreover, the Company has developed a post competition system. Human Resources Department proposes posts for competition, and develops and organizes to implement schemes for competing for posts according to post establishment and actual work requirements.

In order to improve the quality, expertise, work competence and mobility of staff, establish a superior team and promote the mutual development between the Company and staff, the Company organizes staff training on a regular or irregular basis and encourages staff to participate in professional studies and skills training. As required by the training section in the Human Resources Management System, departments and management centres should propose training needs and budget at the end of each year. After approval, Human Resources Department should uniformly develop the training plan for the next year and arrange and supervise over specific implementation.

Staff trainings of the Company include: induction training of new staff members, regular training and irregular training. Induction training of new staff members covers corporate culture, personnel system and safety education; regular training includes safety education and training, toll collection exchange meeting, as well as participating in the monthly lecture organized by Group companies; irregular training covers new business update and new policy introduction in accordance with national policies, market development and business of the Company.

Training on Legal Risks and Prevention in Highway Management

In order to increase the legal awareness of staff and reduce operational risks of the Company, the Company organized a legal training activity themed on "Legal Risks and Prevention in Expressway Administration" on 20 December 2018. Focusing on the principal business of the Company, this activity provided an in-depth insight into four areas, namely, highway maintenance management, highway construction management, highway contract management and criminal liabilities in highway management. Staff from departments, management centres and controlling companies of the Company actively participated in this lecture and studied the training contents carefully. This lecture was of great guiding significance to the management and development of enterprises in the future.

Training on Cancellation of Toll Collection at Toll Stations at Provincial Boundaries

In order to practically implement "Promoting the Cancellation of Expressway Toll Stations of at Provincial Boundaries" put forward at the meeting of the State Council Standing Committee on 16 May 2018, the Company organized relevant personnel to learn the policy.

Training on New Law on Personal Income Tax

In light of amendments to the Law on Personal Income Tax, the Company engaged an expert of Shandong New Fellowship Certified Tax Agents to offer a lecture on the new Law on Personal Income Tax for staff.

Toll Collection Exchange Meeting

Safe Operation Department and management centres held toll collection exchange meetings on a regular basis, to discuss issues about toll collection.

Looking ahead, training work will still be based on corporate development, and training objectives and implementation will be closely connected to strategic objectives of enterprises. To facilitate the realization of strategic objectives of the Company, the Company will establish a learning-oriented organization, attach great importance to supervision over the course of training and feedback about training effect, thus laying better foundation for development and implementation of future training plans and programs.

5.4 Labour Standards

In strict accordance with relevant national laws and regulations, including the Provisions on Prohibition of Child Labour, the Company has no child labour and all employees of the Company are over 18 years old. Working hours and holidays are executed in strict accordance with national and local laws and regulations. Staffs have reasonable working schedule and enough rest, and there is no forced labour or any relevant violations of laws.

6 PRODUCT RESPONSIBILITY

Directly showcasing the image of a company, quality and safety of products and services d are the profit-making entities on which sustainable and significant development are based and also the requisite to improve brand reputation. The Company attaches great importance to the safe operation and customer evaluation of expressways under its management.

6.1 Safe Operation

"Smooth, Safe, Comfortable and Beautiful" is the management target for safe operation of expressways and services at toll stations. The Company has strictly complied with relevant laws, regulations and provisions, including the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on Road Traffic Safety and the Regulations on Main Responsibilities of Production and Business Units of Shandong Province. Assessment on toll collection, emergency rescue and joint action of all management centres is conducted on a monthly basis and in accordance with the Management Measures on Coordination for Operations and the Assessment Measures on Coordination for Operations of the Company. The Company has formulated the Assessment Measures for Safe Production Responsibility System and the Assessment and Incentive Standards for Safe Production, and amended the Safe Production Training System and the Safe Production Meeting System. Safety meetings are required to be convened on a regular basis, and all the staff members should participate in safety training, so as to improve their safety awareness and capability. During the Reporting Period, the Company updated systems including the Comprehensive Emergency Rescue Plan for Safety Accidents and Contingency Plan for Accidents in relation to Hazardous Chemicals Carriers.

In accordance with the Assessment Measures for Safe Production Responsibility System, the Company has signed the Letter of Responsibility on Safe Production Management with all departments and management centres, and the Safe Production Committee is responsible for relevant assessment. In addition, departments and management centres have signed Letter of Responsibility on Safe Production Target with employees. Relevant departments and management centres are responsible for assessment and report assessment results to the Safe Production Committee for approval, and the Company announces rewards and punishment about safe production assessment on a monthly basis.

The safe production management system of the Company is explicit with clear classification and is implemented in a strict manner. In respect of safe production, we follow the principle that "prepare one report for one event, and each event must be reported" and the system of "Zero Report". Moreover, Monthly Report on Safe Production Accidents is prepared each month as required by the higher-level unit. During the year of 2018, there was no violation of production and service responsibility which had material impact on the Company.

6.1.1 Improvement of Safe Production Awareness of Staff

The Company has developed the Safe Production Training System in light of the actual conditions of the Company and in accordance with the Regulations on Safety Training of Production and Business Units of the State and the Regulations on Main Responsibilities of Production and Business Units of Shandong Province. The System provides that participants of safe training should include unit leaders, safety managers, special operation personnel and other employees. Contents of training covers national regulations and policies, lessons learned from accidents, basic safety knowledge, regulations and systems on safe production and safe operation specification. Training work has a 100% coverage and a 100% pass rate. During the year, safety managers of the Company participated in the unified training and were awarded with Certificate of Safety Education and Training of Shandong Province. In addition, a series of training programs, including Main Responsibilities on Safe Production, Safety Warnings and Education of Highway and Waterway Industry, Fire Safety Knowledge Training and Safety Knowledge and Skills of Drivers on Mechanical Operations, were launched.

Safe production education and training programs organized by the Company

To fulfil the deployment of "Year of Development of Labour Competition Culture" initiated by Shandong Provincial Federation of Labour Unions and to respond to the requirements of "2018 Action Plan for 'Identifying Hidden Danger, Protecting Staff Safety and Promoting Corporate Development' Campaign" and "Notices on Launching 2018 'Ankang Cup' Provincial Campaign" issued by the Labour Union of Group Company, the Company organized the 100-day competition activity themed "Assuming Responsibility for Safety of All Staffs and Promoting Safe Development of Company". In coupled with "Month of Safe Production" and "Month of Fire Safety" contingency plan drills, the Company also held a toll collection knowledge and skill contest, organized "Ankang Cup" knowledge test, and held a lecture on health and safety at work. In "Proposals on Rationalization of Safe Production" Activity, more than 50 proposals on safe production were received from front-line workers; the calligraphy, painting and photography works exhibition and review activity themed "Safe Qilu & Harmonious Development" improved the safety awareness of staff by pictures, banners and other exhibits. "Fire Drill" and "High-rise Escape Drill" activities were held, and emergency response and treatment ability of staff was significantly improved. The Company enabled employees to fully understand relevant safety hazards at work by entertaining means, so as to effectively improve their self-protection awareness and ability and further enhance the operability of contingency plans.

Exhibition of excellent works on safety culture

6.1.2 Improvement of the Safety and Operation Level of Expressways

In respect of the maintenance work of Jihe Expressway under the management of the Company, routine maintenance, preventive maintenance, reparative maintenance and special maintenance were conducted to the road, bridges and culverts, traffic safety facilities, slope protection and ancillary facilities of the Jihe Expressway under its management in accordance with national industry standards, including the Technical Specification for Highway Maintenance, the Technical Specification for Maintenance of Bridges and Culverts of Highway, the Administrative Measures for Highway Maintenance Engineering of the Ministry of Transport of the People's Republic of China and various maintenance management systems developed by the Company, including the Implementing Rules for Routine Maintenance Management, the Administrative Measures for Overhaul and Medium Repair in Maintenance and the Administrative Measures for Bridge Maintenance. Objectives and basic tasks of maintenance conducted by the Company included: taking correct and effective technical measures to improve the quality in use of expressways, extend the service life of expressways and maintain expressways and roadside facilities intact; repairing damaged expressway properties, to guarantee safe, comfortable and smooth traffic and improve operational and social benefits of expressways. Pursuant to the Measures for Completion/Delivery Acceptance of Highway Engineering of the Ministry of Transport of the People's Republic of China, 100% maintenance engineering were determined as excellent; pursuant to the national industry standard, the Evaluation Standards for Technical Condition of Highway, over 95% expressways were determined as superior level, with a road performance index above 93.

Routine Maintenance

The Company carried out sweeping and cleaning to expressways every day and conducted centralized treatment of the garbage from the central median along the expressway before each holiday. Side ditches were cleaned monthly. The Company required routine maintenance unit and construction unit to place traffic signs in accordance with the Safety Work Rules for Highway Maintenance in construction and maintenance on road and to arrange construction works in strict accordance with the construction organization design approved by traffic police department and road administration department, and required all workers on road to wear reflective safety uniforms. Construction unit must hold a safety brief participated by all construction workers prior to construction on road every day. The Company or management centres conducted safety inspections in this respect on an irregular basis.

Centralized treatment of the garbage from the central median

Preventive Maintenance and Reparative Maintenance

In order to guarantee road safety and driving comfortability, the Company conducted preventive and reparative maintenance construction to 20.05KM section with a rutting depth exceeding 10mm in accordance with the Standards for Evaluating Highway Technical Condition.

Preventive and reparative maintenance construction were carried out to roads

Special Maintenance

Generally, in order to reduce the floor area of high filling sections, subgrade filling structures such as reinforced retaining walls were adopted. With increasing service life and gradual rainwater infiltration, such structures may collapse due to breakage of reinforcing bars, tilting and deformation of block retaining wall and other damages, and hence the road may be blocked, affecting traffic safety and threatening the life and property safety of surrounding villagers. In order to eradicate safety hazard, special reinforcement and maintenance was carried out to the reinforced retaining wall at K101+700 section.

Special reinforcement and maintenance was carried out to reinforced retaining wall in specific section

In routine highway management, the Company installed speed bumps in accident-prone sections as a reminder to drivers to drive slower and cameras at the access of expressway for pedestrians and effectively prohibited passenger vehicles from parking on expressway. For the purpose of fully improving the management level of emergency dispatching for barrier clearance, the Company used the “Qilu Traffic Smart Expressway Platform” for monitoring road network, commanding and dispatching.

6.1.3 Joint Actions with Traffic Police to Guarantee Safe Traffic

In order to guarantee road safety, the Company has joined hands with traffic police along the expressway, road administration department and fire department to carry out several joint actions.

Inspections to accident-prone sections and bridges

Investigation of and penalty to vehicles in violation of laws and rules

Targeted inspections and penalties to vehicles in violation of laws and rules

Joint actions with traffic police

On 27 December 2018, the Company participated in Jinan City 2019 New Year's Day & Spring Festival Joint Action (G35 Jihe Expressway) – Airborne and Ground Comprehensive Emergency Rescue Drill sponsored by the Jinan Municipal Government. For the purpose of improving the on-site disposal, joint action and coordination capability of traffic police on expressway with traffic, meteorology, firefighting and airborne and ground rescue team, this drill laid a solid foundation for transport safety on expressways crossing Jinan City during 2019 New Year's Day and Spring Festival, and also accumulated valuable experience for further improving the comprehensive emergency rescue capability and level of the Company and minimizing casualties, property loss and social impact.


6.2 Customer Feedback

The Company set up a 24-hour complaint hotline at the Operation and Dispatch Command Hall of Safe Operation Department, to provide customers with a complaint channel and solutions. Toll collection at all toll stations of the Company, dispatching for accident rescue and safety management were also under supervision of the Command Hall.

The Company strictly required that customer service personnel should be earnest and sincere to vehicle owners who made a complaint in face, by letter, telephone, fax and e-mail or any other means, and should not pass the buck and rebuff for any reason, and they should make detailed registration, execute investigation and verification and maintain a record. Safe Operation Department classify complaint cases by department and management centre and report such cases for further procedures. The person responsible for handling the complaint should provide the complainant with the progress of the complaint within the prescribed time and should keep a record of handling results.

Explanation and comforting should be made properly for complaint caused by objective reasons; for complaint caused by subjective reasons, the complained unit should extend its sincere apology to the complainant and take effective measures to minimise the adverse impact, thereby earning appreciation from the complainant.

6.3 Advertisement and Trademark Management

The Company has strictly complied with relevant laws and regulations, including the Advertisement Law of the People's Republic of China, the Contract Law of the People's Republic of China and the Highway Law of the People's Republic of China. The Company and the Group Company have entered into Trademark Licensing Agreement, to legally use the trademarks of Group Company registered in Hong Kong as stipulated in the agreement.

Shandong Shunguang Culture Media Company Limited ("Shunguang Culture Media"), a subsidiary of the Company, has formulated relevant management systems, including the Rules and Regulations of Shandong Shunguang Culture Media Company Limited and the Advertisement Management System of Shandong Shunguang Culture Media Company Limited. A majority of advertising media business of Shunguang Culture Media were contracted to an advertising company, which was responsible for communicating with customers directly.

During the year of 2018, the Company had no any violation in respect of advertisement and use of trademark.

7 SUPPLY CHAIN MANAGEMENT

The Company cooperated with three categories of suppliers, including engineering construction; equipment, goods and materials; and service consultation.

In cooperation with suppliers, the Company has strictly complied with the relevant provisions of the Tendering and Bidding Law of the People's Republic of China, the Implementing Rules for the Tendering and Bidding Law of the People's Republic of China and the Administrative Measures for Tendering and Bidding of the Company. For procurement projects falling within relevant scope and meeting relevant criteria, suppliers were determined through open tendering, negotiation and consultation based on the principle of openness, fairness, impartiality and good faith.

In the bidding process for procurement of engineering construction projects, specific requirements for the safety, quality and environmental protection of suppliers were set out in tendering documents.

- About salaries of migrant workers: contractors were required to separate labour cost from project cost, open a special account for salaries of migrant workers (labour cost) at a bank in local, file with the human resources and social security department and competent transport department and entrust the bank for daily supervision, to ensure these funds are used for its specified purpose only.

- About construction safety and security: contractors were required to strictly execute laws, regulations and rules on construction safety management of the State and local government, as well as the rules and regulations on safe production management, safety inspection procedures and construction safety management requirements developed by the Company for the project, and instructions given by the supervisor on safety work. Contractors were required to develop technical measures for construction safety, including construction safety guarantee system, safe production responsibility system, rules and regulations on safe production management and construction scheme for safety protection. Such measures should be implemented under the supervision of designated safe production manager after they have been signed by chief project engineer of contractors and submitted to and approved by the supervisor and the Company.

- Environmental protection: contractors were required to strictly comply with national laws and regulations on environmental protection and relevant industry standards, which set clear provisions on construction noise reduction, dust control, elimination of water pollution and other aspects.

The Company has established a supplier evaluation mechanism and conducted assessment and inspection on performance of suppliers. Assessment on performance of suppliers started from the date of singing the contract for the tendering project till the end of performance of the contract (including warranty period).

8 HONEST CONDUCT

As honest conduct is an important guarantee for the long-term sound development of enterprises, the Company is committed to creating honest corporate production and business environment, and strengthening the concept of honest conduct from the management to the basic level.

The Company formulated the Integrity Risk Control Manual at Work in 2016, and expedited the development of "Non Corruption" institutional mechanism, in addition to thorough review on business workflow in 2017 and hence further promoted the development of the integrity risk control system of the Company. As required by the Work Plan for Implementing Integrity Risk Control 2017–2018 and the Notice on Issuing the Implementation Plan for Fully Promoting the Development of Integrity Risk Control System of the Commission for Discipline Inspection of Group Company, the Company developed the Implementation Plan for Fully Promoting the Development of Integrity Risk Control System by the CPC Commission for Discipline Inspection of Qilu Expressway Company Limited (the "Plan") in light of the actual conditions of the Company.

The Company established the Work Leading Group for Integrity Risk Control to organize and lead the integrity risk control, in which, the Secretary of Party Committee acted as Group Leader, the Secretary of Commission for Discipline Inspection acted as Deputy Group Leader, and heads of all departments and units acted as member of the group. Other leaders of the Company should take the leadership in the integrity risk control work in related departments. Office of the Work Leading Group for Integrity Risk Control was set at the Department of Party and Mass Relation Affairs and was responsible for supervision over and coordination of risk control work. Liaisons for discipline inspection were specifically responsible for organization, coordination and implementation of risk control work. All members have signed the Undertaking of Honest Conduct.

The Company required departments to present in integrity risk control reports the contents in relation to defining duties of departments, units and positions, standardization of power exercise process, identification of issues in integrity risk control at work, and measures for improving integrity risk control system.

In 2018, the Company also conducted efficiency supervision over the execution of basic unit system, supervised and inspected the performance of duties by relevant managers, promoted standard management and self-improvement of enterprise and improved efficiency of enterprises.

During holidays, the Company issued relevant notices, such as the Notice on Implementing Strict and Impartial Discipline Requirements to Enhance the Construction of Party Conduct and Fully Promote Strict Management and Governance of the Party during Labour Day and Dragon Boat Festival", the "Notice on Strict Implementation of the Eight-point Decision on Improving Party and Government Conduct of Political Bureau of CPC Central Committee to Enhance the Construction of Discipline and Party Conduct during Mid-Autumn Day and National Day Holiday"; and conducted supervision and inspection on units through targeted inspection, open and secret investigations. The Company also organized to carry out work on the construction of integrity culture, and held activities to improve the awareness of honest conduct, which included Micro Video Contest, Month of Integrity Warning and Education, Exhibition of Integrity Calligraphy, Painting and Photography Works and Integrity Speech Contest.

In order to prevent integrity risks in the process of procurement, the Company and engineering suppliers entered into contract of integrity, preventing suppliers from corruption and bribery.

In 2018, there was no violation in respect of anti-corruption which had material impact on the Company.

9 COMMUNITY INVESTMENT

The Company attached great importance to making contributions to the society and building a harmonious society with local community, and efforts have been made in such areas as caring for the elderly, providing financial aid to poor students and traffic safety. In 2018, the Company organized a series of volunteer service activities in nursing home, including "Support and Love for the Elderly", "Respect, Love and Care for the Elderly" and "Holding Hands and Sending Greetings to the Elderly"; and a series of activities to provide financial aid to poor students, including "Support for Education in Autumn" and "Care for, Support for and Fund for Education". The Company was awarded honorary titles of "May Fourth Red Flag Youth League Branch" of Jinan City, Advanced Unit for "Caring about Charity and Caring for Left-behind Children" of Liangshan County, "Red Flag Youth League Branch" of Liangshan County, "Civilized Unit" of Changqing District, "Excellent Youth League Branch" of Changqing District, "Female Model Post" of Changqing District, "Advanced Group for Youth Volunteer Service" of Changqing District and Model Unit for "Respect, Love and Assist the Elderly" of Changqing District. In 2018, the Company was engaged in a total of approximately 80 hours of social activities.

Support for Education

Education is a cause of fundamental importance for the future of our nation. "Support for Education" activity, as a project for public welfare launched since the service of Jihe Expressway in 2007, aims to help impoverished students to realize their dreams of life, and also to allow the cause of expressway to influence and help more people by providing primary schools with school supplies, books and other materials, assisting in the construction of "Expressway Space Station to Support Education" and improving teaching environment in schools and other means. This education supporting activity has made an input of approximately RMB200,000 to related pupils and impoverished students since its launch in 2007.

On 1 June 2018, all the Party members and some youth volunteers, under the organization of Xiaoli Management Centre, presented 10 students who were excellent in both conduct and learning with carefully prepared schoolbags, stationeries, books and other items worth approximately RMB2,000 in Hulin Primary School in Xiaoli Town, Changqing District.

On 10 September 2018, being the Teachers' Day, the staff of Changqing Management Centre visited Liguan Primary School of Guide Town with love and care and offered targeted assistance to impoverished teachers and students. To ensure the "Support for Education in Autumn" activity developed smoothly, Changqing Management Centre exerted great efforts and made preparations in advance, buying impoverished students in Liguan Primary School stationeries and other items necessary for the new semester for and making its own contribution to helping impoverished students to realize their dreams and make achievements.

Promotion of Traffic Safety

The Company has practically implemented safe production and actively strengthened safety education in community. The Company launched the safety promotion month themed "Safety First, Life Above All". To boost the practical and effective impact of this activity, the Company visited primary schools in villages and towns along the expressway. Staff members gave detailed introduction of traffic, fire and other safety to children in Dongping County Hope School, planting the safety awareness into children's mind and helping them to cultivate the ideology of "Safety First".

During the National Day holiday, Dongping Management Centre joined hands with Youth League Committee of Dongping Labour Union to launch "Love-Safe Journey" volunteer service activity, and set up a service station themed "Serve Drivers and Conductors, Shine Our Youth" at the toll plaza. Drivers and conductors were offered free water and repair tools, and a medical kit containing sufficient emergency medicine, including motion sickness pills, band-aids and ethyl alcohol. In addition, safety promotion materials were dispatched to drivers and conductors according to the principle of "Safety First Anytime and Anywhere" to remind them of safe driving.

羅兵咸永道

To the Shareholders of Qilu Expressway Company Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Qilu Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 190, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A key audit matter is identified in our audit as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Provisions for maintenance and resurfacing obligations	
Refer to notes 4 "Critical accounting estimates and judgements", 7 "Expenses by nature", and 30 "Provisions – maintenance and resurfacing obligations" to the consolidated financial statements. The Group has contractual obligations to maintain and restore the infrastructure under the service concessions arrangement to maintain the toll road infrastructure to a specified performance of serviceability. The Group's provisions for maintenance and resurfacing obligations amounted to approximately RMB113,490 thousand as at 31 December 2018, with maintenance and resurfacing costs of approximately RMB72,298 thousand charged to the profit or loss for the year then ended. In determining such provisions, management has estimated the relevant maintenance and resurfacing costs based on the physical condition of the toll road infrastructure as at the reporting period end, with reference to the evaluation performed by external technicians. We focus on this area due to the significance of such liabilities to the consolidated financial statements which involves significant management estimate.	We assessed the competency, capabilities and objectivity of the external technicians. We obtained the evaluation reports and understood the methodologies adopted by the external technicians and compared to methodologies adopted by other technicians in the industry for similar activities. We compared the nature of the proposed maintenance activities as set out in the evaluation reports, on a sample basis, to the relevant technical specifications of toll road maintenance issued by the regulator, and assessed the reasonableness of the estimated maintenance and resurfacing costs with reference to the historical data of comparable maintenance activities. We checked the calculation of provisions for maintenance and resurfacing obligations to ensure mathematical accuracy. We found that the significant estimates made by management with respect to the provisions for maintenance and resurfacing obligations were supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in Definitions and Glossary of Technical Terms, Corporate Information, Financial Highlights, Management Discussion and Analysis, Profiles of Directors and Supervisors and Senior Management (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Chairman's Statement, Corporate Governance Report, Report of the Board of Directors and Environmental, Social and Governance Report which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read Chairman's Statement, Corporate Governance Report, Report of the Board of Directors and Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Continuing operations			
Revenue	5	**921,735**	1,045,060
Cost of sales	7	**(299,208)**	(292,850)
Gross profit		**622,527**	752,210
Administrative expenses	7	**(77,382)**	(48,242)
Other gains – net	6	**24,273**	5,397
Operating profit		**569,418**	709,365
Finance income		**9,088**	4,596
Finance costs		**(33,989)**	(47,428)
Finance costs – net	9	**(24,901)**	(42,832)
Profit before income tax		**544,517**	666,533
Income tax expense	10	**(136,012)**	(167,661)
Profit for the year from continuing operations		**408,505**	498,872
Discontinued operations			
Profit for the year from discontinued operations	23	**–**	32,032
Profit and total comprehensive income for the year		**408,505**	530,904

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Profit and total comprehensive income attributable to:			
– Owners of the Company		**408,505**	528,152
– Non-controlling interests		**–**	2,752
		408,505	530,904
Profit and total comprehensive income attributable to owners of the Company arises from			
– Continuing operations		**408,505**	498,872
– Discontinued operations	23	**–**	29,280
		408,505	528,152
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in RMB per share)			
Basic and diluted earnings per share	12		
– Continuing operations		**0.24**	0.33
– Discontinued operations	23	**–**	0.02
		0.24	0.35
Dividends	11	**379,209**	282,769

The notes on pages 121 to 190 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**120,015**	138,822
Investment properties	14	**10,532**	–
Intangible assets	15	**2,703,529**	2,873,700
Deferred income tax assets	29	**–**	299
Other receivables	21	**2,000**	3,422
Prepayments	20	**31,526**	–
Total non-current assets		**2,867,602**	3,016,243
Current assets			
Inventories	17	**1,426**	1,553
Trade receivables	18	**170,468**	181,347
Cash and cash equivalents	19	**1,006,860**	415,835
Other financial assets at amortised cost	21	**200,000**	–
Other receivables	21	**6,811**	22,908
Financial assets at fair value through profit or loss	22	**100,000**	–
Other current assets		**99**	–
Total current assets		**1,485,664**	621,643
Total assets		**4,353,266**	3,637,886
Liabilities			
Non-current liabilities			
Borrowings	27	**245,000**	540,000
Trade and other payables	28	**27,076**	28,313
Deferred income tax liabilities	29	**30,883**	31,157
Total non-current liabilities		**302,959**	599,470

Consolidated Statement of Financial Position (Continued)

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Current liabilities			
Trade and other payables	28	**109,130**	158,046
Current income tax liabilities		**30,997**	21,155
Borrowings	27	**265,000**	285,000
Provisions	30	**113,490**	97,230
Total current liabilities		**518,617**	561,431
Total liabilities		**821,576**	1,160,901
Net assets		**3,531,690**	2,476,985
Equity attributable to owners of the Company			
Share capital	24	**2,000,000**	1,500,000
Capital reserves	25	**886,725**	361,316
Other reserves	25	**130,802**	89,939
Retained earnings	26	**514,163**	525,730
Total equity		**3,531,690**	2,476,985

The notes on pages 121 to 190 are an integral part of these consolidated financial statements.

The financial statements on pages 114 to 190 were approved by the Board of Directors on 21 March 2019 and were signed on its behalf.

Li Gang

Peng Hui

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Equity attributable to owners of the Company						
	Share capital *RMB'000*	Capital reserves *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2017	1,500,000	361,316	35,650	334,636	2,231,602	25,336	2,256,938
Comprehensive income							
Profit for the year	–	–	–	528,152	528,152	2,752	530,904
Total comprehensive income	–	–	–	528,152	528,152	2,752	530,904
Transactions with owners in their capacity as owners							
Appropriation to statutory reserves	–	–	54,289	(54,289)	–	–	–
Dividends	–	–	–	(282,769)	(282,769)	–	(282,769)
Effect of disposal of subsidiaries *(Note 31(e))*	–	–	–	–	–	(28,088)	(28,088)
	–	–	54,289	(337,058)	(282,769)	(28,088)	(310,857)
Balance at 31 December 2017	1,500,000	361,316	89,939	525,730	2,476,985	–	2,476,985

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2018

	Equity attributable to owners of the Company						
	Share capital *RMB'000*	Capital reserves *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018	1,500,000	361,316	89,939	525,730	2,476,985	–	2,476,985
Comprehensive income							
Profit for the year	–	–	–	408,505	408,505	–	408,505
Total comprehensive income	–	–	–	408,505	408,505	–	408,505
Transactions with owners in their capacity as owners							
Proceeds from H shares issued	500,000	577,347	–	–	1,077,347	–	1,077,347
Capitalisation of share insurance costs	–	(51,938)	–	–	(51,938)	–	(51,938)
Appropriation to statutory reserves	–	–	40,863	(40,863)	–	–	–
Dividends	–	–	–	(379,209)	(379,209)	–	(379,209)
	500,000	525,409	40,863	(420,072)	646,200	–	646,200
Balance at 31 December 2018	2,000,000	886,725	130,802	514,163	3,531,690	–	3,531,690

The notes on pages 121 to 190 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
		Year ended 31 December	
Cash flows from operating activities			
Cash generated from operations	31(a)	**784,991**	875,644
Interest received		**9,089**	4,673
Income tax paid		**(126,244)**	(204,677)
Net cash generated from operating activities		**667,836**	675,640
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	31(b)	**2**	112,107
– *Continuing operations*		**2**	5,018
– *Discontinued operations*	23	**–**	107,089
Proceeds from disposal of investment properties	31(b)	**–**	63,921
Proceeds from other investing activities	31(f)	**–**	52,724
Purchase of property, plant and equipment and intangible assets		**(48,595)**	(36,899)
Disposal of subsidiaries, net of cash disposed		**–**	(3,373)
Purchase of financial assets at fair value through profit or loss and financial assets at amortised cost		**(300,000)**	–
Payments for other investing activities		**(63,070)**	–
Net cash (used in)/generated from investing activities		**(411,663)**	188,480
Cash flows from financing activities			
Proceeds from issuance of H shares	25(b)	**1,077,347**	–
Repayment of borrowings	31(d)	**(315,000)**	(475,000)
Interest paid		**(32,466)**	(50,939)
Dividends paid to the Company's shareholders		**(379,209)**	(282,769)
Listing costs paid		**(31,119)**	(7,126)
Net cash generated from/(used in) financing activities		**319,553**	(815,834)
Net increase in cash and cash equivalents		**575,726**	48,286
Cash and cash equivalents at the beginning of the year		**415,835**	367,549
Exchange gain on cash and cash equivalents		**15,299**	–
Cash and cash equivalents at the end of the year		**1,006,860**	415,835

The notes on pages 121 to 190 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

1.1 General information

Qilu Expressway Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 6 January 2004 as a limited liability company. On 6 December 2016, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company's registered office is Room 2301, Block 4, Zone 3, Hanyu Financial & Business Center, No.7000, Jingshi East Road, High-tech Zone, Jinan City, Shandong Province, the PRC. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited ("HKEX") on 19 July 2018.

The Company and its subsidiary (collectively referred to as the "Group") are principally engaged in the construction, maintenance, operation and management of the Jihe Expressway in the PRC and the outdoor advertising production and distribution along the Jihe Expressway in Shandong Province.

Pursuant to a concession agreement (the "Concession Agreement") entered into between the Company and Shandong Provincial Traffic Transport Department (山東省交通運輸廳) ("Shandong Transport Department") on 26 September 2004, the Company engaged in the construction, maintenance, operation and management of the Jihe Expressway in Shandong Province in the PRC, and is entitled to toll collection from vehicles passing through the Jihe Expressway for a period of 30 years, from 26 September 2004 to 25 September 2034. In addition to the toll road business, a subsidiary of the Company, 山東舜廣文化傳媒有限公司 (Shandong Shunguang Culture Media Company Limited) ("Shunguang Culture Media"), was incorporated on 15 January 2015, which is engaged in the outdoor advertising production and distribution along the Jihe Expressway.

All English names of the entities mentioned in Note 1 represent the best effort by the directors of the Company in translating the Chinese names as they do not have official English names, and are for reference only.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

The financial position of the Group was particularly affected by the initial public offering ("IPO") of the Company's H shares which was completed on 19 July 2018 (Note 25) during the year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap.622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss which were measured at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

		Effective for accounting year beginning on or after
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual Improvements on KFRS 1 and HKAS 28 (Amendments)	Annual Improvement 2014–2016 Cycle	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018

The impact of the adoption of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” and any applicable changes in accounting policies have been disclosed in Note 2.2 below. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

		Effective for accounting year beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Annual Improvements Project (Amendments)	Annual Improvements 2015–2017 Cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group has already commenced an assessment of the impact of the above news standards and amendments to standards, certain of which are relevant to the Group's operation. According to the preliminary assessment made by the Directors, except for the below discussed, no significant impact on the financial performance and positions of the Group is expected when they become effective.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statement of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the impact to the financial performance in the statement of comprehensive income, the operating lease expense will decrease, while depreciation and amortisation and the interest expense will increase. The Group does not intend to adopt before its mandatory effective date.

The Group has no operating lease as lessee, so the impact of the adoption of HKFRS 16 is not expected to have any significant effect on the financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

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

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 9 was generally adopted without restating any comparative information.

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured at amortised cost.

(b) HKFRS 9 Financial Instruments

Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables, and
- debt investments carried at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Debt investments carried at amortised cost

Wealth management products with principal and interests guaranteed and other receivables at amortised cost are considered to be low risk, and therefore the impairment provision is determined as expected credit losses.

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Business combinations (Continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(b) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3.2 Separate financial information

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions. Management has determined the operating segments based on these reports.

All of the Group's operations and assets are located in the PRC. Therefore, the chief operating decision-maker only considers the Group's business from a product perspective, rather from a geographic perspective.

In consideration that the revenue and cost from advertisement services business is immaterial compared to the expressway business, the chief operating decision-maker reviews the performance of the Group as a whole.

Accordingly, the Group has only one single reportable operating segment and no discrete operating segment financial information is available.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and the presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains, net.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Property, plant and equipment (other than construction-in-progress) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, after taking into account an estimated residual value, as follows:

	Estimated useful life
Buildings	20–40 years
Ancillary equipment	5–20 years
Machineries	5–20 years
Motor vehicles	6 years
Office and other equipment	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

2.7 Construction-in-progress

Construction-in-progress represents cost directly associated with the construction of facilities and the preparation of property, plant and equipment for intended use. Construction-in-progress is carried at cost less accumulated impairment losses (if any). Construction-in-progress is transferred to the respective categories of property, plant and equipment when the construction/installation works are completed and the related assets are ready for their intended use. No depreciation is provided for construction-in-progress during the construction/installation stage and upon the completion of the related construction/installation works and the assets are ready for their intended uses, depreciation will commence in accordance with the policies as stated in Note 2.6 above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties

Investment properties, principally comprising buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, the Group chooses the cost method to measure its investment properties. Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of investment properties is calculated using the straight-line method to write off the cost of each investment property over its expected useful life, after taking into account an estimated residual value, as follows:

	Estimated useful life
Investment properties	27–40 years

A transfer should be made from property, plant and equipment to investment properties when owner-occupation ceases. A transfer should be made from investment property to property, plant and equipment at the commencement of owner-occupation.

2.9 Intangible assets

Service concession arrangements

The Group has entered into a contractual service arrangement with local government authorities ("the Grantor") for its participation in the construction, development, financing, operation and maintenance of various toll road infrastructures. Under the arrangement, the Group carries out the construction or upgrade work of the toll road for the Grantor and receives in exchange of a right to operate the toll road concerned and entitlement to the toll collection from users of the toll road services (the "Service Concessions"). The Group recorded the assets under the Service Concessions, including toll road and relevant various infrastructures on it, as "concession intangible assets" on the consolidated statement of financial position, to the extent that it received a right to charge users of the public service.

Concession intangible assets are stated at the construction cost of the toll road and relevant various infrastructures on it less accumulated amortisation and impairment losses.

The amortisation of concession intangible assets is calculated using the straight-line method to allocate cost over the period from the official opening of the toll road to traffic on 28 September 2007 to the concession period end on 25 September 2034.

Where the carrying amount of the concession intangible assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

Service concession arrangements (Continued)

The concession periods are approved by the Grantor therefore the Group does not have renewal or termination option for the concession periods granted. During the concession periods, the Group is required by the respective Service Concessions to maintain the concession intangible assets at specific conditions. At the end of the concession period, the Group is required to return the concession intangible assets to the Grantor. The Group does not have rights to receive any assets at the end of the concession period.

The re-pricing right of the toll road rests with the Grantor.

As part of its obligations under the respective Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll road it manages. Please refer to Note 2.20 for details.

2.10 Impairment of non-financial assets

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

2.11 Financial assets

2.11.1 Classification

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

2.11.2 Recognition and derecognition

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

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

2.11.3 Measurement (Continued)

Equity instruments

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

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

2.11.4 Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.11.5 Accounting policies applied until 31 December 2017

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

Until 31 December 2017, the Group classifies its financial assets in the following categories: loans and receivables. The classification determined on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

2.11.5 Accounting policies applied until 31 December 2017 (Continued)

(i) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date– the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of comprehensive income within "Other gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(ii) Impairment

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

2.11.5 Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment (Continued)

Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2.12 Inventories

Inventories mainly comprise materials and spare parts for the repair and maintenance of toll roads and petrochemical, oil and gas for resale. The inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.13 Trade receivables

Trade receivables are amounts due from Shandong Transport Department or customers for operation of toll roads, and associated service sections. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

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

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

2.17 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 Employee benefits

Short-term obligations

Liabilities for wages and salaries are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

Defined contribution plans

Each company of the Group contributes on a monthly basis to defined contribution plans in the PRC based on a percentage of the relevant employee's monthly salaries. The Group's contributions to defined contributions plans are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods.

2.20 Provisions

As part of its obligations under the respective Service Concessions, the Group assumes responsibility for the maintenance and resurfacing of the toll roads it operates during the concession periods. Provisions for maintenance and resurfacing are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions (Continued)

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, if any, are taken into account as a whole in reaching the best estimate of a provision.

The carrying amount of provisions is reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for toll roads operation, goods supplied, services provided and rental income. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Toll income from toll roads operation

Toll income from toll roads operation is recognised when the vehicles pass the expressway and the Company received the payment or has the right to receive payment.

(b) Sales of goods

The Group operates gasoline stations for selling petrochemical, oil and gas and other products. Petrochemical, oil and gas sales are usually in cash or by rechargeable card. Sales are recognised when petrochemical, oil, gas and other products are delivered to the customers. These activities were discontinued in the year ended 31 December 2017 (Note 23).

(c) Service income

Service income includes advertisement publishing service income which are recognised in the accounting period in which the services are rendered.

(d) Dividend income

Dividend income is recognised when the right to receive payments are established.

(e) Rental income

Operating lease rental income is recognised on a straight-line basis over the lease periods.

(f) Interest income from bank deposits

Interest income from bank deposits is recognised on a time-proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchanges risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

(a) Market risk

(i) Foreign exchange risk

The Group principally operates in the PRC and RMB is the currency of the primary economic environment in which the Group operates. However, upon the initial listing of H shares, proceeds from the IPO are in HKD. The Group has significant foreign currency balance of cash and cash equivalents denominated in HKD. Foreign exchange risk arises from cash and cash equivalents denominated in currencies other than the functional currency of the Group. Analyses of cash and cash equivalents by currencies are disclosed in Note 19.

The Group currently does not have a foreign currency hedging policy and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

As at 31 December 2018, if HKD strengthened/weakened by 10% against RMB with all other variables held constant, the Group's post-tax profit would have been approximately RMB24,622,000 lower/higher which is due to cash and cash equivalents denominated in HKD (2017: nil).

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily in relation to variable-rate bank borrowings which are based on the benchmark interest rate as announced by the People's Bank of China, or deduct an applicable margin. The interest rate and tenure of long-term bank borrowings are disclosed in Note 27. Summarised quantitative data of the Group's interest-bearing financial instruments are set out in Note 3(c) below.

All of the Group's borrowings are long term and floating interest rate facilities and hence expose the Group to cash flow interest rate risk. The Group's policy is to obtain the most favourable rates available to manage interest costs, whilst taking into consideration an increasing or declining interest rate environment.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis for interest rate risk

As at 31 December 2018, if market interest rate is 50 basis points higher with all other variables held constant, the Group's net profit would decrease by approximately RMB1,913,000 (2017: RMB3,094,000). A general decrease of the same percentage in market interest rate would have had the equal but opposite effect on the profit before income tax to the amount shown above, on the basis that all other variables remain constant.

(b) Credit risk

The Group's credit risk mainly arises from receivables. The carrying amounts of trade and other receivables represented the Group's maximum exposure in relation to financial assets.

Toll income from toll roads operations are settled in cash and bank cards, which is partially collected by Shandong Transport Department on behalf of the Group. Since the toll income receivables are expected to be received within three months, the Company's management do not expect any loss from those receivables. Please refer to Note 18 for details.

Except for receivables as mentioned above, the Group does not have any other significant concentration of credit risk exposure associated with a particular single counter party or a particular group of counter parties having similar characteristics.

The carrying amount of financial assets recorded in the financial information, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Note 18 and Note 21.

(c) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Weighted average interest rate	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	After 5 years	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018						
Trade and other payables (exclude non-financial liabilities)	–	73,103	1,298	4,288	21,490	100,179
Borrowings		265,000	175,000	70,000	–	510,000
Interest payments on borrowings	4.38%	18,691	10,179	2,664	–	31,534
		356,794	186,477	76,952	21,490	641,713

	Weighted average interest rate	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	After 5 years	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017						
Trade and other payables (exclude non-financial liabilities)	–	124,494	2,103	6,843	19,367	152,807
Borrowings		285,000	295,000	245,000	–	825,000
Interest payments on borrowings	4.37%	33,261	19,718	12,843	–	65,822
		442,755	316,821	264,686	19,367	1,043,629

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December 2017 and 2018 were as follows:

	As at 31 December	
Group	**2018**	2017
	RMB'000	*RMB'000*
Total borrowings *(Note 27)*	**510,000**	825,000
Less: Cash and cash equivalents *(Note 19)*	**(1,006,860)**	(415,835)
Net debt	**(496,860)**	409,165
Total equity	**3,531,690**	2,476,985
Total capital	**3,034,830**	2,886,150
Gearing ratio	**N/A**	14.18%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The Group applies HKFRS 13 for financial instruments that are measured in the consolidated statement of financial position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

As at 31 December 2018, except for financial assets at fair value through profit or loss, the Group had no financial instruments that are measured at fair value (2017: nil).

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Financial assets at fair value through profit or loss	–	–	100,000	100,000

There were no transfers between levels 1, 2 and 3 during the year (2017: nil).

As at 31 December 2018 and 2017, the carrying amounts of the Group's current assets and current liabilities approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the management of the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Provisions for maintenance obligations

As described in Note 2.9, the Group has contractual obligations under the Service Concessions to maintain the toll road infrastructures to a specified performance of serviceability during the concession periods and at end of the concession periods. These obligations to maintain or restore the infrastructures, except for upgrade services, are to be recognised and measured as a provision.

In determining such provision (Note 30), management has estimated the expected costs to maintain and resurface the infrastructure to a specified performance of serviceability by reference to the evaluation performed by external technicians.

The external technicians based on their factual findings on the physical condition of the toll road infrastructure as at reporting period end, performed their evaluation according to the relevant government or industry specifications as set out in the standards issued by the regulator, to derive the proposed maintenance activities. The management has estimated the relevant maintenance and resurfacing costs accordingly to the proposed maintenance activities, with reference by the management’s maintenance plan and Group's historical costs incurred for similar activities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment. The estimation is based on the historical experience of the actual useful lives.

Management will revise the depreciation charges where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

(c) Estimation of deferred income tax assets and income tax

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. Management revisits the assumptions and profit projections at the end of the reporting period. If the final assumptions and profit were to be different from management's current estimates, the Group would account for the change prospectively.

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the year in which such determination is made.

5 REVENUE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Expressway business	**919,097**	1,041,617
Advertisement business	**2,638**	3,443
	921,735	1,045,060

6 OTHER GAINS – NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net foreign exchange gains	**15,299**	–
Governmental subsidies	**5,000**	–
Compensation income from road damages	**2,910**	1,403
(Losses)/gains on disposals of property, plant and equipment	**(15)**	2,804
Others	**1,079**	1,190
	24,273	5,397

7 EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Depreciation and amortisation	**186,356**	181,158
– *Concession intangible assets (Note 15)*	**175,051**	170,377
– *Property, plant and equipment (Note 13(a))*	**11,043**	10,781
– *Investment properties (Note 14)*	**262**	–
Employee benefit expenses *(Note 8)*	**73,516**	65,272
Maintenance and resurfacing costs and provisions *(Note 30)*	**72,298**	71,686
Listing expenses	**24,611**	5,009
Other tax and surcharges	**7,393**	7,403
Utilities and electricity	**3,337**	2,829
Property services charges	**1,501**	987
Auditors' remuneration	**1,520**	250
– Audit services	**1,220**	250
– Non-audit services	**300**	–
Transportation cost	**1,067**	1,782
Office and conference expenses	**865**	969
Bank charges	**288**	289
Others	**3,838**	3,458
Total cost of sales and administrative expenses	**376,590**	341,092

The cost of sales mainly consists of depreciation and amortisation of concession intangible assets and property, plant and equipment, employee benefit expenses and maintenance and resurfacing costs attributed to the expressway business and other tax and surcharges.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Wages, salaries and bonus	**51,196**	40,142
Social security costs	**9,235**	7,328
Pension costs – defined contribution plans *(Note a)*	**8,370**	7,795
Welfare expenses	**4,715**	10,007
	73,516	65,272

(a) Pension costs – defined contribution plans

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement scheme for its employees in the PRC. The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries and bonus), while the Group contributes 18% of such relevant income, subject to certain ceiling and has no further obligation for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

In addition to the government-sponsored defined contribution pension plans as mentioned above, the Group operates an additional employee pension plan. All the employees are entitled to an additional pension aggregating to 8% of the previous year's salaries. The Group has no further obligation for this additional employee pension plan beyond the contribution made.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

Name	Year ended 31 December 2018 Director's Emoluments *RMB'000*	Wages and salaries *RMB'000*	Bonuses *RMB'000*	Welfare expenses *RMB'000*	Total *RMB'000*
Chairman of the Board					
Mr. Gang Li *(i)*	–	217	320	41	578
Executive director					
Mr. Hui Peng *(ii)*	–	207	320	41	568
Non-Executive directors					
Mr. Dalong Chen *(x)*	–	–	–	–	–
Mr. Shaochen Wang *(iv)*	–	–	–	–	–
Mr. Dengyi Wu *(iv)*	–	–	–	–	–
Mr. Jie Li *(iv)*	–	–	–	–	–
Mr. Long Wang *(iv)*	–	–	–	–	–
Mr. Xiaodong Su *(iii)*	–	–	–	–	–
Mr. Ruizheng Yuan *(xiv)*	–	–	–	–	–
Mr. Haolai Tang *(xiv)*	–	–	–	–	–
Chairman of the Board of Supervisors					
Ms. Xin Meng *(x)*	–	–	–	–	–
Supervisors					
Mr. Ligang Liu *(vi)*	–	–	–	–	–
Mr. Yongfu Wu *(vii)*	–	–	–	–	–
Mr. Dehong Hao *(viii)*	–	106	110	22	238
Ms. Qinghong Hou *(viii)*	–	108	101	21	230
Mr. Shengguo Lian *(ix)*	–	129	110	22	261
Mr. Zhihai Wei *(xii)*	–	55	–	–	55
Ms. Xiaoyun Jiang *(xiii)*	–	55	–	–	55
Mr. Ruzhi Li *(xv)*	–	–	–	–	–
Independent Non-Executive Directors					
Mr. Xuezhan Cheng *(xi)*	–	55	–	–	55
Mr. Hua Li *(xi)*	–	55	–	–	55
Mr. Lingfang Wang *(xi)*	–	55	–	–	55
Mr. Yuxiang Wu *(xi)*	–	–	–	–	–
Mr. Jiale He *(xiv)*	–	–	–	–	–
Total	–	1,042	961	147	2,150

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2017				
Name	Director's Emoluments	Wages and salaries	Bonuses	Welfare expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman of the Board					
Mr. Gang Li *(i)*	–	207	285	42	534
Executive director					
Mr. Hui Peng *(ii)*	–	219	285	42	546
Non-Executive directors					
Mr. Dalong Chen *(x)*	–	–	–	–	–
Mr. Ping Leng *(iii)*	–	–	–	–	–
Mr. Shaochen Wang *(iv)*	–	–	–	–	–
Mr. Dengyi Wu *(iv)*	–	–	–	–	–
Mr. Jie Li *(iv)*	–	–	–	–	–
Mr. Long Wang *(iv)*	–	–	–	–	–
Mr. Xiaodong Su *(iii)*	–	–	–	–	–
Chairman of the Board of Supervisors					
Ms. Xin Meng *(x)*	–	–	–	–	–
Mr. Qinghui Meng *(v)*	–	–	–	–	–
Supervisors					–
Mr. Ligang Liu *(vi)*	–	–	–	–	–
Mr. Yongfu Wu *(vii)*	–	–	–	–	–
Mr. Dehong Hao *(viii)*	–	105	102	23	230
Ms. Qinghong Hou *(viii)*	–	91	85	19	195
Mr. Shengguo Lian *(ix)*	–	107	101	23	231
Total	–	729	858	149	1,736

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' and chief executive's emoluments (Continued)

Name	Year ended 31 December 2018 Social security, housing fund and trade union fee contributed by staff *RMB'000*	Social security and housing fund contributed by Company *RMB'000*	Pension costs – defined contribution plans *RMB'000*	Total *RMB'000*
Chairman of the Board				
Mr. Gang Li *(i)*	63	82	72	217
Executive director				
Mr. Hui Peng *(ii)*	72	82	72	226
Non-Executive directors				
Mr. Dalong Chen *(x)*	–	–	–	–
Mr. Shaochen Wang *(iv)*	–	–	–	–
Mr. Dengyi Wu *(iv)*	–	–	–	–
Mr. Jie Li *(iv)*	–	–	–	–
Mr. Long Wang *(iv)*	–	–	–	–
Mr. Xiaodong Su *(iii)*	–	–	–	–
Mr. Ruizheng Yuan *(xiv)*	–	–	–	–
Mr. Haolai Tang *(xiv)*	–	–	–	–
Chairman of the Board of Supervisors				
Ms. Xin Meng *(x)*	–	–	–	–
Supervisors				
Mr. Ligang Liu *(vi)*	–	–	–	–
Mr. Yongfu Wu *(vii)*	–	–	–	–
Mr. Dehong Hao *(viii)*	47	57	45	149
Ms. Qinghong Hou *(viii)*	43	54	45	142
Mr. Shengguo Lian *(ix)*	49	59	48	156
Mr. Zhihai Wei*(xii)*	–	–	–	–
Ms. Xiaoyun Jiang *(xiii)*	–	–	–	–
Mr. Ruzhi Li *(xv)*	–	–	–	–
Independent Non-Executive Directors				
Mr. Xuezhan Cheng *(xi)*	–	–	–	–
Mr. Hua Li *(xi)*	–	–	–	–
Mr. Lingfang Wang *(xi)*	–	–	–	–
Mr. Yuxiang Wu *(xi)*	–	–	–	–
Mr. Jiale He *(xiv)*	–	–	–	–
Total	274	334	282	890

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2017			
Name	Social security, housing fund and trade union fee contributed by staff	Social security and housing fund contributed by Company	Pension costs – defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chairman of the Board				
Mr. Gang Li *(i)*	55	73	66	194
Executive director				
Mr. Hui Peng *(ii)*	53	73	66	192
Non-Executive directors				
Mr. Dalong Chen *(x)*	–	–	–	–
Mr. Ping Leng *(iii)*	–	–	–	–
Mr. Shaochen Wang *(iv)*	–	–	–	–
Mr. Dengyi Wu *(iv)*	–	–	–	–
Mr. Jie Li *(iv)*	–	–	–	–
Mr. Long Wang *(iv)*	–	–	–	–
Mr. Xiaodong Su *(iii)*	–	–	–	–
Chairman of the Board of Supervisors				
Ms. Xin Meng *(x)*		–	–	–
Mr. Qinghui Meng *(v)*		–	–	–
Supervisors				
Mr. Ligang Liu *(vi)*		–	–	–
Mr. Yongfu Wu *(vii)*		–	–	–
Mr. Dehong Hao *(viii)*	44	55	43	142
Ms. Qinghong Hou *(viii)*	38	47	39	124
Mr. Shengguo Lian *(ix)*	45	55	44	144
Total	235	303	258	796

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Directors' and chief executive's emoluments (Continued)

(i) Mr. Gang Li was appointed as Chairman of the Board, Executive Director of the Company in November 2014.

(ii) Mr. Hui Peng was appointed as Executive Director of the Company in October 2011.

(iii) Mr. Ping Leng and Mr. Xiaodong Su were appointed as Non-Executive Directors of the Company in September 2012. Mr. Ping Leng resigned in November 2017.

(iv) Mr. Shaochen Wang, Mr. Dengyi Wu, Mr. Jie Li and Mr. Long Wang were appointed as Non-Executive Directors of the Company in November 2014.

(v) Mr. Qinghui Meng was appointed as Chairman of the Board of Supervisors of the Company in April 2011 and resigned in November 2017.

(vi) Mr. Ligang Liu was appointed as Shareholder Representative Supervisor of the Company in November 2014.

(vii) Mr. Yongfu Wu was appointed as Shareholder Representative Supervisor of the Company in April 2011.

(viii) Mr. Dehong Hao and Ms. Qinghong Hou were appointed as Employee Supervisor of the Company in April 2011.

(ix) Mr. Shengguo Lian was appointed as Employee Supervisor of the Company in October 2016.

(x) Mr. Dalong Chen was appointed as Executive Director of the Company in December 2017. Ms. Xin Meng was appointed as Chairman of the Board of Supervisors of the Company in December 2017.

(xi) Mr. Xuezhan Cheng, Mr. Hua Li, Mr. Lingfang Wang and Mr. Yuxiang Wu were appointed as Independent Non-executive Directors of the Company in June 2018.

(xii) Mr. Zhihai Wei was appointed as Supervisor of the Company in June 2018 and resigned in December 2018.

(xiii) Ms. Xiaoyun Jiang was appointed as Supervisor of the Company in June 2018.

(xiv) Mr. Jiale He was appointed as Independent Non-executive Director of the Company in December 2018 and Mr. Ruizheng Yuan and Mr. Haolai Tang were appointed as Non-Executive Directors of the Company in December 2018.

(xv) Mr. Ruzhi Li was appointed as Supervisor of the Company in December 2018.

Salary paid to a director is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

Certain directors and supervisors of the Company did not receive emoluments for their services provided to the Group, but they received emoluments from related parties for their services provided to related parties. These directors and supervisors consider the amount of emoluments relating to their services provided to the Group for the year ended 31 December 2018 is minimal (2017: same).

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(c) Directors' retirement benefits and termination benefits

During the year ended 31 December 2018, none of the directors received any retirement benefits or termination benefits (2017: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors at the end of the year or at any time during the year (2017:Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017:Nil).

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 (2017: 2) directors, details of whose emoluments are reflected in the analysis shown in Note 8(b). The emoluments payable to the remaining 3 (2017: 3) individuals during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Wages, salaries and social security cost	**1,011**	914
Pension costs – defined contribution plans	**203**	181
Bonuses	**739**	676
Welfare expenses	**107**	110
	2,060	1,881

The number of highest paid non-director individuals, whose remuneration fell within the following bands:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Emolument bands		
Nil to HKD1,000,000	**3**	3

9 FINANCE COSTS – NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance costs		
Bank borrowings interest expenses	**(32,466)**	(47,428)
Accreted interest on amount due to Qilu Transportation Development Group Company Limited ("Qilu Transportation") *(Note 28)*	**(1,523)**	–
	(33,989)	(47,428)
Finance income		
Interest income on bank deposits	**9,088**	4,596
Finance costs – net	**(24,901)**	(42,832)

10 INCOME TAX EXPENSE

The Group is subject to PRC enterprise income tax, which has been provided at the rate of 25% on the estimated assessable profit for the year.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax	**136,403**	171,386
Overprovision in prior year	**(416)**	–
Deferred income tax *(Note 29)*	**25**	(3,725)
Income tax expense	**136,012**	167,661

10 INCOME TAX EXPENSE (CONTINUED)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of PRC as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax (from continuing operations)	**544,517**	666,533
Tax calculated at the domestic income tax rate applicable	**136,129**	166,633
Expenses not deductible for tax purposes	**299**	1,028
Overprovision in prior year	**(416)**	–
Income tax expense (from continuing operations)	**136,012**	167,661

11 DIVIDENDS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Dividend paid by the Company	**379,209**	282,769

The dividend with the amount of RMB282,769,000 was approved by the Company's shareholders on 15 June 2017. It has been paid in June 2017.

The dividend with the amount of RMB379,209,000 was approved by the Company's shareholders on 5 June 2018. It has been paid in June and July 2018.

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The Company has no dilutive potential shares, therefore the diluted earnings per share is same as the basic earnings per share.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit attributable to owners of the Company		
– Continuing operations	**408,505**	498,872
– Discontinued operations *(Note 23)*	**–**	29,280
	408,505	528,152
Weighted average number of ordinary shares in issue *(thousands)*	**1,726,027**	1,500,000
Basic earnings per share *(expressed in RMB per share)*		
– Continuing operations	**0.24**	0.33
– Discontinued operations *(Note 23)*	**–**	0.02
	0.24	0.35

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Ancillary equipment	Machineries	Motor vehicles	Office and other equipment	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017							
Cost	117,961	73,457	18,806	18,211	26,526	215	255,176
Accumulated depreciation	(29,208)	(26,406)	(10,351)	(14,523)	(16,651)	-	(97,139)
Net book amount	88,753	47,051	8,455	3,688	9,875	215	158,037
Year ended 31 December 2017							
Opening net book amount	88,753	47,051	8,455	3,688	9,875	215	158,037
Additions	115,854	1,703	5,844	–	6,597	–	129,998
Depreciation charge	(2,959)	(4,272)	(1,681)	(1,056)	(2,801)	–	(12,769)
Reorganisation *(Note b)*							
Including:							
– Disposals of assets related to disposed business held by the Company *(Note b)*	(38,142)	(36,489)	–	–	–	–	(74,631)
– Disposals of assets of the disposed subsidiaries *(Note 31(e))*	(16,928)	–	(1,506)	(505)	(3,899)	(215)	(23,053)
Other disposals of property, plant and equipment	(32,753)	(3,738)	(126)	(395)	(1,748)	–	(38,760)
Closing net book amount	113,825	4,255	10,986	1,732	8,024	–	138,822
At 31 December 2017							
Cost	114,593	5,764	19,782	12,169	23,437	–	175,745
Accumulated depreciation	(768)	(1,509)	(8,796)	(10,437)	(15,413)	–	(36,923)
Net book amount	113,825	4,255	10,986	1,732	8,024	–	138,822

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Ancillary equipment	Machineries	Motor vehicles	Office and other equipment	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018							
Opening net book amount	113,825	4,255	10,986	1,732	8,024	–	138,822
Additions	1,781	–	100	–	1,166	–	3,047
Depreciation charge	(4,256)	(917)	(2,571)	(623)	(2,676)	–	(11,043)
Transfer to investment properties *(Note 14)*	(10,794)	–	–	–	–	–	(10,794)
Disposals	–	–	–	(17)	–	–	(17)
Closing net book amount	100,556	3,338	8,515	1,092	6,514	–	120,015
At 31 December 2018							
Cost	105,145	5,764	19,882	11,820	24,582	–	167,193
Accumulated depreciation	(4,589)	(2,426)	(11,367)	(10,728)	(18,068)	–	(47,178)
Net book amount	100,556	3,338	8,515	1,092	6,514	–	120,015

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
– Cost of sales	**3,997**	3,028
– Administrative expenses	**7,046**	7,753
Discontinued operations		
– Cost of sales	**–**	1,351
– Distribution expenses	**–**	499
– Administrative expenses	**–**	138
	11,043	12,769

(b) As part of the reorganisation completed in the year ended 31 December 2017 as set out in Note 23, the Company disposed certain of its property, plant and equipment at a consideration of RMB98,614,000, resulting in a gain of RMB23,983,000. The consideration was received in December 2017.

(c) As at 31 December 2018, property, plant and equipment with carrying amounts of approximately RMB3,338,000 (2017: RMB4,256,000) represented assets from finance lease under the Concession Agreement. The Group has obligation to return those assets to the Grantor at the end of the concession period.

(d) As at 31 December 2018, the aggregate carrying value of the buildings without ownership certificates is approximately RMB33,630,000 (2017: RMB95,766,000). The Group has obligation to return those assets to the Grantor at the end of the concession period.

14 INVESTMENT PROPERTIES

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cost		
At the beginning of the year	**–**	69,137
Transfer in from property, plant and equipment *(Note 13)*	**11,228**	–
Reorganisation *(Note c)*	**–**	(69,137)
At the end of the year	**11,228**	–
Accumulated depreciation		
At the beginning of the year	**–**	(21,898)
Transfer in from property, plant and equipment *(Note 13)*	**(434)**	–
Depreciation charge	**(262)**	(669)
Reorganisation *(Note c)*	**–**	22,567
At the end of the year	**(696)**	–
Net book value		
Cost	**11,228**	–
Accumulated depreciation	**(696)**	–
At the end of the year	**10,532**	–
Fair value at the end of the year	**19,827**	–

14 INVESTMENT PROPERTIES (CONTINUED)

(a) Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Rental income	**53**	4,464
Direct operating expenses from property that generated rental income	**(262)**	(669)
Total	**(209)**	3,795

(b) Depreciation expenses have been charged in "cost of sales" of discontinued operations in 2017 and continuing operations in 2018.

(c) As part of the reorganisation, the Company disposed the investment properties at a consideration of RMB60,309,000, resulting in a gain of RMB13,739,000. The consideration was received in December 2017.

15 INTANGIBLE ASSETS

	Concession intangible assets *RMB'000*	Software *RMB'000*	Total *RMB'000*
At 1 January 2017			
Cost	4,527,737	596	4,528,333
Accumulated amortisation	(1,536,253)	(356)	(1,536,609)
Net book amount	2,991,484	240	2,991,724
Year ended 31 December 2017			
Opening net book amount	2,991,484	240	2,991,724
Additions in connection with arrangement	38,460	200	38,660
Other additions	13,693	–	13,693
Amortisation charge	(170,377)	–	(170,377)
Closing net book amount	2,873,260	440	2,873,700
Cost	4,577,484	796	4,578,280
Accumulated amortisation	(1,704,224)	(356)	(1,704,580)
Net book amount	2,873,260	440	2,873,700
Year ended 31 December 2018			
Opening net book amount	**2,873,260**	**440**	**2,873,700**
Additions	**3,178**	**1,702**	**4,880**
Amortisation charge	**(174,619)**	**(432)**	**(175,051)**
Closing net book amount	**2,701,819**	**1,710**	**2,703,529**
Cost	**4,580,662**	**2,498**	**4,583,160**
Accumulated amortisation	**(1,878,842)**	**(789)**	**(1,879,631)**
Net book amount	**2,701,820**	**1,709**	**2,703,529**

(a) The details of the toll road Jihe Expressway under the Service Concessions is disclosed in Note 1.

(b) During the year ended 31 December 2018, the impact of capitalisation of borrowing costs is immaterial (2017: same).

(c) Amortisation expenses of RMB175,051,000 have been charged to "cost of sales" during the year ended 31 December 2018 (2017: RMB170,377,000).

16 SUBSIDIARIES

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

Name	Place of establishment and kind of legal entity	Principal activities and place of operation	Paid in, issued and fully paid capital	Proportion of equity interest directly held by the Company and the Group		Proportion of equity interest held by non-controlling interests	
				2018	2017	**2018**	2017
			(RMB'000)	***(%)***	*(%)*	***(%)***	*(%)*
Shunguang Culture Media	The PRC, limited liability company	Outdoor advertising production and distribution	8,008	**100%**	100%	**–**	–

17 INVENTORIES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Materials and spare parts for toll roads repair and maintenance	**1,426**	1,553

No provision for inventories has been made during the year ended 31 December 2018 (2017: Nil).

The cost of inventories recognised as expenses and included in cost of sales are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold/consumed		
– Continuing operations	**1,422**	1,806
– Discontinued operations *(Note 23)*	**–**	92,975
	1,422	94,781

18 TRADE RECEIVABLES

Group	As at 31 December 2018 RMB'000	2017 RMB'000
Trade receivables *(Note a)*	**170,468**	181,347

(a) Trade receivables mainly consists of toll road income receivable from Shandong Transport Department for uncollected expressway income as at relevant year end, which is expected to be settled within three months.

(b) As at 31 December 2017 and 2018, the management assessed the risk of collection of the trade receivables, and no material risk was identified. As such, no provision for impairment was made at the end of each reporting period.

Aging analysis of trade receivables at the end of the reporting period are as follows:

Trade receivables	As at 31 December 2018 RMB'000	2017 RMB'000
Within 3 months	**170,468**	181,347

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB.

The maximum exposure to credit risk at the end of each reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

19 CASH AND CASH EQUIVALENTS

	As at 31 December 2018 RMB'000	2017 RMB'000
Bank deposits	**1,006,836**	415,815
– denominated in RMB	**678,544**	415,815
– denominated in HKD	**328,292**	–
Cash on hand	**24**	20
	1,006,860	415,835

All bank deposits are with original maturity within 3 months. The Group earns interest on bank deposits at floating bank deposit rates ranging from 0.01% to 1.85% (2017: 0.35% to 1.43%).

20 PREPAYMENTS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Prepayments for toll road upgrade project	**31,526**	–

21 OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December 2018			As at 31 December 2017		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products with principal and interests guaranteed	**200,000**	**–**	**200,000**	–	–	–
Other receivables and prepayment	**6,811**	**2,000**	**8,811**	22,908	3,422	26,330
	206,811	**2,000**	**208,811**	22,908	3,422	26,330

The financial assets at amortised cost are denominated in RMB. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Structured bank deposits	**100,000**	–

Financial assets at fair value through profit or loss represented RMB denominated structured bank deposits with expected rate of return of 3.9% per annum and with maturity date of 90 days.

23 DISCONTINUED OPERATIONS

Pursuant to the group reorganisation (the "Reorganisation") as set out in the section headed "History, Development and Group Structure" in the Company's prospectus dated 29 June 2018 (the "Prospectus"), the Company disposed (i) its entire equity interests in 山東濟菏高速石化油氣管理有限公司 (Shandong Jihe Expressway Petroleum Management Company Limited) ("Jihe Petroleum") and 山東濟菏高速服務有限公司 (Shandong Jihe Expressway Service Company Limited) ("Jihe Service"), which are principally engaged in the sales of petrochemical, oil and gas, and the provision of service area leasing and management services (the Disposed Business") and (ii) certain property, plant and equipment and investment properties directly attributed to the Disposed Business in April 2017.

Accordingly, the operating result of the Disposed Business was presented as discontinued operations.

(a) The results of the discontinued operations, which have been included in the consolidated statements of comprehensive income, were as follows:

	Year ended 31 December 2017 *RMB'000*
Revenue	112,500
Expenses	(106,653)
Profit before tax of discontinued operations	5,847
Tax on profit	(1,960)
Profit after tax of discontinued operations	3,887
Profit on disposal	43,630
Including:	
– Gain on disposal of the Company's property,plant and equipment before tax *(Note 13 (b))*	23,983
– Gain on disposal of the Company's investment properties before tax *(Note 14 (b))*	13,738
– Gain on disposal of subsidiaries before tax *(Note 31 (e))*	5,909
Income tax on disposal gain	(15,485)
After tax profit recognised on the disposal	28,145
Profit for the year from discontinued operations	32,032
Profit for the year from discontinued operations attributable to:	
– Owners of the Company	29,280
– Non-controlling interests	2,752
	32,032

23 DISCONTINUED OPERATIONS (CONTINUED)

(b) The cash flows of the discontinued operations, which have been included in the consolidated statement of cash flows, were as follows:

	Year ended 31 December 2017 *RMB'000*
Operating cash flows	7,281
Investing cash flows	175,585
Financing cash flows	(109)
Total cash flows	182,757

24 SHARE CAPITAL

The total number of authorised ordinary shares of the Company is 2,000,000,000 shares (2017: 1,500,000,000 shares) with a par value of RMB1.00 per share. As at 31 December 2018, the share capital is shown as follows:.

	Number of shares *(thousands)*	**Share capital** *RMB'000*
As at 1 January and 31 December 2017	1,500,000	1,500,000
Share issued pursuant to the IPO *(Note a)*	500,000	500,000
At 31 December 2018	2,000,000	2,000,000

(a) On 19 July 2018, the Company's shares were listed on HKEX and 500,000,000 H shares with par value of RMB1.00 each at an offer price HK$2.5 per share were issued on that date. Gross proceeds from the IPO amounted to HK$1,250,000,000 (equivalent to RMB1,077,347,000). Share premium (net of share issuance costs) in the amount of RMB525,409,000, was recorded in capital reserves. Immediately after the listing, the Company had a total of 2,000,000,000 issued ordinary shares with a nominal value of RMB1.00 each. All issued shares were fully paid.

25 OTHER RESERVES AND CAPITAL RESERVES

	Other reserves		
	Capital reserves	Statutory reserves *(Note a)*	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2017	361,316	35,650	396,966
Appropriation to statutory reserves	–	54,289	54,289
As at 31 December 2017	361,316	89,939	451,255
Proceeds from H shares issued *(Note b)*	577,347	–	577,347
Capitalisation of share issuance costs *(Note b)*	(51,938)	–	(51,938)
Appropriation to statutory reserves	–	40,863	40,863
As at 31 December 2018	**886,725**	**130,802**	**1,017,527**

(a) In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory reserve can be used to offset previous year's losses, if any, and part of the statutory reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

(b) On 19 July 2018, the Company issued 500,000,000 new H shares with par value of RMB1.00 each at HK$2.5 per share in connection with the IPO of H shares of the Company on HKEX, and raised gross proceeds of approximately HK$1,250,000,000 (equivalent to RMB1,077,347,000). Share premium (net of share issuance costs) in the amount of RMB525,409,000 was recorded in capital reserves.

26 RETAINED EARNINGS

	RMB'000
As at 1 January 2017	334,636
Profit for the year	528,152
Dividends	(282,769)
Appropriation to statutory reserves	(54,289)
As at 31 December 2017	525,730
Profit for the year	**408,505**
Dividends	**(379,209)**
Appropriation to statutory reserves	**(40,863)**
As at 31 December 2018	**514,163**

27 BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Non-current		
– Unsecured	**245,000**	540,000
	245,000	540,000
Current		
– Unsecured	**265,000**	285,000
	265,000	285,000
Total borrowings	**510,000**	825,000

27 BORROWINGS (CONTINUED)

(a) At 31 December 2017 and 2018, the Group's borrowings were repayable as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**265,000**	285,000
Between 1 and 2 years	**175,000**	295,000
Between 2 and 5 years	**70,000**	245,000
	510,000	825,000

(b) All the borrowings were denominated in RMB.

(c) The weighted average effective interest rates were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest rates	**4.37%**	4.37%

(d) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
6 months or less	**10,000**	40,000
6 to 12 months	**500,000**	785,000
	510,000	825,000

27 BORROWINGS (CONTINUED)

(e) The fair value of current borrowings equal their carrying amount as the discounting impact is not significant. The fair value of non-current borrowings are estimated based on discounted cash flow using the prevailing market interest rates available to the Group for financial instruments with substantially the same terms and characteristics at the respective reporting period ends. The fair value of non-current borrowings approximated to their carrying amounts.

28 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables *(Note a)*	**21,458**	32,849
Listing expense payables	**32,246**	1,167
Amount due to Qilu Transportation	**29,836**	91,383
Staff salaries and welfare	**23,333**	22,338
Payables for purchases of long-term assets	**12,003**	20,815
Advance from customers	**9,276**	8,132
Tax payables	**3,418**	3,082
Retention payables and deposit received	**2,629**	2,185
Other payables and accruals	**2,007**	4,408
	136,206	186,359
Less: non-current portion	**(27,076)**	(28,313)
Current portion	**109,130**	158,046

28 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Aging analysis of trade payables at the respective reporting period ends are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**21,458**	32,849

29 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax related to the same tax authority.

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deferred income tax assets		
– to be settled within 12 months	**–**	299
Deferred income tax liabilities		
– to be settled after more than 12 months	**(30,883)**	(31,157)
Deferred income tax liabilities – net	**(30,883)**	(30,858)

29 DEFERRED INCOME TAX (CONTINUED)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At 1 January	**(30,858)**	(33,820)
(Charged)/credited to profit or loss	**(25)**	2,962
Continuing operations (Note 10)	**(25)**	3,725
Discontinued operations (Note 23)	**–**	(763)
At 31 December	**(30,883)**	(30,858)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Provisions for maintenance/ resurfacing obligations	Amortisation of national inspection maintenance fees *(Note a)*	Accrued expenses	Bad debt provisions	Unrealised profit of inter-company transaction	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2017	16,036	6,800	821	99	357	–	24,113
Credited/(charged) to the profit or loss	8,271	(6,800)	(583)	70	(357)	299	900
As at 31 December 2017	24,307	–	238	169	–	299	25,013
Credited/(charged) to the profit or loss	4,065	–	(1)	(94)	–	(299)	3,671
As at 31 December 2018	**28,372**	**–**	**237**	**75**	**–**	**–**	**28,684**

29 DEFERRED INCOME TAX (CONTINUED)

(a) In 2015, the Company incurred maintenance costs amounted to approximately RMB81,602,000 for National Expressway Maintenance and Management Inspection. Under the requirement of the tax authority, the respective maintenance costs should be deducted for tax purpose equally for the years ended 31 December 2015, 2016 and 2017.

Deferred income tax liabilities	Concession intangible assets amortisation differences between accounting and tax regulations	Property, plant and equipment depreciation differences between accounting and tax regulations	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2017	(55,336)	(2,597)	(57,933)
(Charged)/credited to the profit or loss	(255)	2,317	2,062
As at 31 December 2017	(55,591)	(280)	(55,871)
(Charged)/credited to the profit or loss	(3,909)	213	(3,696)
As at 31 December 2018	**(59,500)**	**(67)**	**(59,567)**

30 PROVISIONS – MAINTENANCE AND RESURFACING OBLIGATIONS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**97,230**	64,145
Addition of provision	**72,298**	71,686
Utilisation of provision	**(56,038)**	(38,601)
At the end of the year	**113,490**	97,230

31 CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax for the year	**544,517**	716,010
Including:		
Profit before tax of continuing operations	**544,517**	666,533
Profit before tax of discontinued operations (Note 23 (a))	**–**	5,847
Profit before tax on disposal of discontinued operations (Note 23 (a))	**–**	43,630
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 13)*	**11,043**	12,769
– Depreciation of investment properties *(Note 14)*	**262**	669
– Amortisation of intangible assets *(Note 15)*	**175,051**	170,377
– Losses/(gains) on disposals of property, plant and equipment and investment property *(Note b)*	**15**	(40,525)
– Continuing operations	**15**	(2,804)
– Discontinued operations (Note 23)	**–**	(37,721)
– Interest expenses *(Note 9)*	**33,989**	47,428
– Interest income	**(9,088)**	(4,673)
– Continuing operations (Note 9)	**(9,088)**	(4,596)
– Discontinued operations (Note 23)	**–**	(77)
– Gain on disposal of subsidiaries *(Note e)*	**–**	(5,909)
– Fair value gains on financial assets at fair value through profit or loss	**(146)**	–
– Interest income on wealth management products	**(260)**	–
– Net exchange differences	**(15,299)**	–
Changes in working capital:		
– Inventories	**127**	(10,255)
– Trade and other receivables	**14,726**	(19,327)
– Trade and other payables	**13,794**	(24,005)
– Changes in provisions for maintenance and resurfacing obligations *(Note 30)*	**16,260**	33,085
Cash generated from operations	**784,991**	875,644

31 CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) In the consolidated statements of cash flows, proceeds from sale of property, plant, equipment, investment properties and non-current assets held for sale, comprise:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Consideration	**2**	283,111
Less:		
Net book amount	**(17)**	(229,078)
– *property, plant, equipment (Note 13)*	**(17)**	(113,391)
– *investment properties (Note 14)*	**–**	(46,570)
– *non-current assets held for sale*	**–**	(69,117)
Disposal expenses	**–**	(13,508)
(Losses)/gains on disposals of property, plant and equipment and investment property	**(15)**	40,525
– *Continuing operations (Note 6)*	**(15)**	2,804
– *Discontinued operations*	**–**	37,721

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Consideration	**2**	283,111
Less:		
Non-cash settlement of disposal of property, plant and equipment and non-current assets held for sale	**–**	(107,083)
Cash proceeds from sale of property, plant and equipment and investment properties	**2**	176,028

31 CASH GENERATED FROM OPERATIONS (CONTINUED)

(c) Non-cash transactions:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Non-cash settlement of goods purchase and sales *(i)*	–	58,185
Non-cash settlement of disposal of property, plant and equipment and non-current assets held for sale *(ii)*	–	107,083
	–	165,268

(i) Jihe Petroleum purchased gasoline from Sinopec Marketing Co., Ltd. ("Sinopec Marketing") resulting in trade payables to Sinopec Marketing. Certain customers use prepaid cards issued by Sinopec Marketing to make purchases from the gas stations operated by Jihe Petroleum resulting in receivables from Sinopec Marketing. Cash settlements were made only on the net balances of these payables to and receivables from Sinopec Marketing.

(ii) In April 2017, the Company acquired an office building at a consideration of RMB71,230,000. The purchase consideration has been settled by the exchange of a previous owned office building together with equipment installed thereon at a carrying value of RMB69,117,000. The consideration of the aforesaid exchange of assets were determined by valuations made by an independence appraiser.

In the same month, the Company disposed of certain buildings with carrying value of RMB32,753,000 at an aggregated consideration of RMB35,853,000 and settled by note receivable. Subsequently, this note receivable was endorsed to another party for the acquisition of other buildings during the year ended 31 December 2017.

31 CASH GENERATED FROM OPERATIONS (CONTINUED)

(d) Reconciliation of liabilities from financing activities:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Borrowings – repayable within one year	**(265,000)**	(285,000)
Borrowings – repayable after one year	**(245,000)**	(540,000)
Liabilities from financing activities	**(510,000)**	(825,000)
Borrowings – variable interest rates	**(510,000)**	(825,000)
Liabilities from financing activities	**(510,000)**	(825,000)

	Borrowings due within 1 year	**Borrowings due after 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Liabilities from financing activities as at 1 January 2017	(375,000)	(925,000)	(1,300,000)
Cash flows	375,000	100,000	475,000
Reclassification	(285,000)	285,000	–
Liabilities from financing activities as at 31 December 2017	(285,000)	(540,000)	(825,000)
Cash flows	285,000	30,000	315,000
Reclassification	(265,000)	265,000	–
Liabilities from financing activities as at 31 December 2018	**(265,000)**	**(245,000)**	**(510,000)**

31 CASH GENERATED FROM OPERATIONS (CONTINUED)

(e) Disposal of subsidiaries:

As detailed in Note 23, the Group disposed two subsidiaries in April 2017 which were part of discontinued operations. The details of the disposal of the subsidiaries were as follows:

	Year ended 31 December 2017 *RMB'000*
Consideration received or receivable:	
Cash	42,587
Total disposal consideration	42,587
Carrying amount of:	
Current assets	67,779
Property, plant and equipment	23,053
Other non-current assets	437
Total assets	91,269
Current liabilities	(26,503)
Non-current liabilities	–
Total liabilities	(26,503)
Less: net assets held by non-controlling interests	(28,088)
Carrying amount of net assets sold	(36,678)
Gain on disposal of subsidiaries before income tax *(Note 23(b))*	5,909

	Year ended 31 December 2017 *RMB'000*
Disposed cash of subsidiaries	(45,960)
Cash received	42,587
Disposal of subsidiaries, net of cash disposed	(3,373)

31 CASH GENERATED FROM OPERATIONS (CONTINUED)

(f) Proceeds from other investing activities:

To facilitate the procurement of legal title of land use rights of Jihe Expressway and certain buildings located thereon by Qilu Transportation, the Company transferred the related buildings to Qilu Transportation (''Transfers'') at a consideration of RMB52,724,000 in April 2017:

	Year ended 31 December 2017 RMB'000
Consideration received from the Transfers	52,724

32 COMMITMENTS

(a) Capital commitments

The capital expenditure contracted for as at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December	
	2018 *RMB'000*	2017 *RMB'000*
Upgrade project of the Jihe Expressway	**76,997**	–

(b) Contingencies

As at the end of 31 December 2017 and 2018, the Group did not have any significant contingent liabilities.

(c) Operating lease commitments – as lessor

The Group leases out telecommunication cable pipes under non-cancellable operating lease for terms of 1 to 15 years. The future aggregate minimum lease receipts under the non-cancellable operating leases are as follows:

	As at 31 December	
	2018 *RMB'000*	2017 *RMB'000*
No later than 1 year	**902**	620
Later than 1 year and no later than 5 years	**3,145**	2,480
Later than 5 years	**5,361**	4,749
	9,408	7,849

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

The shareholders of the Company are Qilu Transportation, COSCO SHIPPING (Hong Kong) Co., Limited (中遠海運(香港)有限公司) and 神華國能山東建設集團有限公司 (Shenhua National Power Shandong Construction Group Limited, formerly known as 國網能源山東建設集團有限公司 (Guowang Resources Shandong Construction Group Limited)), after the IPO of the Company's H shares, which held approximately of 38.93%, 30.00% and 6.08% of the equity interests in the Company, respectively. The Group is a state-owned enterprise controlled by the PRC Government.

The Company's parent company, Qilu Transportation is a state-owned enterprise controlled by the PRC government. In accordance with HKAS 24 (Revised) "Related Party Disclosures", government related entities (e.g. state-owned enterprises) and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are also defined as related parties of the Group. A portion of the Group's business activities is conducted with other government related entities in the PRC (primarily with respect to sales of finished products, purchase of finished products and maintenance services and transactions with state-owned banks). The Group believes that these transactions are carried out on terms that are similarly and consistently applied to all other customers or suppliers.

For the purpose of related party transaction disclosure, the Group has identified, to the extent practicable, its customers and suppliers as to whether they are government related entities. The Company's directors believe that it is meaningful to disclose any significant related party transactions with these government related entities for the interest of the financial statement users, although these transactions are exempted from the disclosure requirements as set out in the HKAS 24 (Revised).The Company's directors believe that these information in respect of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties:

(a) Information of related parties

	Relationship with the Group
Qilu Transportation	Shareholder of the Company
Shandong Transport Department	Parent office of Shandong Highway Bureau
Shandong Provincial Communications Planning and Design Institute	Subsidiary of Qilu Transportation
Shandong Qilu Guang Qi Transportation Technology Co., Ltd.	Subsidiary of Qilu Transportation
Sinopec Marketing	Non-controlling interest of a subsidiary

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

Continuing operations	Year ended 31 December 2018 RMB'000	2017 RMB'000
Design expenses:		
– Shandong Provincial Communications Planning and Design Institute	**364**	476
Maintenance services:		
– Shandong Qilu Guang Qi Transportation Technology Co., Ltd.	**912**	–

Discontinued operations	Year ended 31 December 2018 RMB'000	2017 RMB'000
Purchase of goods:		
– Sinopec Marketing	**–**	93,531
Rental fees:		
– Sinopec Marketing	**–**	170
Gas fee income received on behalf of the Group:		
– Sinopec Marketing	**–**	57,280

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

	As at 31 December	
Continuing operations	**2018**	2017
	RMB'000	*RMB'000*
Trade and other receivables		
Trade receivables:		
– Shandong Transport Department	**169,700**	180,694
Other receivables:		
– Qilu Transportation	**47**	–
	169,747	180,694
Trade and other payables		
Trade payables:		
– Shandong Qilu Guang Qi Transportation Technology Co., Ltd.	**912**	–
– Shandong Provincial Communications Planning and Design Institute	**–**	476
Other payables:		
– Qilu Transportation *(i)*	**29,836**	91,383
	30,748	91,859

(i) The Company entered into a land use right lease agreement and a property lease agreement (the "Lease Agreements") with Qilu Transportation in December 2017. Management considered the lease cost under the Lease Agreements are components directly attributable to the concession arrangement which were not anticipated at the time of inception of the Concession Agreement, but were triggered by the change of legal holders of the underlying assets of the Concession Agreement. Accordingly, the present value of the discounted net cash flows is recognised as an addition to the concession intangible assets with a corresponding payable due to Qilu Transportation. Pursuant the Lease Agreements, the annual payments are RMB2.31 million and RMB0.45 million for the relevant land use right and property respectively, which shall be paid by the Company before 31 March of each of the years from 2018 to 2034.

The amount of RMB2.31 million and RMB0.45 million under the Lease Agreements for the year ended 31 December 2018 have been paid in March 2018.

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) During the year ended 31 December 2018, the Group's significant transactions with Jinan Jinyue Expressway Project Limited Company ("濟南金日公路工程有限公司", a state-controlled entity) primarily include project payments of approximately RMB19,446,000 (2017: RMB17,947,000).

Save as disclosed in this report, the transactions with other state-owned enterprises are individually and collectively immaterial to the Group.

In addition, during the year ended 31 December 2018, the Group's bank balance and borrowings are deposited/arranged with state-owned banks of approximately RMB934,815,000 and RMB250,000,000 respectively (2017: approximately RMB143,322,000 and RMB330,000,000).

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Investments in subsidiaries		**8,008**	8,008
Property, plant and equipment		**116,675**	134,530
Investment properties		**10,532**	–
Intangible assets		**2,703,529**	2,873,700
Other receivables		**2,000**	3,422
Prepayments		**31,526**	–
Total non-current assets		**2,872,270**	3,019,660
Current assets			
Inventories		**1,426**	1,553
Trade receivables		**169,700**	180,694
Cash and cash equivalents		**1,002,305**	412,111
Other financial assets at amortised cost		**200,000**	–
Other receivables		**6,789**	22,839
Amount due from a subsidiary		**379**	–
Financial assets at fair value through profit or loss		**100,000**	–
Total current assets		**1,480,599**	617,197
Total assets		**4,352,869**	3,636,857

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

		As at 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings		**245,000**	540,000
Other payables		**27,076**	28,313
Deferred income tax liabilities		**30,883**	31,157
Total non-current liabilities		**302,959**	599,470
Current liabilities			
Trade and other payables		**107,660**	156,069
Current income tax liabilities		**30,997**	21,155
Borrowings		**265,000**	285,000
Provisions		**113,490**	97,230
Total current liabilities		**517,147**	559,454
Total liabilities		**820,106**	1,158,924
Net assets		**3,532,763**	2,477,933
Equity			
Share capital		**2,000,000**	1,500,000
Capital reserves	(a)	**886,725**	361,316
Other reserves	(a)	**130,802**	89,939
Retained earnings	(a)	**515,236**	526,678
Total equity		**3,532,763**	2,477,933

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2019 and was signed on its behalf:

Li Gang **Peng Hui**

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Capital reserves *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*
At 1 January 2017	361,316	35,650	320,850
Profit for the year	–	–	542,886
Appropriation to statutory reserves	–	54,289	(54,289)
Dividends	–	–	(282,769)
At 31 December 2017	361,316	89,939	526,678
At 1 January 2018	**361,316**	**89,939**	**526,678**
Profit for the year	**–**	**–**	**408,630**
Proceeds from H shares issued	**577,347**	**–**	**577,347**
Capitalisation of share issuance costs	**(51,938)**	**–**	**(51,938)**
Appropriation to statutory reserves	**–**	**40,863**	**(40,863)**
Dividends	**–**	**–**	**(379,209)**
At 31 December 2018	**886,725**	**130,802**	**515,236**

35 EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events take place after the reporting period end.